

# **A conceptual framework to measure brand loyalty**

by

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## **ABSTRACT**

Since the emergence of branding as an approach to marketing, the concept has been received with a great deal of interest and has stimulated ever increasing research in the area. Businesses have realized the importance of retaining existing customers and have begun to identify and apply ways to build long-term relationships with customers. These relationships with customers require an understanding of customer needs, business requirements and the influences that create a long-term relation which is more commonly known as brand loyalty. Several research studies including this one present the results of brand loyalty research in the form of a conceptual framework. From an academic viewpoint, the identification and application of all the relevant influences are essential in the construction of a framework that can guide the promotion of brand loyalty.

The aim of this study was to identify the influences that are most important in creating and measuring brand loyalty in the fast moving consumer goods (FMCG) sector. The study builds a conceptual framework using the identified influences and also presents the interrelationships between the influences. The primary theoretical background and concepts in brand loyalty for this study ranged from the history of branding to the results of brand loyalty studies conducted over the past five years. The extensive review of literature and previously tested brand loyalty models resulted in the identification of 12 influences that impact directly on brand loyalty. Reducing the identified set of influences into a manageable set for this thesis involved selecting the most commonly used reliable and valid brand loyalty influences.

The empirical study which followed was conducted among a sample of 550 customers who had access to a wide range of FMCG. The empirical study based on the selected 12 brand loyalty influences yielded results that measured the strength of each influence and the interrelationship of influences. The results were analysed by the process of factor analysis, and were presented in the form of a conceptual framework that could be applied in the FMCG segment to measure the strength of brand loyalty influences and determine if the same influences apply to all FMCG.

The results of the study confirmed that different influences have different effects on brand loyalty in the FMCG segment. The study revealed that the psychological influences such as brand commitment, brand affect, perceived value and relationship proneness had a far stronger effect on brand loyalty than the brand performance influences such as customer satisfaction or brand performance. Furthermore, the study found an extremely close relationship between influences as far as the specific products were concerned. This study confirmed that FMCG could all be treated as a single entity when evaluating the influences of brand loyalty.

The uniqueness and value of the study lies in the evaluation of each brand loyalty influence that is collectively assembled in one framework. The most important contribution of the study is therefore the construction of this conceptual framework through which brand loyalty could be measured and strategically managed.

**Keywords:** Brand loyalty; Brand equity; Conceptual framework; Brand influences; Behavioural models; Attitudinal models; Composite models; Fast moving consumer goods.

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## LIST OF ABBREVIATIONS

|         |   |   |
|---------|---|---|
| AMA     | - | American Marketing Association              |
| AMOS    | - | Analysis of Moment Structures               |
| AdSAM   | - | Attitude Self-Assessment Manikin            |
| CFA     | - | Confirmatory Factor Analysis                |
| CFI     | - | Comparative Fit Index                       |
| EFA     | - | Exploratory Factor Analysis                 |
| FMCG    | - | Fast Moving Consumer Goods                  |
| KMO     | - | Kaiser-Meyer-Olkin measure of sampling      |
| LISREL  | - | Linear structural relations                 |
| MANCOSA | - | Management College of Southern Africa       |
| MBA     | - | Master of Business Administration           |
| NWU     | - | North-West University                       |
| RBS     | - | Regent Business School                      |
| RMSEA   | - | Root Mean Square Error of Approximation     |
| ROI     | - | Return on investment                        |
| SAS     | - | Statistics analytical system                |
| SEM     | - | Structural Equation Modelling               |
| SPSS    | - | Statistical Package for the Social Sciences |
| STP     | - | Segmentation, Targeting and Positioning     |
| UKZN    | - | University of KwaZulu-Natal                 |

# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

The financial success of a business often depends on its marketing ability. Marketing has thus emerged as a core function to business and is a process that involves the anticipation and satisfaction of customer needs where there is mutual benefit. Kotler and Keller (2006:35) maintain that a key ingredient to the marketing process is insightful, creative marketing strategies and plans that guide marketing activities. Developing the right marketing strategy over time often requires a blend of discipline, flexibility and innovation that firms need to abide by in order to gain a competitive advantage. To outperform the competition requires solid marketing knowledge and precision in marketing decision-making. An organisation's positioning and the positioning of its products and services depend on the formulation and implementation of an intelligent and aggressive marketing strategy which needs to be aligned to the overall business strategy.

Over the years the marketing environment has continuously evolved. These significant changes have resulted in a renewed effort by marketing academics and practitioners to understand and serve the needs and wants of consumers. These renewed efforts have resulted in the development of several orientations to marketing, such as the production, product, selling, marketing and societal marketing orientations (Kotler, 2003:17).

The abovementioned renewed efforts have further resulted in a marketplace that is becoming simultaneously more competitive, more specialised, more globalised, and more technology driven. To succeed in today's challenging environment, successful marketing requires – now more than ever – a balance between creativity and knowledge (Lamb, Hair, McDaniel, Boschoff & Terblanche, 2008:211). Branding has emerged as a more recent orientation that provides marketers with that balance of creativity and knowledge.

Branding has surfaced as a primary tool used to distinguish a company's products from the competition's products. Branding, according to Lamb *et al.* (2008:214) has three main purposes: product identification, repeat sales (loyalty) and enhancing new products. Firms in the last decade have recognised the importance of branding on these three levels and have discovered the benefits of retaining customers rather than seeking new ones. Firms have recognised the importance of brand loyalty.

The concept of brand loyalty first appeared as a uni-dimensional construct. Two separate loyalty concepts then evolved, one to measure attitude and one to measure behaviour in the 1950s. The bi-dimensional construct or composite model presented by Jacoby and Chestnut in 1971 combined both the attitudinal and behavioural construct signalling the beginning of much interest in brand loyalty research (Rundle-Thiele, 2005:494). Using the composite model as a base, several models have emerged since offering new dimensions and influences in various industries. Most notable was the model offered by Dick and Basu (1994:111) which identified the need to define the different manifestations of composite loyalty as separate dimensions. The concept *brand loyalty* became one of the most researched topics within the field of services marketing from the 1990s onwards. With the increased interest in a more relational approach to marketing, the focus was now on building long-term relationships with customers. This approach was in contrast with the traditional view of transactional marketing, where the emphasis was on single transactions (Rao & Perry, 2002:602). This new approach to marketing was met with enthusiasm, and represented, according to Scott (2006:39), "*a fundamental reshaping of the field*". It became quickly apparent that retaining a customer was far cheaper and convenient than creating a new one.

Since 2001, brand loyalty has risen in spite of the continuous entry of new products entering the market. This phenomenon can be accredited to the consumer becoming aware of the advantages of well known brands, like the benefit of saving time searching for products (Daye & Van Auken, 2009:1). Aaker (1991:47) claims that the most important effects of brand loyalty are: reduced marketing costs, trade leverage, the attraction of new customers through created brand awareness and reassurance to new customers, as well as the gained time to respond to threats by the competition.

Brand loyalty is built over time through a collection of positive experiences that requires consistent effort and attention to detail. Loyal customers are repeat customers who choose a brand or company without even considering other options. They buy more, and they buy more regularly, and they frequently recommend the brand to others (Manternach, 2010:28). Aaker (1996:136) conceives that brand loyalty reflects the probability that a customer will switch to another brand, especially when that brand makes a change in its marketing mix.

Aaker (1991:43) has formerly noted that different methods of measuring brand loyalty exist that are based upon the actual purchasing behaviour of the consumer or upon the loyalty constructs or influences of switching costs, satisfaction and commitment. If brand loyalty is properly managed, it represents a strategic asset for the company and can be used in several ways to provide a certain value for the company (Aaker, 1991:43). The challenge, however, lies in ascertaining the actual brand loyalty value of a product or service.

Based on Aaker's theory, measuring brand loyalty cannot be accomplished without considering the constructs or influences that have a direct bearing on it. Influences affect brand loyalty in several ways. Some influences work together to achieve loyalty while others could work independently. The nature of this relationship of the influences, according to Radford (2008:38) is unclear which explains why there is widespread activity in brand loyalty research amongst marketers.

Similarly, Lagace (2008:1) states that marketing managers must identify the influences of connection that are most relevant or could be made more relevant to consumers. For example, managers need to consider whether a product offers connection to, or disconnection from, others or oneself. And they must decide whether a connection is physical, social, or mental. Once these levels of connection are understood, marketing managers can better show how a product or service attends to the consumer's basic human needs.

This study, therefore, focuses on devising a framework to identify, measure and compare the influences that lead to brand loyalty in the fast moving consumer goods (FMCG) segment. This chapter outlines the nature, structure and objectives of the thesis. It presents the problem statement and outlines the methodology.

## 1.2 PROBLEM STATEMENT

The emergence of brand loyalty has led to a growing interest in the way in which branding is managed. This led to several studies investigating the influences of brand loyalty in various segments (Chaudhuri & Holbrook, 2001; Giddens, 2001; Uncles, Dowling & Hammond, 2003; Schijns, 2003; Musa, 2005; Punniyamoorthy & Raj, 2007; Maritz, 2007).

While a review of the marketing literature reveals worldwide brand loyalty research in various sectors such as healthcare, fashion, publishing and other fields, there is little evidence of brand loyalty research strictly in the FMCG sector. There is even less research in identifying and ranking brand loyalty influences in the FMCG sector. Brand loyalty, according to Knox and Walker (2001:113), can only be managed once the influences have been comprehensively researched and identified.

Secondly, as far as it could be ascertained, no theoretical or empirical study has been conducted to determine the similarities of brand loyalty influences across multiple FMCG products. Ascertaining whether FMCG products can be treated as a single entity for brand management purposes can be an extremely valuable finding for marketers and brand managers.

Finally, an existing framework to test brand loyalty influences for FMCG products could not be identified. The need to conceptualise one is required so that additional research can be conducted and marketers and brand managers could formulate their marketing or branding strategy using the most powerful influences proven through research.

Marketers must now, more than ever before, understand their customers in order to satisfy their needs (Solomon, 2003:181). It is against this background that the present study aims to comprehensively identify the most important brand loyalty influences in the FMCG sector, compare the results of the influences across multiple products and contribute to the formulation of a conceptual framework through which brand loyalty in the FMCG sector can be managed.

### **1.3 OBJECTIVES OF THE STUDY**

The primary objective of this study was to present a conceptual framework through which the primary influences of brand loyalty in the FMCG segment can be represented.

To address this primary objective the following secondary objectives were formulated, namely to:

- Identify by means of a literature review the influences and dimensions of brand loyalty;
- Assess the importance and relevance of each of the identified influences to products in the South African FMCG sector;
- Consider by means of a literature review all the influences used in previous brand loyalty studies and reduce them to those that received most support from researchers;
- Assess the similarities of brand loyalty influences across multiple FMCG products; and to
- Examine the hypothesised linear relationship between attitudinal loyalty and behavioural loyalty constructs and implicitly formulate a framework that presents the most powerful brand loyalty influences in the FMCG sector.

### **1.4 DEFINITIONS**

The following definitions were used as key concepts of this study:

#### **1.4.1 Brand loyalty**

Brand loyalty refers to the extent of faithfulness of consumers to a particular brand. Brand loyalty is most commonly expressed through repeat purchases, irrespective of marketing pressure generated by competing brands.

### **1.4.2 Brand loyalists**

At the core of every successful brand is a nucleus of loyal customers. These "true believers" understand the brand better, purchase more often and recommend the brand to others. They are referred to as brand loyalists.

### **1.4.3 Brand equity**

Brand equity refers to the marketing effects or outcomes that accrue to a product with its brand name compared to those that would accrue if the same product did not have the brand name. Brand equity is driven by consumer knowledge.

### **1.4.4 Composite brand loyalty framework**

The composite brand loyalty model combined attitudinal loyalty and behavioural loyalty as suggested by Day (1969:33) and supported by Jacoby and Chestnut (Jacoby, 1971:26). In this thesis, both attitudinal and behavioural factors were considered for the construction of the conceptual composite brand loyalty framework.

### **1.4.5 Fast moving consumer goods (FMCG)**

Fast moving consumer goods (FMCG) refer to those retail goods that are generally replaced or fully used up over a short period of days, weeks, or months, and within one year (Smith 2010:1). FMCG have a short shelf life, either as a result of high consumer demand or because the product deteriorates rapidly. FMCG are goods of daily use bought by retail consumers, like toothpaste, soaps and detergents, deodorants, and more.

#### **1.4.6 Brand loyalty influences**

Brand loyalty can only be managed once the factors contributing to such a phenomenon are identified. Marketing literature appears to use a number of concepts to describe such factors, such as *antecedents, dimensions, determinants, instruments, consequences, driving forces, descriptors* and *factors*. For the purposes of clarity and uniformity, all the aforementioned concepts will be termed *influences* and this term will be used throughout this study.

### **1.5 METHODOLOGY**

The detailed discussion of the research methodology employed in this study appears in Chapter 4. As such, an overview of the methodology employed is given below.

#### **1.5.1 Sources of information**

The primary and secondary sources consulted are dealt with in the paragraphs that follow.

##### **1.5.1.1 Primary sources**

In total, 28 brand loyalty influences were identified through the literature review and the examination of existing brand loyalty models. In order to get a more parsimonious set of variables without losing the ability to measure the construct of interest as well as the restrictions imposed by the statistical techniques used during the analysis of the data, the initial set of influences identified were reduced to 12. This conforms to the recommendations of Theron (2008:9) who also includes reasons such as respondent fatigue and research manageability as reasons for reducing dimensions. The process of elimination involved exploring previously tested brand loyalty studies to determine those influences that received overwhelming support.

This reduction was achieved by means of an evaluation of influences prominent in other brand loyalty studies. The 12 influences most supported by literature and most frequently used in other brand loyalty research studies were retained to construct the conceptual framework, which was assessed during the empirical phase of this study. The conceptual framework was empirically tested among specific consumers in the South African FMCG industry.

### 1.5.1.2 Secondary sources

A comprehensive review of the marketing literature was conducted in an effort to identify the influences associated with brand loyalty in the FMCG sector. The analysis of secondary sources concentrated on text books, journal publications, conference papers, articles, theses and working papers. The starting point for this analysis was an examination of the electronic and other databases of the Management College of Southern Africa (MANCOSA) and the North-West University. Once this was completed, the focus shifted to a search of national and international databases, and included the Ebscohost, Emerald, ScienceDirect, SABINET and ABI/FORM databases.

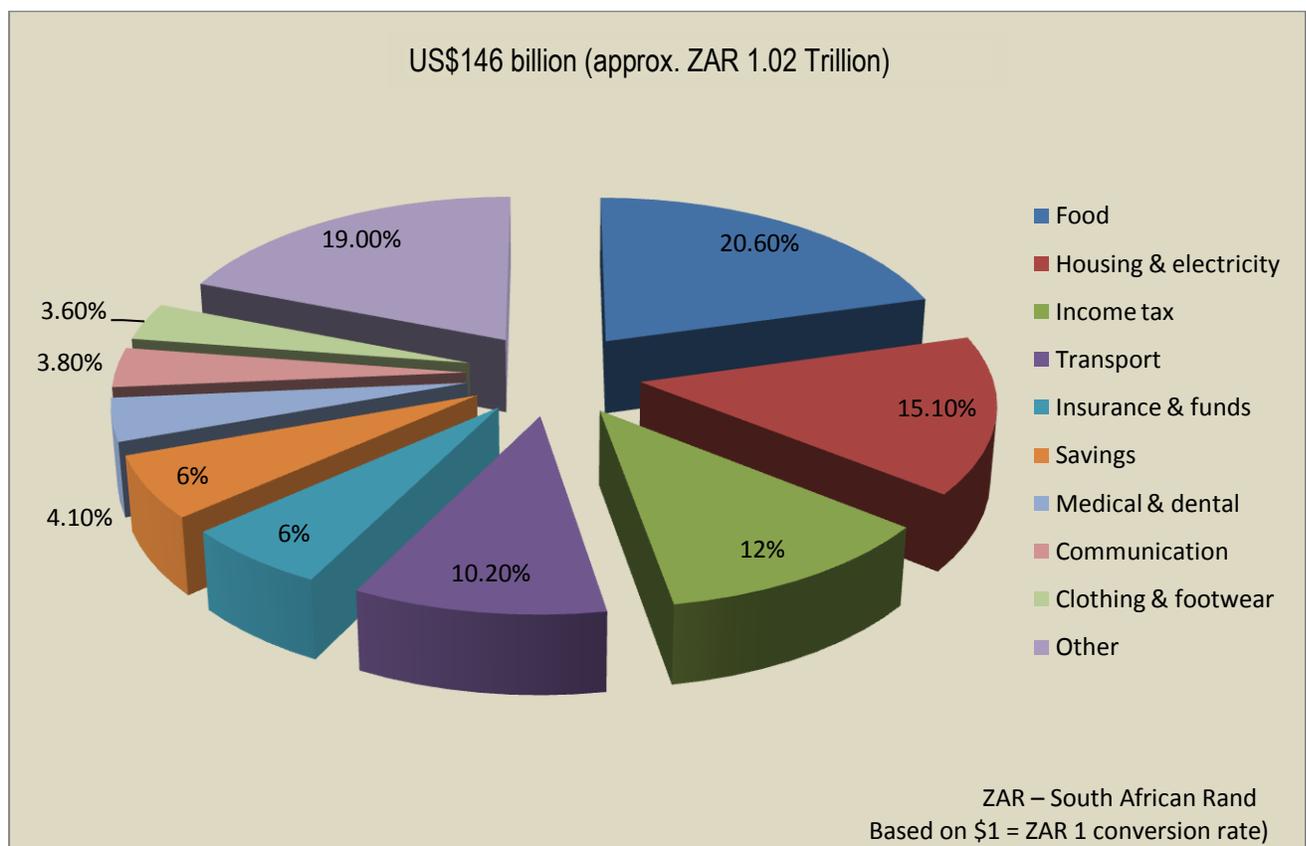
The library of the University of KwaZulu-Natal was also consulted and literature was accessed through interlibrary loan facilities. Although all relevant articles in accredited journals were scrutinised, extensive attention was given to papers referenced from the following journals:

- Journal of Brand Management;
- Journal of Research in Marketing;
- Journal of Targeting, Analysis and Measurement for Marketing;
- Journal of Product and Brand Management;
- Journal of Consumer Marketing;
- Journal of Marketing Research;
- Global Journal of Business Research;
- AMA's Journal of Marketing;
- MFSA's Journal of Marketing.

### 1.5.2 The population

The empirical research was executed in the South African consumer market. According to Martins (2007:168), the size of the market is estimated at US\$146 billion (approximately ZAR 1022 billion Rands) per annum. The consumer market represents 28% of the South African economic market with 66.7% representing the business market. A breakdown of household expenses that accounts for the \$146 billion (approximately 1.02 trillion Rands) in the consumer market is depicted in Figure 1.1.

**Figure 1.1: South African household expenditure**



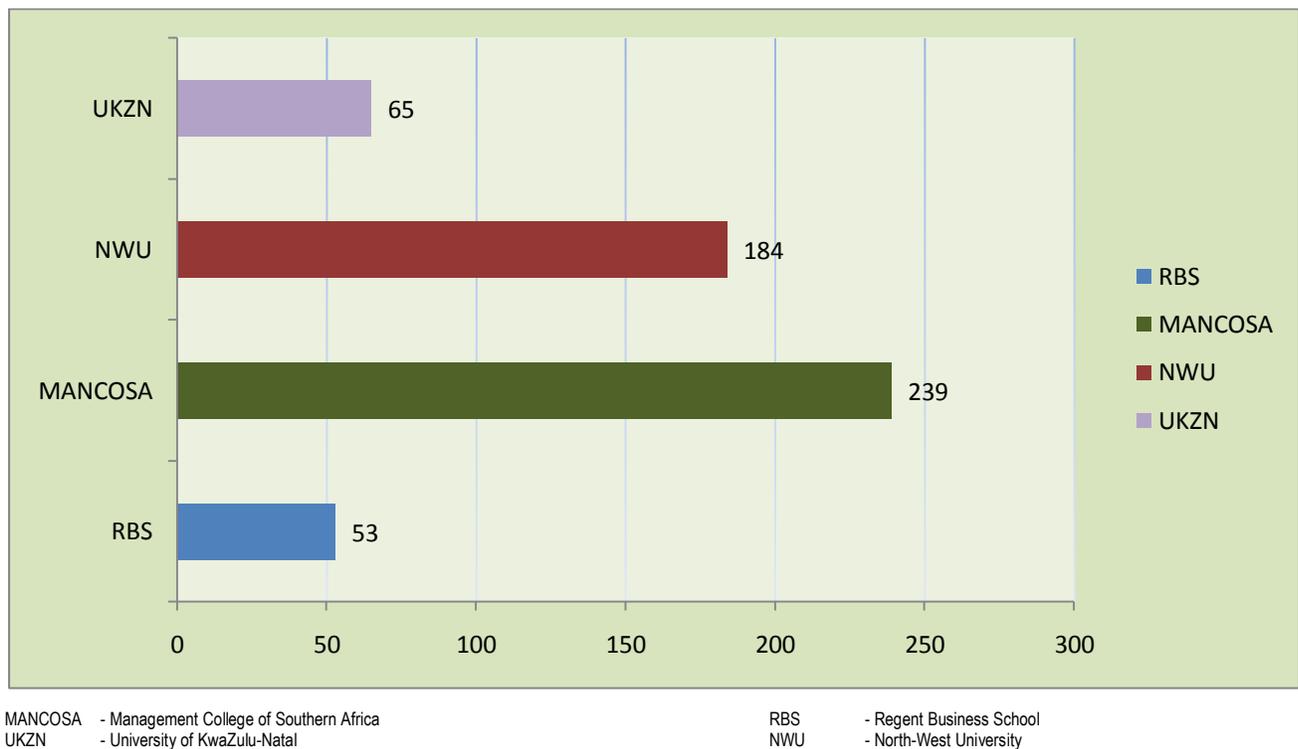
Source: Martins (2007:182)

Food accounts for ZAR 210 billion per annum and it is estimated that 27 million of the population who fall between the 15 to 65 age ranges are active FMCG shoppers (Martins, 2007:181).

### 1.5.3 The sample and response rate

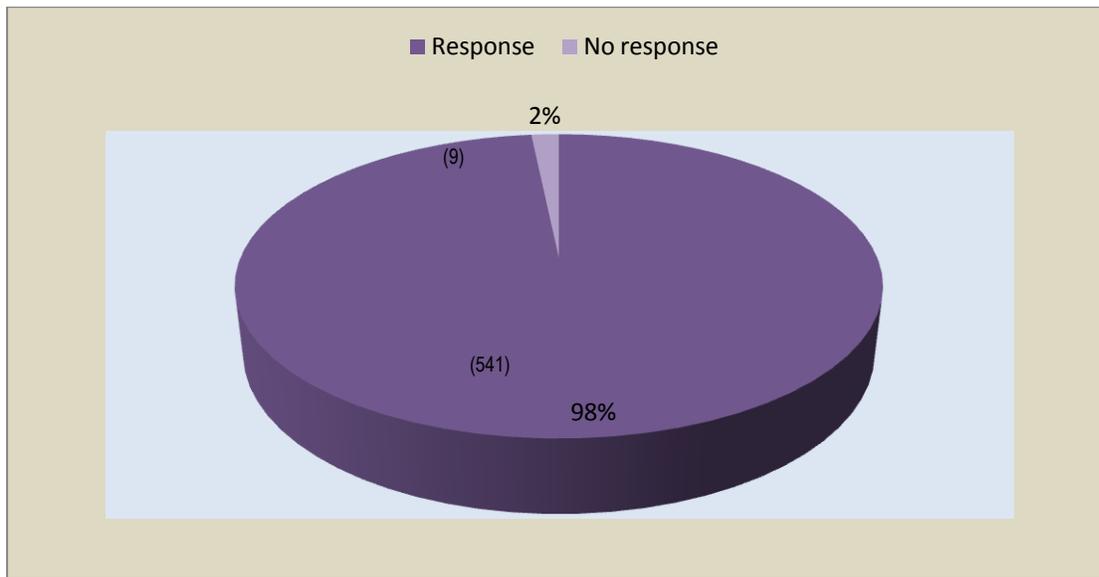
The sample consisted of consumers in the databases of four higher education institutions in South Africa. More specifically, the population consisted of part-time students enrolled on a Master of Business Administration (MBA) degree or post-graduate business courses. The students are in full time employment. The rationale behind the selection of this sample was the high exposure the respondents have to a wide range of brands, their strong educational background and higher income. The seven reasons that justify the sample selection are discussed in Chapter 4. A breakdown of the source of the sample of 541 is depicted in Figure 1.2 below:

**Figure 1.2: Breakdown of the sample per institution**



Questionnaires were distributed and collected from volunteering students during lecture contact sessions. As shown in Figure 1.3, a total of 541 completed questionnaires were received which ensured that a 98% response rate was achieved. The direct approach where questionnaires were physically distributed, completed and collected at each venue at the same time made such a high success rate possible.

**Figure 1.3: Questionnaire response rate**



The sample size was in conformance with the recommendation by Hair, Anderson, Tatham and Black (1998:124) in that the number of respondents should be a ratio of 14 observations to each variable in order to perform factor analyses. Every attempt was made at making the sample as representative of the population segment as possible. This meant that a stratified sampling approach had to be adopted to equitably represent respondents from the diverse gender, race and geographic location segments. This sample was drawn from male and female post-graduate students at four South African business schools residing in eight different cities.

#### **1.5.4 The questionnaire**

The questionnaire was developed (based on the marketing literature and consultation with marketing academicians) and pre-tested amongst senior marketing academics. The results of the pre-tests were used to make minor adjustments to the original questionnaire. The questionnaire first required respondents to complete the section on their demographics through tick boxes and then required a response to each of the 50 closed questions based on the 12 influences. Each question required a separate response for each of the three FMCG products on a 7-point Likert scale.

### **1.5.5 Research methodology and data analyses**

An exploratory study approach was undertaken in this study as not much was known about the brand loyalty in the FMCG segment and little information was available on how similar problems were researched the past. Extensive preliminary work to gain familiarity with brand loyalty and FMCGs was undertaken where the influences and models identified were explored and analysed before developing the model and setting up a rigorous design for comprehensive investigation.

The sample was first checked for adequacy using the Kaiser-Meyer-Olkin (KMO) measure. The data were then verified to ensure that it were suitable for factor analysis and this was done using the Bartlett test of sphericity. Factor analysis was then conducted which involved the measurement of the variables on the same experimental units. The correlations (or co-variances) between each of the variables were then obtained after which the number of factors for inclusion was selected.

The initial set of factors was extracted and rotated to find a final solution which was then interpreted. Reliability tests then ensued in which Cronbach alpha coefficients was used. Factors scores were then generated and thereafter confirmatory factor analysis was used to confirm the measurement theory.

Finally, structural equation modelling (SEM) was used to investigate the interrelationship between the 12 influences. The Statistical Package for the Social Sciences Incorporated (SPSS Inc) version 16 of 2008 was used to statistically analyse the data collected in the survey and AMOS 4.0 software was used for SEM.

### **1.5.6 Interpretation of results**

The results of the empirical study were used to construct the conceptual framework that ranks and represents the most dominant brand loyalty influences in the FMCG sector. It was also possible to explore and present the interrelationship between brand loyalty influences.

## **1.6 RATIONALE OF THE STUDY**

The effective management of brand loyalty can only be realised once the influences (factors) contributing to the establishment of such brand loyalty are identified. However, an examination of the marketing literature could not produce a comprehensive framework to identify and manage the influences of brand loyalty in the FMCG.

Due to the fragmented nature of brand loyalty literature and the availability of mainly generic brand loyalty models, the aim of the present study was to contribute to the marketing literature by constructing a conceptual framework through which brand loyalty influences in FMCG can be identified, measured and managed.

The value of the conceptual framework is that it would provide marketers with valuable insight into the influences that create brand loyalists. Marketing strategies could be based on the most powerful influences identified since it ranks the influences in order of importance based on the survey conducted. It also explores the interrelationship between influences and provides an indication whether all FMCG products tested could be treated as a single entity. As far as could be ascertained, a study of this nature has not yet been conducted in the South African FMCG industry.

## **1.7 STRUCTURE OF THE THESIS**

The study commenced with a comprehensive review of marketing literature related to brands, branding and brand loyalty. The focus is thus on brand loyalty and specifically the influences that support brand loyalty. The objective of the literature review was to identify a comprehensive set of brand loyalty influences that have been used in previous studies and is applicable to FMCG.

In order to attain a more parsimonious set of influences as well as restrictions that may be imposed by the statistical techniques employed during analysis of the data, the influences identified during the literature review had to be reduced. The two criteria used to determine the relevance of a dimension were the *frequency* with which the dimension appears in the marketing literature and the *relevance of the influences* across the FMCG sector in different studies.

The empirical phase of this study comprised an exploratory study using factor analysis. Quantitative analysis was first used to generate demographic results followed by the generation of a component matrix and a comparison analysis between influences. Confirmatory factor analysis was then used to confirm the measurement theory. Structural equation modelling was then used to portray the conceptual brand loyalty framework after which the brand loyalty influences were ranked in order of importance.

The thesis is presented in six chapters. Chapter One focuses on the orientation of the study, and consists of a number of key components. The background of the study is provided, followed by the problem statement and the objectives of the study. The last section of this chapter explains the methodology used during the empirical phases of this study.

Chapter Two provides a brief overview of the development of brands, branding and brand strategy in the marketing field. The functions, dimensions and architecture of brands are then explained. Brand equity which reflects consumer attitudes and associations is covered in greater detail since the literature is fundamental for the research conducted in this study. The chapter concludes with the various brand strategies that are available to marketers.

The theory of brand loyalty is investigated in Chapter Three. The focus is on the emergence of brand loyalty with specific reference to the disciplinary roots of the concept. Brand loyalty types, attributes, benefits and measures are outlined followed by an examination of eight more recent brand loyalty models. Twelve common and key brand loyalty influences were extracted from the models and presented.

The research methodology is discussed in Chapter Four. This chapter begins with the research methodology employed in this study and then describes and justifies the statistical techniques employed in the study. The exploratory research process and associated statistical measures are then described in detail. The chapter concludes with a description of structural equation modelling.

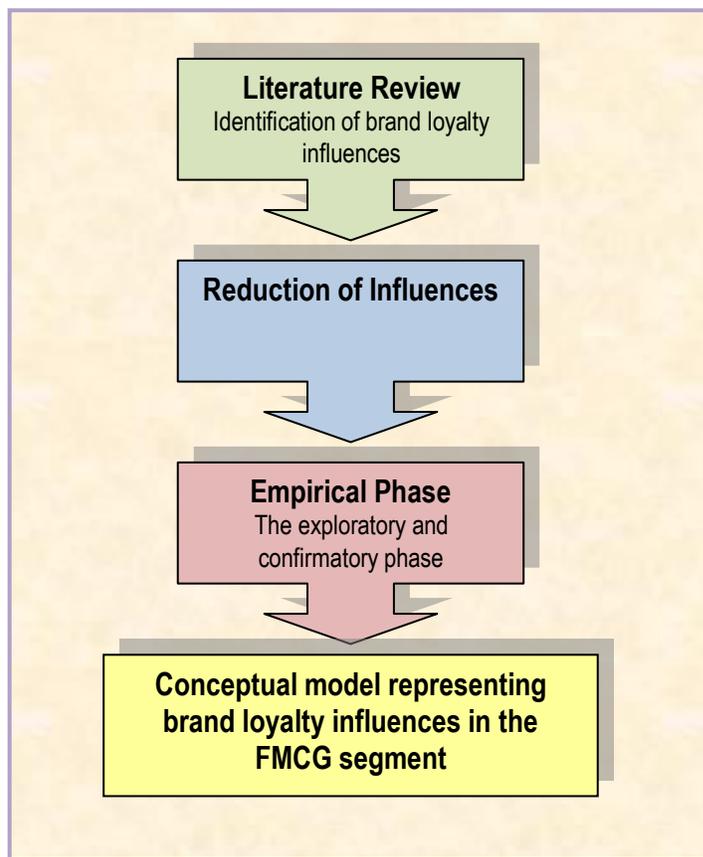
The empirical findings of the research study are presented in Chapter Five. Firstly, results for the demographics used in the study are generated. Quantitative analysis is then conducted to determine the similarities between the influences and confirmatory factor analysis. A representation of the

brand loyalty framework with influences ranked in order of importance followed by the application of structural equation modelling using the AMOS program ends the chapter.

Chapter Six is the final chapter. It draws conclusions from the research, offers recommendations and identifies areas for continued research. The chapter also provides the final summary of the study.

Figure 1.4 depicts the structure of this study.

**FIGURE 1.4: STRUCTURE OF THE STUDY**



## **1.8 ETHICAL CONSIDERATIONS**

This research study has conformed to the academic research etiquette and all written conventions at all stages of the research process as declared by Saunders, Lewis and Thornhill (2009:187). The etiquette included the following:

- Literature used for the study was referenced and sourced from where it was obtained and clearly indicated;
- The results provided clearly reveals the actual research results obtained in its entirety;
- Information was not being distorted in any way leaving the public with an erroneous impression;
- Research conducted does not contain unnecessary information or information directed at wrong or irrelevant problems;
- The identity of respondents remains protected before, during and after the completion of the project;
- Data collected and the results obtained are held in strict confidence. Propriety data were not and will not be released to competitors; and
- There was no intentional or deliberate misrepresentation of research methods or results. An adequate description of methods employed and original questionnaires used was made available to the promoter.

In addition, the research project has been registered at the Ethics Committee at the North-West University (NWU). The necessary forms have been completed and the research was approved by the Ethics Committee.

## **1.9 SUMMARY**

This chapter first began by providing an overview of the concept of brand loyalty within the sub field of branding in the field of marketing. The introductory sections outlined the value and benefits of brand loyalty and the recent emphasis on identifying brand loyalty influences and measuring brand loyalty.

The problem statement was then confirmed in which the scarcity of brand loyalty models was emphasised and the need for the emergence of brand loyalty models expressed. Based on the problem statement, five objectives of the study were then clarified.

A brief description of the methodology adopted was revealed in which the sources of information, population, sample, questionnaire, data analyses and rationale of the study were indicated. The rationale of the study provided reasons supporting such a research study. A sequential description of the structure of the study was briefly presented followed by the ethical considerations applied in this study. The following chapter which is the first of two literature chapters provides theoretical underpinnings of brands, branding and brand strategy.

# CHAPTER 2

## BRANDS, BRANDING AND BRAND STRATEGY

### 2.1 INTRODUCTION

Representing one of the most important factors believed to explain consumer brand choices, it is no surprise that the concept of brand loyalty has aroused an enormous interest among academics as well as practitioners within the field of marketing and consumer behaviour (Jensen & Hansen, 2006:442).

Brands continue to stimulate interest although so many prophets and experts have recently claimed brands have no future. Managers have also rediscovered that the best kind of loyalty is brand loyalty, not price loyalty or bargain loyalty, even though as a first step it is useful to create behavioural barriers to exit (Kapferer, 2004:2).

Ehrenberg (1972:32) has shown through 40 years of panel data analysis that product penetration is correlated with purchase frequency. In other words, big brands have both a high penetration rate and a high purchase frequency per buyer. Growth will necessarily take these two routes, and not only be triggered by customer loyalty. This concurs with the view of Rettie, Hilliar and Alpert (2002:901) who states that pioneer and dominant brands pull buyers towards them with minimal marketing investment.

Keller (2008:5) is of the view that, in today's materialistic society people aspire to give meaning to their consumption. Only brands that add value to the product and tell a story about its buyers, or situate its consumption in a ladder of immaterial values, can provide this meaning.

Brand loyalty is both a complex and diverse subject. Jensen and Hansen (2006:442) maintain that to understand the intricacies of brand loyalty one has to first understand the fundamentals of branding and brand strategy. This chapter is therefore committed to uncovering the nature of brands, branding and brand strategy.

## 2.2 BRANDS AND BRANDING

**Brand** according to Steward (2010:1) is the sum of the *perceptions that are held about a person, a company or a product*. This includes perceptions held by both external and internal audiences and stakeholders. **Branding** on the other hand is described as the universe of *activities undertaken that affects* those perceptions. In order to effectively build a positive brand perception, one must engage in both internal and external activities which are aligned to deliver a consistent impression. Salam (2005:1) claims that in the language of marketing, branding is syntax (structure) and brand is semantics (meaning).

The success of a firm depends largely on its capability to attract consumers towards its brands. In particular, it is critical for the survival of a company to retain its current customers, and to make them loyal to the brand. Branding therefore needs to be enforced. Firms with large groups of loyal customers have been shown to have large market shares, and market share, in turn, has been shown to be associated with higher rates of return on investment (Jensen & Hansen, 2006:442; Reichheld & Sasser, 1990:107 and PIMS, 2002:1).

Keller (2008:6) describes a brand as a name, symbol, or other feature that distinguishes a seller's goods or services in the marketplace and branding as a corporate long term involvement in creating a difference.. Al-Momen (2006:1) confirms that more than 500,000 brands are registered globally with pertinent regulatory bodies in different countries which serve their owners by allowing them to cultivate customer recognition of, and loyalty toward, their offerings (branding). Brands also serve the consumer by supplying information about the quality, origin, and value of goods and services. Spieler (2010:1) asserts that without brands to guide buying decisions, the free market would become a confusing, faceless crowd of consumables and therefore an established and respected brand can be the most valuable asset a company possesses.

Brands have therefore become the ultimate competitive asset because “*they last forever, are infinitely scalable, create enormous premiums, and are portable across products and even categories*” (Pye, 2006:8). Building a strong brand requires careful planning and a great deal of long-term investment. At the heart of a successful brand is a great product or service, backed by creatively designed and executed marketing (Berry & Seltman, 2008:13). Perhaps the most

distinctive skill of professional marketers is their ability to create, maintain, enhance, and protect brands. Strategic brand management, according to Wentz and Suchard, (1993:39) is essential in marketers' arsenal because it involves the design and implementation of marketing activities and programmes to build, measure, and manage brands to maximise its value.

Although brands and branding are not new ideas, firms are applying them to more diverse settings where the role of branding is becoming increasingly important (Wentz & Suchard, 1993:45). The traditional role for brands is also experiencing rejuvenated interest. Market analysts generally agree that this trend will continue and be part of a formula for successful firms in the future (Norris, 1992:23). The underpinning objective of any branding strategy, however, is to attract, maintain and retain a sizable pool of brand loyal consumers to ensure sustainability (Ryan, 2010:49).

Parment (2008:251) claims that the interest in brands has increased among researchers and practitioners, reflecting an increased market maturity and a high focus in society overall on immaterial values. Experts describe this tendency as a development 'from substance to image', and marketing theorists describe the development in similar terms (Aaker, 1991; Aaker, 2004; Kapferer, 2004).

*“It is in every human being’s nature to invent and build brand values inside each individual head. A brand is not an objective fact; it is made up of a million or more individual and subjective assessments – a consensus of subjectivity”*

Randall (2000:4)

### **2.2.1 Brand definition**

A highly contentious issue among marketing experts is in fact the definition of a brand. Experts have varying options of what a brand is and each one comes up with an own definition, or nuance to the definition (Kapferer, 2004:9). The following are some of the variants most frequently cited:

*“The package of functional, economic and psychological benefits provided by employment, and identified with the employing company.”*

(Mosley, 2007:123)

*“A mixture of tangible and intangible attributes symbolised in a trademark, which, if properly managed, creates influence and generates value”* (Duncan, 2005:6).

*“A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors”*

(American Marketing Association cited in Lake, 2010:1).

*“Distinguishing a company’s offering or particular product from its competitors, creating identification and brand awareness while guaranteeing a certain level of quality and satisfaction”*

(Hollensen, 2004:468).

*“The genetic code of any organization – its DNA or brand value proposition. Just as the DNA informs every cell in an organism, a brand has to characterize and drive every part of a business”*

(Bolt, 2003:12).

*“A name, term, sign, symbol, or design intended to distinguish the goods and services of one seller from another”*

(Dalrymple & Parsons, 2002:285).

*“The combination of a name and/or other symbols – its mental associations among consumers (and others) which enhance the value of the product/service”*

(Barwise, 2001:367).

*“The promise of a bundle of attributes that someone buys and provides satisfaction. The attributes may be tangible or invisible, rational or emotional”*

(Ambler, 2000:386).

*“A product or service seen through the eyes of the consumer and the reason why your product is chosen, not a competitor’s”*

(Broadbent, 1999:41).

The definition used in this study and one that captures the essence of the other definitions is as offered by Keller (2008:5) as follows:

*“A set of mental associations, held by the consumer, which add to the perceived value of a product or service. It is more than a product, because it can have dimensions that differentiate it in some way from other products designed to satisfy the same need.”* (Keller, 2008:5)

### 2.2.2 Historical perspective

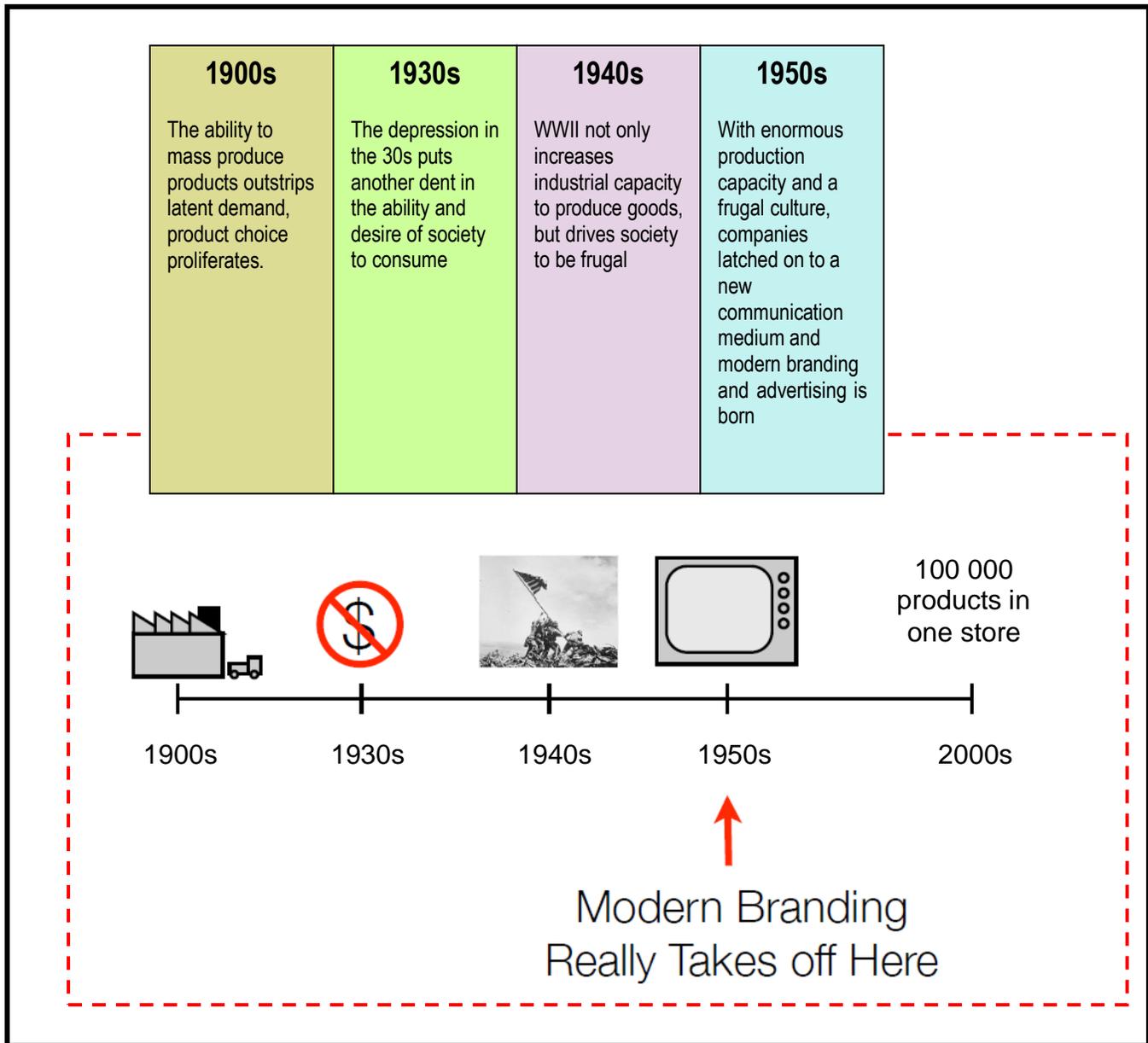
Branding began long before the term branding entered the lexicon of modern marketing thought. According to Serrat (2010:1) and Sweldens, Stijn, Van Osselaer and Janiszewski (2010:544), branding can be traced to ancient civilisations marking their wares to prove ownership. The Greeks and Romans are believed to be the first nations to indulge in branding by assigning associations and ownership to wines, ointments, pots and metals (Verma, 2002:30).

Sweldens *et al.* (2010:545) and Verma (2002:31) claim that people of the past burned singular designs into the skin of their livestock to prove ownership, while potters and silversmiths marked their wares with initials and other personal tags. Craftspeople also put trademarks on their products to protect themselves and consumers against inferior quality (Kotler & Keller, 2006:274). However, it is only since the second half of the nineteenth century that branding evolved into an advanced marketing tool. The Industrial Revolution, new communication systems, and improved modes of transporting goods made it both easier and more necessary for companies to advertise brands over larger regions. The word “brand” was derived from the mark burnt onto a steer to identify the ranch to which it belonged. As time progressed, people began to recognise that steers from certain ranches were consistently in better condition than others and so these steers were in greater demand and thus fetched a higher price. This gives rise to the birth of modern day Western branding (Richardson, 2008:28).

Early commercial branding efforts began when the American markets were flooded with uniform mass produced products that were virtually indistinguishable from each other and thus the brand logo was born. If products were produced uniformly then the role of the brand logo was to provide a source of differentiation. The role of the brand logo was to attract customers and create that much needed awareness (Klein, 2000:18).

Long (2007:7) attributes the birth of modern branding and advertising to the introduction of television and the need to drive consumption to a mass market. Long (2007:7) maintains that modern branding is only a 50-year-old discipline that is still in its infancy and that FMCG has driven branding for the first 50 years. FMCG is not interactive or relationship based but is all about the product and the communication around the product. Figure 2.1 is a diagrammatic representation of the history of branding as described by Long (2007:8).

**FIGURE 2.1: HISTORY OF BRANDING**



**Source:** Adapted: Long (2007:8).

As manufacturers gained access to national markets, numerous brand names were born that would achieve legendary global status. Procter and Gamble, Kraft, Heinz, Coca-Cola and Kodak were a few of the initial brands that would become common household names by the mid-1900s. Before long, legal systems were devised to recognise and protect brand names, and branding was extended to services – such as car repair – as well as products. Thus the brand concept moved into the forefront of modern advertising strategy (Keller, 2008:44).

### 2.2.3 Evolution of branding

Branding has through history assumed a fascinating transformation. It has evolved from an unknown concept pre-1950 to actual companies and policies today. A particularly useful model to understand the transformation has been devised by Goodyear (1996:109). In her model as depicted in Table 2.1, each phase of branding is represented on each row. By showing these phases as levels that accumulate over time, the model indicates that different types of branding may occur within a product category at the same time. The table shows the full range of possibilities from stage 1 to stage 6. It should be noted that branding may not reach all six stages in all product categories. Thus, some product categories could end after the second stage (brand as reference), third stage (brand as personality), fourth stage (brand as icon), and so forth.

The descriptions of the branding stages are taken directly from Goodyear (1996:111) and denote how the concept of the brand changed over time from the earliest stage of unbranded to the ultimate stage of brand as policy. The first four stages describe the classical approach to brand marketing while the last two are in the genre of post-modernism (McEnally & De Chernatony, 1999:2).

**TABLE 2.1: THE BRANDING PROCESS OVER TIME**

| Stage of Branding             | Time  | Type of Value   |   |
|-------------------------------|---|---|---|
| Stage 6: Brand as a policy    |  |  |   |
| Stage 5: Brand company        |   |   | Terminal  |
| Stage 4: Brand as icon        |   |   | Symbolic  |
| Stage 3: Brand as personality |   |   |  |
| Stage 2: Brand as reference   |   |   |   |
| Stage 1: Unbranded            |   |   | Time = 0  |

**Source:** Goodyear (1996:111)

The six stages of the branding process over time as presented by McEnally and Chernatony, (1999:2) are as follows:

- **Unbranded:** Commodities; packaged goods; major proportion of goods in non-industrialised context; minor role in Europe/USA; supplier has power
- **Brand as Reference:** Brand name often name of maker; name used for identification; any advertising support focuses on rational attributes; name over time becomes guarantee of quality/consistency
- **Brand as Personality:** Brand name may be "stand alone"; marketing support focuses on emotional appeal; product benefits; advertising puts brand into context
- **Brand as Icon:** Consumer now 'owns' brand; brand taps into higher-order values of society; advertising assumes close relationship; use of symbolic brand language; often established internationally
- **Brand as Company:** Brands have complex identities; consumer assesses them all; need to focus on corporate benefits to 'diverse' consumers; integrated communication strategy essential through-the-line
- **Brand as Policy:** Company and brands aligned to social and political issues; consumers 'vote' on issues through companies; consumers now 'own' brands, companies and policies

#### 2.2.4 Concept of a brand

A product is a physical entity that exists in the real world. A brand is a perceptual entity that lives in the consumer's mind (Verma, 2002:7). Managers refer to a brand as something that has actually created a certain amount of awareness, reputation, and prominence in the marketplace (Keller, 2008:2). Ries and Ries (2004:4) consider a brand as nothing more than a word in the mind of a consumer, albeit a special kind of word. Similarly, Randall (2001:3) describes a brand as an entity having an existence that is more than an actual product or service: it has a life of its own that feeds on the original product, but can also carry its values and identity into new product areas.

A brand, according to Kotler and Keller (2006:274), is a product or service that adds dimensions that differentiate it in some way from other products or services designed to satisfy the same need.

These differences may be functional, rational, or tangible-related to the product performance of the brand. They may also be more symbolic, emotional, or intangible-related to what the brand represents.

Shum (2004:248) affirms that a brand is backed by an intangible agreement between a consumer and the company selling the products or services under the brand name. A consumer who prefers a particular brand basically agrees to select that brand over others based primarily on the brand's reputation. The consumer may stray from the brand occasionally because of price, accessibility, or other factors, but some degree of allegiance will exist until a different brand gains acceptance by and then preference with, the buyer (Brodie & Chernatony, 2009:99).

Branding, according to Kotler and Keller (2006:275), is endowing products and services with the power of a brand. Branding is all about creating differences. To brand a product, it is necessary to teach consumers “*who*” the product is, “*what*” the product does, and “*why*” consumers should care. Branding involves creating mental structures and helping consumers organise their knowledge about products and services in a way that clarifies their decision-making and provides value to the firm. For branding strategies to be successful and brand value to be created, consumers must be convinced that there are meaningful differences among brands in the product or service category.

The key to branding is that consumers must not perceive all brands in the category to be the same. Brand differences often are related to attributes or benefits of the product itself. Branding can be applied virtually in any context where a consumer has a choice (Franzen & Moriarty, 2009:118). Until that time, however, the consumer rewards the brand owner with dollars, almost assuring future cash flows to the company (Kumar, Luthra & Datta, 2006:11). The buyer may even pay a higher price for the goods or services because of his commitment, or passive agreement, to buy the brand (Leonard, 2000:129).

In return for his brand loyalty, the company essentially assures the buyer that the product will confer the benefits associated with, and expected from, the brand. Those numerous benefits may be both explicit and subtle (Kotler & Keller, 2006:274). For example, the buyer of a Mercedes-Benz motor-car may expect extremely high quality, durability, and performance. But he will also likely expect to receive emotional benefits related to public perception of his wealth or social status.

If Mercedes licenses its nameplate to a manufacturer of cheap economy cars or supplies an vehicle that begins deteriorating after only a few years, the buyer will probably feel that the agreement has been breached. The value of the brand, Mercedes-Benz, could be reduced in the mind of that buyer and possibly others who become aware of the breach (Kotler & Keller, 2006:274).

According to Gupta (2007:37), there are two major categories of brands: manufacturer and dealer. Manufacturer brands, such as Ford, are owned by the producer or service provider. The best-known of these brands are held by large corporations that sell multiple products or services affiliated with the brand. Dealer brands, like *Die-Hard* (USA) batteries, are usually owned by a middleman, such as a wholesaler or retailer. These brand names often are applied to the products of smaller manufacturers that make a distribution arrangement with the middleman rather than trying to establish a brand of their own. Manufacturers or service providers may sell their offerings under their own brands, a dealer brand, or as a combination of the two types, which is called a mixed brand. Under the latter arrangement, part of the goods is sold under the manufacturer's brand and part is sold under the dealer brand.

### **2.2.5 Brands and products**

People often use the terms *brands* and *products* interchangeably where a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a need or want (Keller, 2008:3). Bekker (2007:9) describes a brand as being more than a product having dimensions that differentiate it from other products to satisfy the same need. The differences may be rational and tangible related to product performance of the brand or more symbolic, emotional, and intangible related to what the brand represents. To demonstrate the differences between a product and a brand, Verma (2002:37) uses coffee as an example (Table 2.2) when distinguishing between a product and brand.

**TABLE 2.2: THE PRODUCT AND THE BRAND**

|  |  |
|--|--|
| <b>The Product:</b> A commodity all about attributes and benefits:                 |  |
|   | <ul style="list-style-type: none"> <li>• The container shape</li> <li>• Weight</li> <li>• Colour</li> <li>• Coffee powder or granules</li> <li>• Coffee or chicory or a mix</li> <li>• Price</li> </ul>  |
| <b>The Brand:</b> It is symbolism or psychic aspects surrounding the product:      |  |
|  | <ul style="list-style-type: none"> <li>• The physical attributes and benefits</li> <li>• International image</li> <li>• Upbeat mood</li> <li>• Modern, educated users</li> <li>• France</li> <li>• Sophistication</li> <li>• Lifestyle</li> <li>• Pure coffee</li> <li>• Guarantee, trust</li> <li>• Unique taste</li> </ul> |

**Source:** Adapted: Verma (2002:37)

### 2.2.6 The function of the brand

Kotler and Keller (2006:274) indicate that brands identify the source or maker of a product and allow consumers to assign responsibility to a particular manufacturer or distributor. Consumers learn about brands through past experiences with the product and its marketing programme.

Organisations develop brands as a way to attract and keep customers by promoting value, image, prestige, or lifestyle. By using a particular brand, a consumer can cement a positive image (Rooney, 1995:51). Brands can also reduce the risk consumers' face when buying something that they know little about (Montgomery & Wernerfelt, 1992:38). Branding is a technique to build a sustainable, differential advantage by playing on the nature of human beings (Rooney, 1995:55).

Only humans can attach meaning and feeling to inanimate objects and a random collection of symbols, which suggests the appeal of branding, is not entirely rational (Rooney, 1995:55). Once consumers become accustomed to a certain brand, they do not readily accept substitutes (Ginden, 1993:60). Organisations seek ways to take full advantage of this human trait – thus the popularity of branding, and branding can be seen as a powerful means to secure a competitive advantage (Shwu-Ing & Chen-Lin, 2009:188).

Brands exist because they represent value to the owners of the brands; they represent an asset with future income flows. They also represent value to the users of the brands; they provide utility, convenience (in that utility is known and guaranteed) as well as satisfaction. Consumers and society want brands and need brands. Table 2.3 reveals brand functions and benefits as interpreted by Kapferer (2004:23).

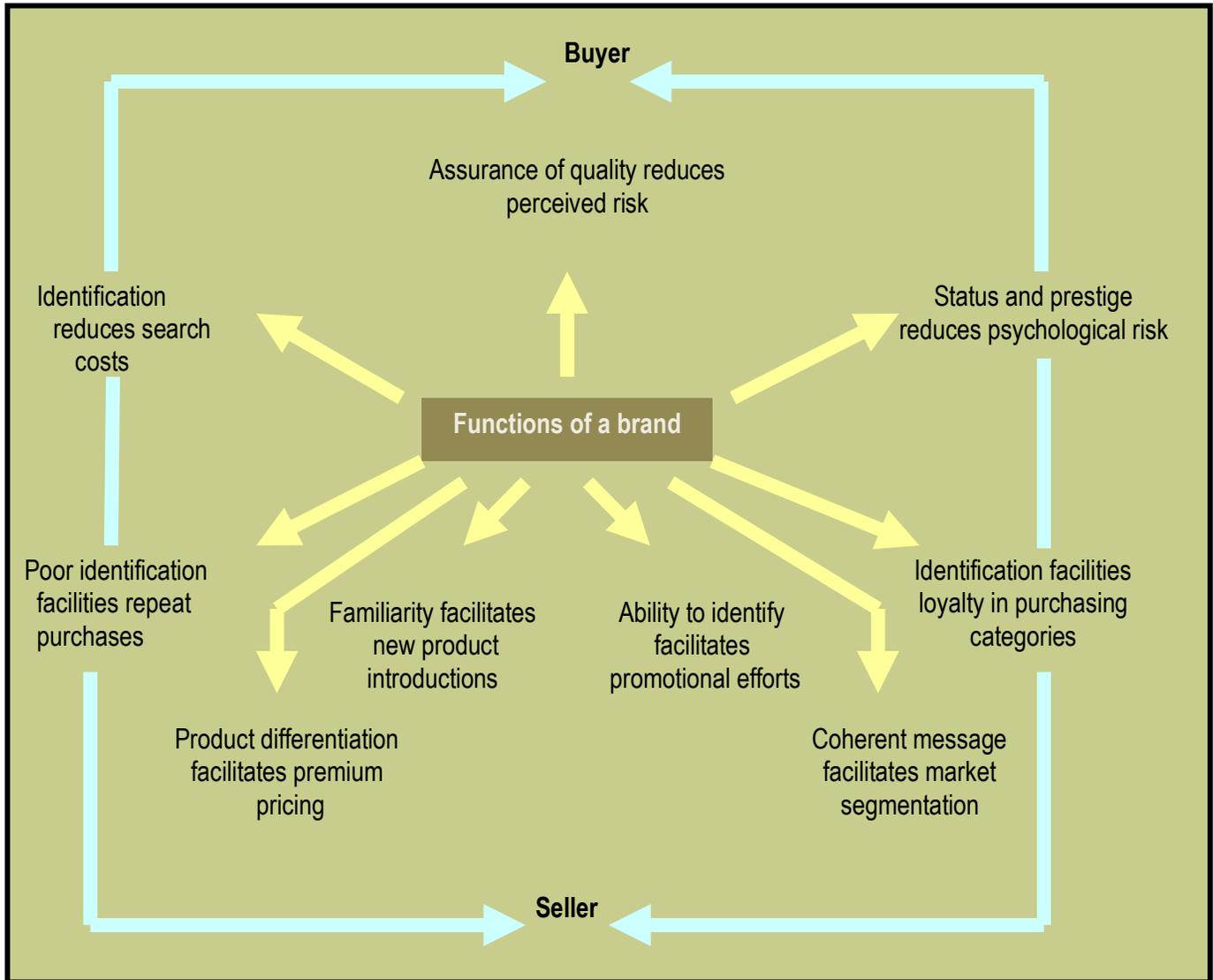
**TABLE 2.3: BRAND FUNCTIONS AND BENEFITS**

| <b>FUNCTION</b>         | <b>CONSUMER BENEFIT</b>  |
|-------------------------|--|
| <b>Identification</b>   | To be clearly seen, to make sense of the offer, to quickly identify the sought-after products.                     |
| <b>Practicality</b>     | To allow savings of time and energy through identical repurchasing and loyalty.                                    |
| <b>Guarantee</b>        | To be sure of finding the same quality no matter where or when you buy the product or service.                     |
| <b>Optimisation</b>     | To be sure of buying the best product in its category, the best performer for a particular purpose.                |
| <b>Characterisation</b> | To have confirmation of your self-image or the image that you present to others.                                   |
| <b>Continuity</b>       | Satisfaction brought about through familiarity and intimacy with the brand that you have been consuming for years. |
| <b>Hedonistic</b>       | Satisfaction linked to the attractiveness of the brand, to its logo, to its communication.                         |
| <b>Ethical</b>          | Satisfaction linked to the responsible behaviour of the brand in its relationship towards society.                 |

**Source:** Adapted: Jensen & Hansen (2006:442); Reichheld & Sasser (1990:107); Kapferer, (2004:23)

Another interpretation of brand functions is presented by Berthon, Hulbert and Pitt (1999:4) who identify and illustrate the nine functions of a brand depicted in Figure 2.2:

**FIGURE 2.2: FUNCTIONS OF A BRAND**



**Source:** Berthon *et al.* (1999:54)

Pride, Hughes and Kapoor (2009:375) maintain that brands have different benefits for **sellers** and **customers**. The benefits of brands to both parties are listed in Table 2.4.

**TABLE 2.4: BRAND BENEFITS FOR SELLERS AND CUSTOMERS**

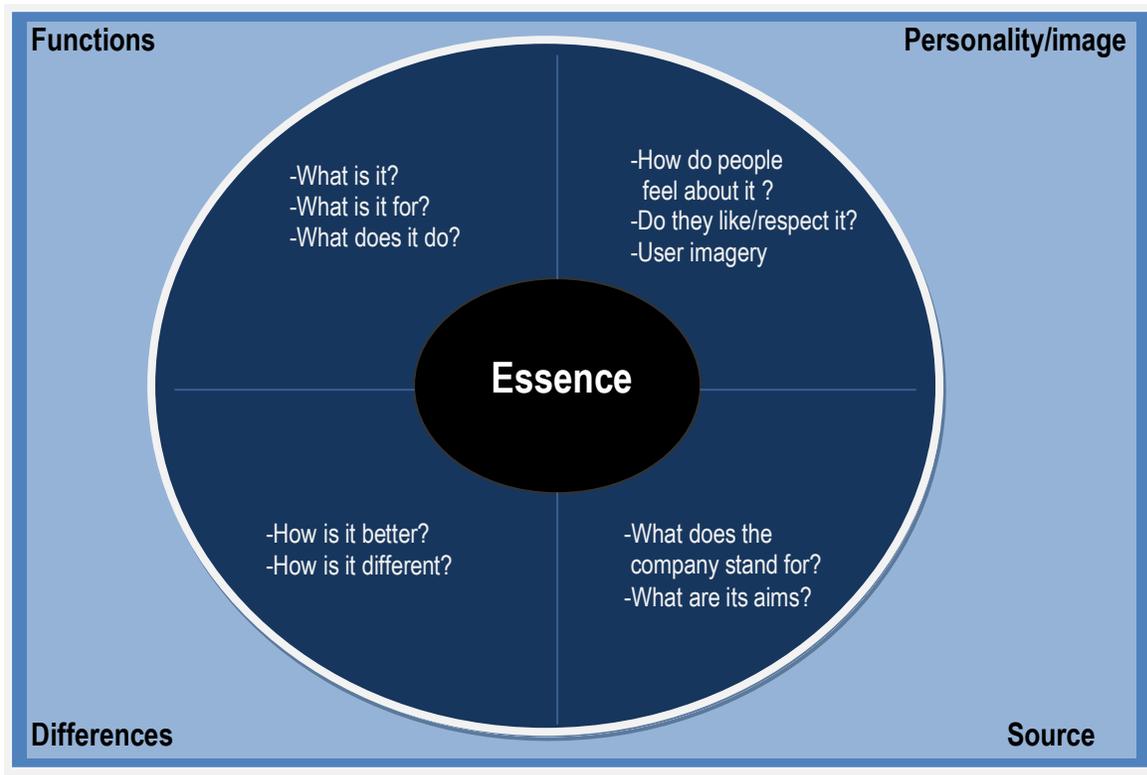
| Sellers  | Customers  |
|--|--|
| <ul style="list-style-type: none"><li>• Identifies the company's products, makes repeat purchases easier</li><li>• Facilitates promotion efforts</li><li>• Fosters brand loyalty – stabilizers market share</li><li>• Allows to charge premium prices and thus experience better margins</li><li>• Allows to extend the brand to new products and new markets</li><li>• Can communicate directly with the customer, reach over the shoulder with the retailer</li><li>• More leverage with middlemen</li><li>• Is more resistant to price competition</li><li>• Can have a long life</li></ul> | <ul style="list-style-type: none"><li>• Helps identify products</li><li>• Helps evaluate the quality of a product</li><li>• Helps to reduce perceived risk in buying, provides assurance of quality, reliability etc.</li><li>• Is dependable (consistent in quality)</li><li>• May offer psychological reward (status symbol)</li><li>• "Route map" through a range of alternatives</li><li>• Saves consumer time</li><li>• Is easier to process mentally</li></ul> |

**Source:** Adapted: Pride *et al.* (2009:375)

### 2.2.7 Dimensions of brands

Over the years, many models of brands have evolved with each model possessing unique dimensions. A popular and often cited model of brand dimensions is that offered by the Leo Burnett Brand Consultancy company more commonly known as the Burnett model. This model is depicted in Figure 2.3 and outlined thereafter.

**FIGURE 2.3: THE BURNETT MODEL OF BRAND DIMENSIONS**

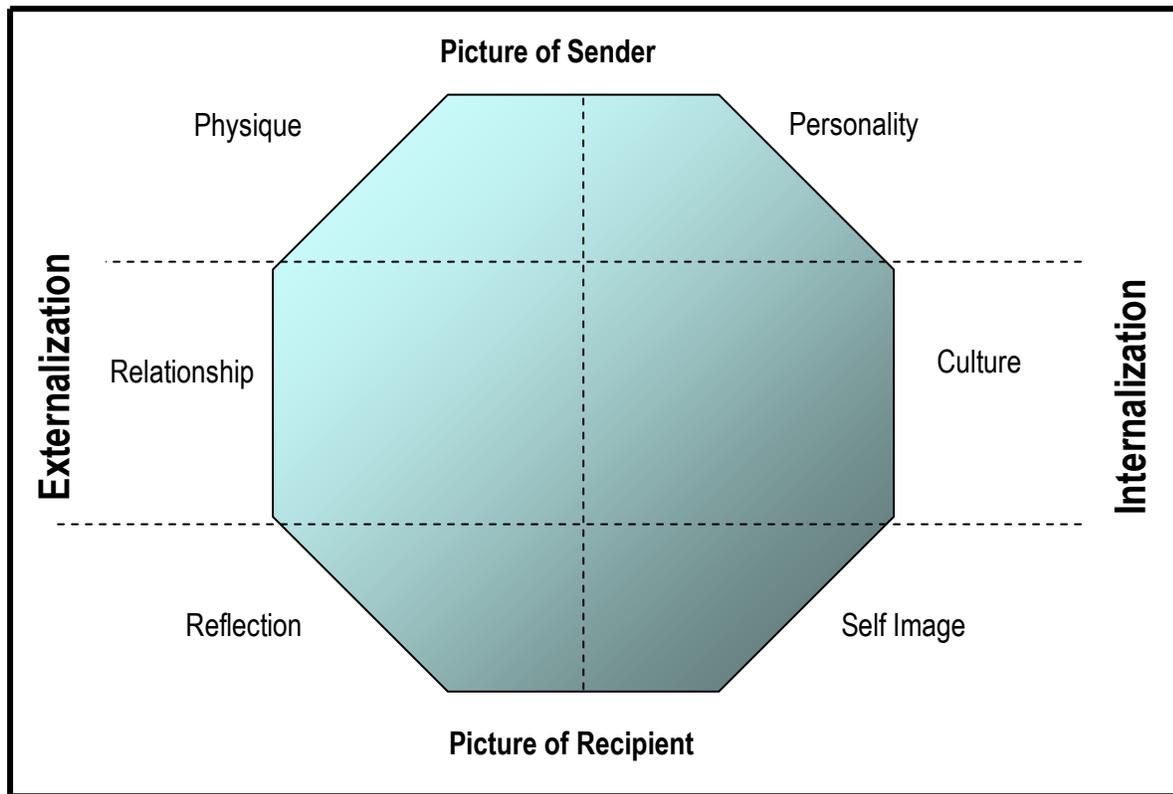


**Source:** Randall (2001:7)

The four dimensions (Functions, Personality/Image, Difference and Source) depicted in the Burnett model of brand dimensions, forms the brand's essence. According to Randall (2001:8), brand identity will be strong when there is consistency between the dimensions, and they are supporting each other.

A second model offered by Kapferer (2004:38), shown in Figure 2.4, provides similar dimensions: physique; personality; culture; relationship; reflection; and self image.

**FIGURE 2.4: KAPFERER'S PRISM OF IDENTITY**



Source: Kapferer (1992:38)

The Kapferer prism of identity highlights the following six facets of brand identity:

- **Physique:** refers to the function of the brand. It goes beyond mere physical characteristics of the brand. It is the central purpose of the brand and is equivalent to 'What does it do' in the Leo Burnett model.
- **Personality:** straightforward attribute, widely used as a main dimension in FMCG markets for decades.
- **Relationship:** brands are often at the crux of transactions and exchanges between people
- **Culture:** can belong either to the brand itself or to the parent company.
- **Reflection:** the type of user that the brand appears to be aimed at which may not necessarily be the same as the brand's target market. It reflects aspirations of what people would like to be like.
- **Self Image:** internal version of reflection.

### **2.2.8 Summary**

From the definitions and discussions on brands and branding, it becomes lucid that a brand is the distinguishing identifier through a name, symbol or feature of a product or service and branding is the long term process of engaging in internal and external activities of building a positive perception of the brand through a unique brand strategy. Branding which can be traced from ancient civilisations gathered momentum through the decades driven primarily by the industrial revolution and advancements in communication technology.

The mid 1900's witnessed the real emergence of branding with brands such as Coca Cola, Kraft and Heinz becoming household names. The branding process underwent several stages thereafter making brands a reference, giving brands a personality and making brands an icon/company/policy. A brand can now be simply classified as a service or product that adds dimensions to differentiate it from other products or services. The differentiation involves amongst others the physical attributes, the perception, the association and the image. Brands now serve as quick reference providing the identification, guarantee, continuity and practicality required by modern consumers. Experts identify several dimensions associated with brands with the most common ones being personality, culture, reflection, physique and self image.

As research in brands and branding intensifies, new dimensions and patterns emerge driving researcher to strive towards the ultimate quest of fully understanding the requirements of the ultimate brand.

### **2.3 BRAND ARCHITECTURE**

Brand architecture is a systematic way of organising the identity of the different products, messages, or elements of an organisation so that people both within and outside of the organisation understand how its clients or customers are being served (DiFrisco, 2005:1).

DiFrisco (2005:1) also insists that brand architecture provides a solid framework for an organisation to manage future opportunities so that the new ventures are strengthened by their association with the value and equity invested in current activities. The advantage of brand architecture, according to Muzellec and Lamptin (2009:39), is simple: *“Building onto the equity of an existing, strong brand is much easier, and less expensive, than launching a new effort”*. Van Auken (2007:11) describes brand architecture as a brand’s family tree representing the various named entities within an organisation’s portfolio usually with two levels: brands and sub-brands.

Gelder (2002:1) classifies brand architecture in four categories:

- Master brand;
- Brand/sub-brand;
- Endorsed brand; and
- Separate (stand-alone or independent) brands.

Van Auken (2007:11), DiFrisco (2005:1) and Gelder (2002:1) all commonly agree that brand architecture addresses the following:

- Number of separately named entities;
- Criteria for becoming a separately named entity;
- Levels of relationship between separately named entities;
- Naming and other brand identity conventions for each level; and
- Nature of the relationships between the named entities at different levels.

Table 2.5 outlines the five general types of brand architecture as revealed by Van Auken (2007:11):

**TABLE 2.5: BRAND ARCHITECTURE**

| Type                   | Description  | Examples                             |
|------------------------|--|--------------------------------------|
| <b>Corporate Brand</b> | Corporate brand is the brand bearing the company name. It represents that highest in a brand hierarchy   | Xerox, Ford, IBM, 3M and Kodak.      |
| <b>Master Brand</b>    | Is the dominant, highest level brand in a brand hierarchy. Typically it is the only brand in the system.   | Honeywell and Gillette               |
| <b>Parent Brand</b>    | Is a brand that is extended into more than one product category. It may not be the same as the corporate brand   | Bosch, Panasonic and Honda           |
| <b>Sub Brand</b>       | It is a new brand that is combined with a parent or corporate brand in the brand identity system. The sub brand can make the parent brand more vital and relevant to a new consumer segment or within a new product category | Tarus, Lexus and Accord              |
| <b>Endorsed Brand</b>  | It is the primary name the consumer is intended to use to refer to a product. It is a brand that is endorsed by the parent or corporate brand in the brand identity system.  | Shoebox, a tiny division of Hallmark |

**Source:** Adapted: Van Auken (2007:11)

Similarly, Keller (2008:294) identifies an additional category and classifies brand architecture as:

- Product brand
- Line brand
- Range brand
- Umbrella brand
- Source brand
- Endorsing brand

In summary, brand architecture represents the structure of an organisation’s brand portfolio. Whether there are five or six architectural models, they serve to classify the role of the brand, the status of the brand and its relationship with other products in the brand.

## 2.4 BRAND EQUITY

Brand equity has been described by the Marketing Science Institute as “*the set of associations and behaviour on the part of a brand’s customers, channel members and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name*”. There are two aspects to brand equity – one from the point of view of the firm and the other from that of the consumer (Chaudhuri, 2006:44).

Brand equity, according Aaker (1996:141) and Keller (2003:117) cited in Ailawadi, Lehmann and Neslin (2003:2), reflects certain consumer attitudes and associations with a branded product that, in the aggregate, yield specific consequences, such as incremental volume, price premiums, and profit. These product-market outcomes, according to Keller and Lehmann (2006:745), quantify the incremental benefit due to the brand name and “*reflect a culmination of the various mechanisms by which the brand name adds value.*”

These outcomes are also an important means of quantifying the value of a brand because they are inextricably linked to market forces (Slotegraaf & Pauwels, 2008:301). Whereas different market-based measures have been proposed, a revenue based measure is likely to be more useful to researchers and marketing managers in demonstrating a brand’s value to the firm.

Therefore, Ailawadi *et al.* (2003:29) confirm that the brand equity measure is based on the difference in revenue a branded product generates in comparison with the private label. Because revenue premium and market share are correlated even though these are but conceptually different measures (for instance, marketing investments can influence brand equity and market share differentially), it becomes important to control market share effects when analysing the explanatory power of brand equity (Keller & Lehmann, 2006:746).

With regard to the effect of brand equity, higher-equity brands attain greater long-term sales elasticity from their display, feature, and price promotion efforts. In general, consumers are purported to react differently to marketing-mix efforts for a branded product in comparison with efforts for an unbranded product (Keller, 1993:121). Research comparing differences between

national brands and private labels offers some support for this argument. For example, advertising for national brands leads to greater purchase intentions than it does for private labels.

Slotegraaf and Pauwels (2008:300) confirm that price promotions offered for private labels typically yield lower immediate category incidence elasticity than those for national brands, but benefit the competing brands in the category more in the long run. When a brand has stronger equity consumers hold more favourable, powerful and unique associations with the brand and have a more established familiarity with the brand (Keller 1993:177). Slotegraaf and Pauwels (2008:300) argue that due to the highly firm-specific, legally protected, and socially complex processes by which a brand is created and managed over time, a positional barrier is generated that likely influences the effectiveness of its marketing promotions. Moreover, research conducted by McClure and Kumcu (2008:109) indicate that these effects may be long-term, with promotions garnering greater effects for familiar brands and higher-price, high quality brands. In addition, exposure to high-equity brands through visual means, such as displays or feature advertisements, may enhance a brand's competitive advantage.

Slotegraaf and Pauwels (2008:301) describe brand equity as the added value endowed to products and services in which the value may be reflected in how consumers, think, feel, and act with respect to the brand as well as the prices, market share, and profitability that the brand commands for the firm. Brand equity, according to Gupta (2007:114), is an important intangible asset to the firm that has psychological and financial value. Marketers and researchers use various perspectives to study brand equity and are constantly endeavouring to strengthen it. One measure used to assess brand equity performance is the annual *Interbrand* brand equity survey (Annexure B). The survey reveals the performance of brands over a financial year. The Interbrand survey also emphasized that brand equity now assumes a position on many company's balance sheet as financial values has been attached to it.

Customer-based brand equity, according to McDonald (2005:30), can be defined as the differential effect that brand knowledge has on consumer response to the marketing of that brand. A brand, according to Leiser (2004:219), is said to have positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified as compared to when it is not. A brand is said to have negative customer-based equity if

consumers react less favourably to marketing activity for the brand under the same circumstances. Brand equity arises from differences in consumer response as a result of consumers' knowledge about the brand (Leiser, 2004:220).

Brand knowledge consists of all thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand. The challenge for marketers, according to Leiser (2004:220), in building a strong brand is in ensuring that customers have the right type of experiences with products and services and that their marketing programmes create the desired brand knowledge structures for the brand. Customer knowledge is what drives the differences that manifest themselves in brand equity.

From the perspective of brand equity, all the marketing Rands spent each year on products and services should be thought of as investments in consumer brand knowledge. The quality of the investment in brand building, according to Randall (2001:98), is the critical factor, not necessarily the quantity, beyond some minimal threshold amount. It is actually possible to "overspend" on brand building if money is not spent wisely. A brand is essentially a marketer's promise to deliver predictable product or service performance.

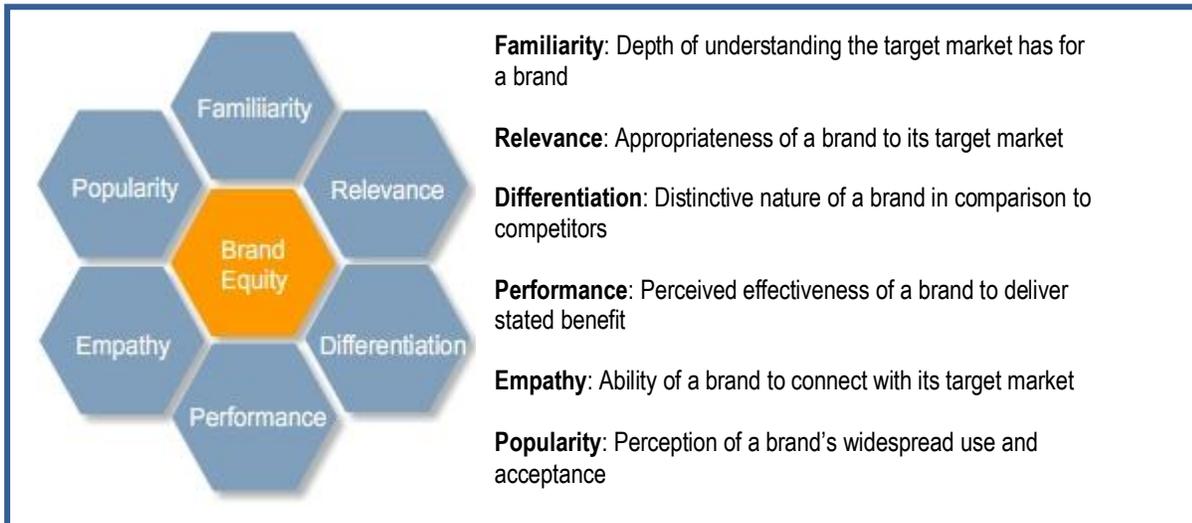
Brand promise is the marketer's vision of what the brand must be and do for consumers. Understanding consumer brand knowledge is thus of paramount importance because it is the foundation of brand equity and brand loyalty. Given that the power of a brand resides in the minds of consumers and how it changes their response to marketing, Kotler and Keller (2006:288-291) identify two basic approaches to measuring brand equity:

- **An indirect approach** – assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures.
- **A direct approach** – assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing.

The two general approaches are complementary and marketers can employ both. There are important factors that marketers should know about brand equity and need to fully understand the sources of brand equity and how they affect outcomes of interest as well as how these sources and outcomes change over time.

Brand equity can be achieved through an accumulation of components or sources (Aaker, 1991:44; Keller, 2008:53). These components are depicted in Figure 2.5 – The Morar Consulting adaptation and Figure 2.6 – Aaker’s hierarchy of brand equity.

**FIGURE 2.5: COMPONENTS OF BRAND EQUITY**



**Source:** Morar Consulting (2008:1)

**FIGURE 2.6: AAKER’S HIERARCHY OF BRAND EQUITY**



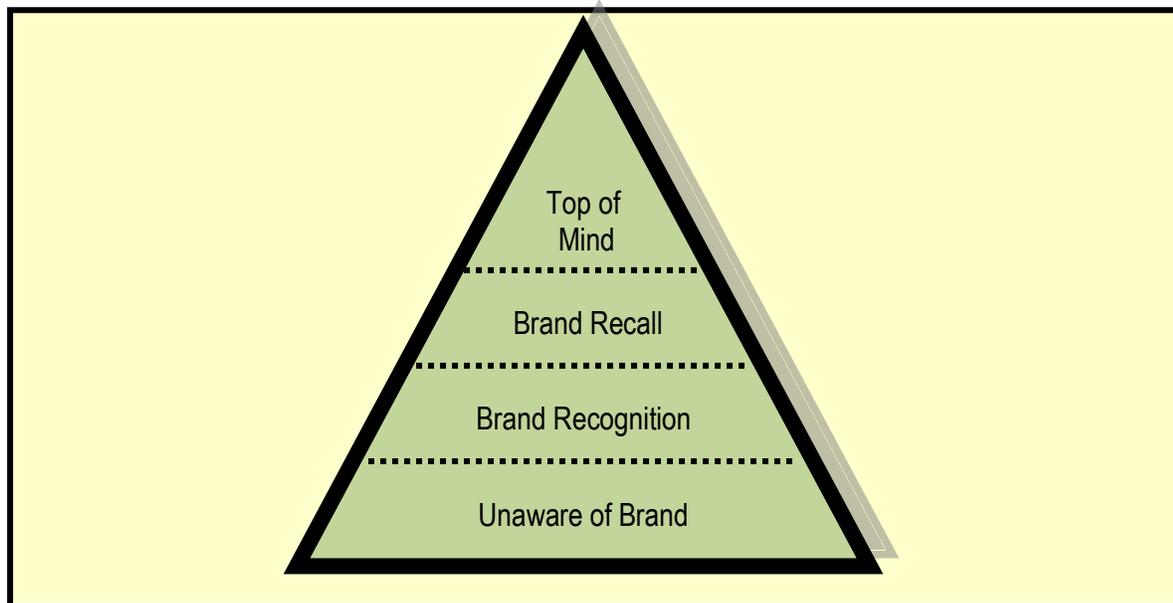
**Source:** Adapted: Xu and Chan (2010:182)

Each element of Aaker's hierarchy of brand equity (Figure 2.6) is discussed below.

### 2.4.1 Brand awareness

Brand awareness, according to Keller (2008:54), consists of *brand recognition* and *brand recall performance*. Both are essential ingredients in maintaining brand loyalty. *Brand recognition* is defined as the consumers' ability to confirm prior exposure to the brand when given the brand as a cue while *brand recall* is consumers' ability to retrieve the brand from memory when given the product category, the needs fulfilled by the category, or a purchase or usage situation as a cue (Keller, 2008:54). Aaker (1991:61) suggests that brand awareness involves a continuum ranging from an uncertain feeling that the brand is recognised, to a belief that it is the only one in the product class. Aaker (1991:62) adds that the continuum can be represented by four very different levels of brand awareness as depicted in Figure 2.7 where from being unaware of a brand, brands are recognised, then recalled and eventually exists at the top of mind where it assumes an instinctive nature.

**Figure 2.7: The awareness pyramid**



**Source:** Aaker (1991:62)

Swerdlick (2008:9) states that brand awareness is important because:

- It is a necessary condition for inclusion in the set of brands being considered for purchase;
- In low-involvement decision settings it can be a sufficient condition for choice; and
- It influences the nature and strength of associations that comprise the brand image.

Awareness can be heightened by increasing consumer exposure to the brand and by linking the brand to product category, consumption and usage situations (Keller, 2008:54). For brand awareness to take place, brand perception is the key to unlocking awareness. Brand perception is in itself a complex process.

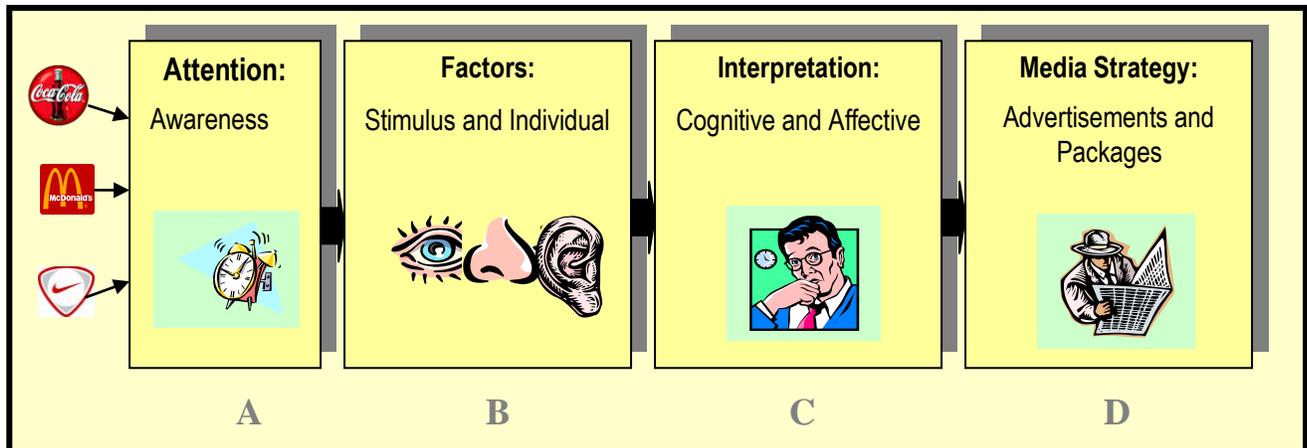
#### 2.4.1.1 Brand perception

Wee (2004:321) provides the following summary of brand perception:

- People perceive brand as a whole;
- Perception is selective;
- Consumers' perception are the reality; and
- Processes may not be conscious.

Perception, according to Ries (2003:11), consists of those activities by which an individual acquires and assigns meaning to stimuli. Perception begins with exposure and occurs when a stimulus comes within range of one of our primary sensory receptors. Ries (2003:11) maintains that people are exposed to only a small fraction of the available stimuli, and this is usually the result of "*self-selection*." The four components of the process of brand perception are depicted in Figure 2.8.

**FIGURE 2.8: BRAND PERCEPTION**



Source: Adapted: Ries (2003:12)

- **Attention**, according to Ries (2003:13), occurs when the stimulus activates one or more of the sensory receptors, and the resulting sensations go into the brain for processing. Because of the amount of stimuli we are exposed to, we selectively attend to those stimuli that physically attract us (stimulus factors) or personally interest us (individual factors).
- **Factors** that affect brand perception are a combination of stimulus and individual factors. Stimulus factors are physical characteristics of the stimulus itself, such as contrast, size, intensity, colour, movement, position, isolation, format, and information quantity. Individual factors are characteristics of the individual, such as interests and needs. Both these factors are moderated by the situation in which they occur (Neal, Quester & Pettigrew, 2007:79). Ries (2003:119) describes programme involvement as the degree of interest the consumer has in the programme or magazine in which the advertisement is embedded and is a situational factor of particular interest to marketers. Non-focused attention occurs when information is extrapolated without deliberate effort.

Hemispheric lateralisation is a term applied to activities that take place on each side of the brain. The left side of the brain is concerned primarily with those activities we typically call rational thought and the ability to be conscious and report what is happening. The right side of the brain deals with pictorial, geometric, timeless, and nonverbal information without the individual being able to verbally report it.

Subliminal messages are a message presented so fast or so softly or so masked by other messages that one is not aware of seeing or hearing it. Subliminal messages have generated a great deal of interest but do not affect brand choice or other aspects of consumer behaviour in a meaningful way (Ries, 2003:125).

- **Interpretation**, according to Neal *et al.* (2007:93), is the assignment of meaning to stimuli that have been attended to. Interpretation is a function of individual as well as stimulus and situation characteristics.

Cognitive interpretation appears to involve a process whereby new stimuli are placed into existing categories of meaning. Affective interpretation is the emotional or feeling response triggered by the stimulus.

Interpretation, according to Ries (2003:15), is largely a function of individual learning and expectations that are triggered by the stimulus and moderated by the situation. Marketers are particularly interested in how consumers differentiate between brands, how they interpret images, and how they form inferences about missing information. Both marketing managers and regulators are concerned with the amount of information that is misinterpreted. Marketing managers use their knowledge of information processing in a variety of ways.

- **Media strategy** is the final activity in the brand perception process that incorporates stimulus and personal interest factors to enhance product or service adoption. The fact that media exposure is selective; it is used as the basis for media strategy. Retailers can enhance their operations by viewing their outlets as information environments (Wonglorsaichon & Sathainropabayut, 2008:389).

Both stimulus and personal interest factors are used to attract attention to advertisements and packages. Characteristics of the target market and the message are studied to ensure that accurate interpretation occurs. The meaning that consumers assign to words and parts of words is the basis for selecting brand names. Information processing theory guides a wide range of advertising evaluation techniques (Neal *et al.*, 2007:88). Likewise, information processing theory is a basis for developing warning labels and posters.

Finally, marketers need to be sensitive to the host of ethical issues that arise when developing marketing messages.

Hoyer (1984:824) proved empirically that consumers engage little cognitive effort in making decisions for frequently purchased products that are either unimportant or low in value. Consumers employ simple tactics or choice heuristics that enable them to make very quick and effortless decisions. Consumers are exposed to an increasing number of brands in almost every product category. As a result, consumers are highly selective in processing brand information.

Hoyer and MacInnis (2006:82) have stated that “*at any given time, our senses are exposed to numerous inputs. To perceive each one would be overwhelming and extremely difficult.*” Fortunately, sensory processing is simplified by the fact that the many stimuli do not enter conscious awareness. For perception to take place, it must be sufficiently intense.

#### **2.4.2 Brand associations**

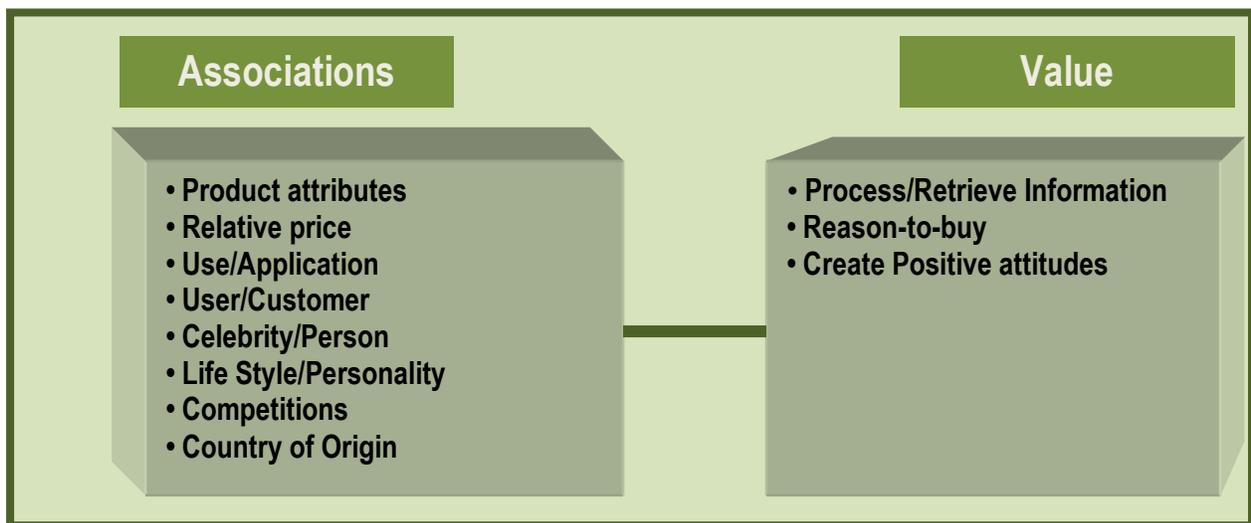
Brand associations are extremely useful to marketers. Marketers use brand associations to differentiate, position, and extend brands, to create positive attitudes and feelings towards brands, and to suggest attributes or benefits of purchasing or using a specific brand (Aaker, 1991:76). Brand associations, however, are of more use to the customer than the marketer. The way a brand association creates value to the customer will depend on the customer’s perception of value. For each individual, reality is a totally personal phenomenon, based on that person’s needs, wants, and personal experiences.

Customers everywhere respond to images, myths, and metaphors that help them define their personal identities. Thus, different customers will perceive reality differently. Indeed, Schiffman and Kanuk (2002:193) contend that although two individuals may be subject to the same stimuli under apparently the same conditions, the way they recognise them, select them, organise them, and interpret them is a highly individual process based on each person’s own needs, values, and expectations.

The underlying value of a brand name often is its set of associations – its meaning to people. Associations, according to Aaker (1991:80), represent the bases for purchase decisions and for brand loyalty. There are a host of possible associations and a variety of ways they can provide value. He identifies the following as the possible ways in which associations create value to the customer: helping to process / retrieve information about a brand; generating a reason to buy, and creating positive attitudes / feelings.

Brand associations help consumers judge the value of a product. For example, country of origin influences consumers in making judgements as to whether a product is of value or not. Consumers tend to have broad but somewhat vague stereotypes about specific countries and specific brands that they judge “best”. For example, French perfume, Italian leather or Japanese electronics (Cateora, 1996:349). Using the example of country of origin as a basis for judging value of products, a model for brand associations and consumer perceptions of value of products can be depicted schematically as in the Figure 2.9.

**FIGURE 2.9: BRAND ASSOCIATION ON PERCEIVED VALUE**



**Source:** Hoek, Dunnet, Wright and Gendall (2000:114)

Figure 2.9 reflects that a product is of value to the customer and hence it can be bought to satisfy a need depending on its attributes, its use, or whether it can be associated with a particular customer group. Similarly, a consumer will consider a product as being valuable if he/she can associate it with a certain celebrity, lifestyle or country of origin. Proponents of brand positioning suggest that

Brands should develop distinct images and that these images will attract a specific consumer segment (Hoek *et al.*, 2000:115).

Consequently, the consumer segment will see the brand as being valuable to them. Association research (research on brand associations) is important to marketers since they would want to gain an insightful picture of how a brand is perceived by consumers as well as its competitors. The techniques that have been utilized by firms to measure brand associations form part of the next section.

### 2.4.3 Brand familiarity

Cerjak, Haas and Kovacic (2010:564) described familiarity as the number of product-related/service-related experiences that have been accumulated by the consumer, and Kotler and Keller (2006:443) define it as “a deep set of meaning” that can encompass different levels such as attributes, benefits, values, cultures or personality. These related experiences include direct and indirect experiences such as advertising exposures, interactions with salespersons, word of mouth communications, trial and consumption. Cerjak *et al.* (2010:564) view familiarity as being synonymous with knowledge and consider experience to be the key contributor to familiarity. Lamb *et al.* (2008:221) describe brand familiarity as the extent to which consumers recognise and accept a firm’s brand. Lamb and the other authors continue and identify the following five levels of familiarity (Table 2.6) that eventually lead to loyalty:

**TABLE 2.6: LEVEL OF FAMILIARITY AND DESCRIPTION**

| Level of Familiarity         | Description  |
|------------------------------|--|
| <b>Brand rejection</b>       | means that the potential buyer will not buy the product  |
| <b>Brand non-recognition</b> | means that potential consumers are simply not aware of the brand   |
| <b>Brand recognition</b>     | means that consumers are aware of the brand but are not necessarily buyers   |
| <b>Brand preference</b>      | is a situation where a consumer regularly buys the brand ahead of others out of sheer habit or because of satisfaction in the past |
| <b>Brand insistence</b>      | implies that consumers insist on the brand and are willing to search for it.   |

**Source:** Lamb *et al.* (2008:221)

#### 2.4.4 Brand attributes

Brand attributes represent the functional or emotional associations that are assigned to a brand by its customers and prospects. Brand attributes can be either negative or positive and can have varying degrees of relevance and importance to different customer segments. Brand attributes are the key in maintaining brand loyalty. Keller (2008:147), Yao (2010:1) and Sustak (2009:1) identify the attributes listed in Table 2.7 that strengthens brands:

**TABLE 2.7: ATTRIBUTES THAT STRENGTHEN BRANDS**

| Attributes that fortify the world's strongest brands  | Attributes that turn an average brand into a great one   | Attributes that create a higher level of importance  |
|---|--|--|
| <ol style="list-style-type: none"> <li>1. Desirable benefits</li> <li>2. Uniqueness</li> <li>3. Brand relevance</li> <li>4. Perceptions of value</li> <li>5. Proper positioning</li> <li>6. Sensible brand portfolio</li> <li>7. Building equity</li> <li>8. Brand meaning</li> <li>9. Brand consistency</li> <li>10. Proper sustained support</li> <li>11. Monitoring the sources of brand equity</li> </ol> | <ol style="list-style-type: none"> <li>1. Brand placement</li> <li>2. Brand communication</li> <li>3. A great idea/meaning</li> <li>4. Uniqueness/distinctive</li> <li>5. Attractiveness</li> <li>6. Honesty</li> <li>7. Consistency</li> <li>8. Long-term thinking</li> <li>9. Relevancy</li> </ol> | <ol style="list-style-type: none"> <li>1. Daring</li> <li>2. Unique</li> <li>3. Consistent</li> <li>4. Original</li> <li>5. Intelligent</li> <li>6. Fun</li> <li>7. Authentic</li> <li>8. Distinctive</li> <li>9. Dynamic</li> <li>10. Innovative</li> </ol> |
| <b>Source:</b> Keller (2008:147)  | <b>Source:</b> Yao (2010:1)  | <b>Source:</b> Sustak (2009:1)   |

Brand strengthening attributes common to all three authors are consistency and uniqueness. At least two authors commonly list relevance, meaning and distinctness as brand strengthening attributes. 22 attributes remain as singular attributes unique to each author's research.

#### 2.4.5 Brand identity

A successful brand, according to Chernatony and McDonald (1998:25), is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely. In other words, the identity of the brand matches consumer needs. For consumers to become loyal to brands, they must first be able to identify with the brand.

Brand identity, according to Ghodeswar (2008:4), is based on a thorough understanding of the firm's customers, competitors, and business environment. The brand identity needs to reflect the business strategy and the firm's willingness to invest in the programs needed for the brand to live up to its promise to customers (Aaker & Joachimsthaler, 2000:93). Strong brands enjoy customer loyalty, the potential to charge premium prices, and considerable brand power to support new product and service launches. Companies need to have thorough understanding of customer beliefs, behaviours, product or service attributes, and competitors.

Baruškin-Črep (2005:1) believes that brand identity is built through a continuous process involving segmentation, positioning, marketing mix, brand performance and category understanding as illustrated in Figure 2.10. Baruškin-Črep adds that brand identity is valuable in that it:

- contains all the richness of the brand;
- represents the basic potential for positioning in various segments;
- allows coordinated and controlled communication; and
- is also a reflection of the actual world of the brand.

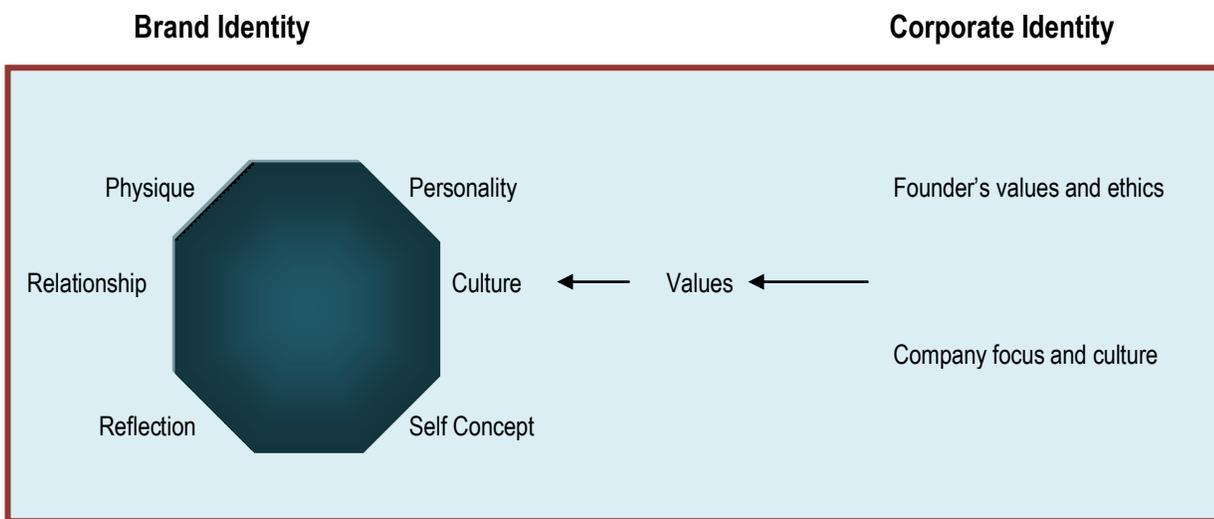
**FIGURE 2.10: BRAND IDENTITY**



**Source:** Baruškin-Črep (2005:1)

Kapferer (2004:150) believes that the preliminary definition of brand identity is not the same for company-named brands as for brands that have their own brand name. Many companies have successfully branded its names and presently act as brands. Alcatel is both a company and a brand, as are Siemens, Toshiba, Du Pont, Philips and IBM. On the other hand, Audi is one of Volkswagen’s brands. Companies become aware that its name is actually a brand when they notice that the purchaser and user are just as important as the financial analyst in the markets in which they operate. Figure 2.11 graphically reflects the process of transferring company identity to brand identity.

**FIGURE 2.11: COMPANY IDENTITY AND BRAND IDENTITY**



**Source:** Kapferer (2004:150).

### 2.4.6 Brand personality

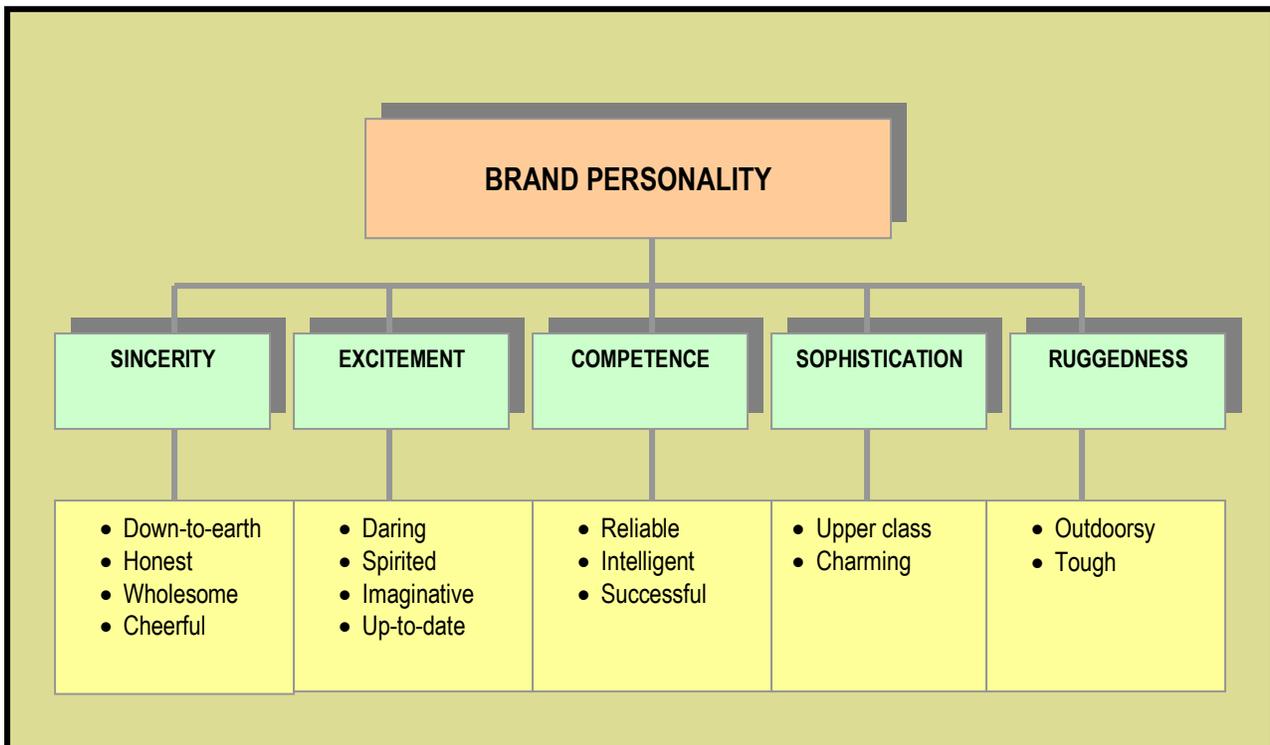
Brand personality can be described as the personality traits used to characterise a person’s association with a brand (Bennett & Rundle-Thiele, 2000:111). It is a concept within the field of relational marketing that helps better understand the development and maintaining of relations between brands and consumers (Louis & Lombart, 2010:115).

Barki and Wallace (2008:318) believe that globally thriving brands can attribute much of its success to the human-type personalities they display allowing consumers to express themselves through the purchase of particular products.

Keller (2003:53) identifies three appeal traits in brands which constitute its personality. The first is sensual appeal of a brand which revolves around look, feel and sound of the product. The second is rational appeal directed at the physical performance of the brand and the third is emotional appeal which is focused on the psychological benefits that brand is able to invoke in the mind of the consumer.

Aaker (1997:350) goes further by identifying five traits of brand personality in his brand personality model. Aaker (1997:351) claims that a brands personality is dependent on the sincerity, excitement, competence, sophistication and ruggedness of the brand as depicted and expanded in Figure 2.12 below.

**FIGURE 2.12: BRAND PERSONALITY MODEL**



**Source:** Aaker (1997:352)

#### 2.4.6.1 Brand orientation

Brand orientation, according to Wong and Merrilees (2008:383), refers to a conscious, deliberate approach to working with brands, both internally and externally. This approach is characterised by the brand serving as a hub around which an organisation's strategic processes circle. Wong and Merrilees (2008:383) add that it is an approach where the brand strategy is intimately linked with business development.

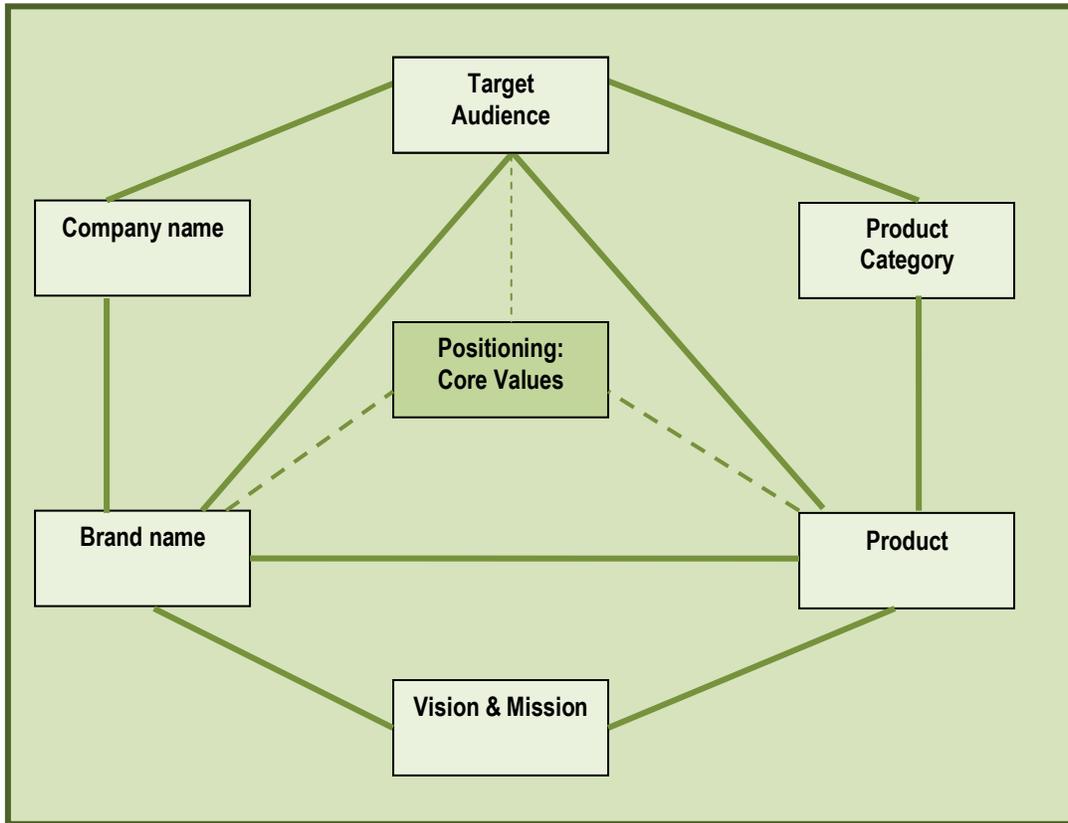
Similarly, M'zungu, Merrilees and Muller (2010:605) define brand orientation as the approach in which the processes of the organisation revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands.

Brand orientation focuses on developing brands in a more active and deliberate manner, starting with the brand identity as a strategic platform. It can be said that as a consequence of this orientation the brand becomes an "unconditional response to customer needs and wants" (Urde, 1999:117). This should be, however, considered carefully given that "*what is demanded by customers at any given moment is not necessarily the same as that which will strengthen the brand as a strategic resource*" (Urde, 2003:47). Following this reasoning, "the wants and needs of customers are not ignored, but they are not allowed to unilaterally steer the development of the brand and determine its identity" (Urde, 2003:48).

According to the brand orientation model offered by Urde (2003:48), the starting point for a process of brand building is to first create a clear understanding of the internal brand identity. Urde (1999:129) adds that brand then becomes a strategic platform that provides the framework for the satisfaction of customers' wants and needs. The point of departure for a brand oriented company is its brand mission. Urde's Brand Hexagon (1999:130), shown in Figure 2.13, integrates brand equity and brand identity with a company's direction, strategy and identity. The right side of the model reflects the reference function-product category and product, which are analysed rationally, while the left side of the model reflects the emotional function: corporate and brand name, which are analysed emotionally.

The lower part of the model – mission and vision – reflects the company’s intentions towards the brand, while the upper part reflects the way that target consumers interpret the brand. At the centre of the model lies the core process of brand, meaning creation, which includes the positioning and core values.

**FIGURE 2.13: URDE’S BRAND HEXAGON**



**Source:** Urde (1999:130)

In summary, “in a brand-oriented organization, the objective is –within the framework of the brand – to create value and meaning. The brand is a strategic platform for interplay with the target group and thus is not limited to being an unconditional response to what at any moment is demanded by customers” (Guzman, 2005:4).

Additionally, in a later article, Urde (2003:22) mentions that the brand building process is two-part: internal and external. He defines the internal process as that used primarily to describe the relationship between the organisation and the brand, with the internal objective being for the organisation to live its brands. Conversely, the external process is that concerned with relations between the brand and the customer, with the external objective of creating value and forming relationships with the customer.

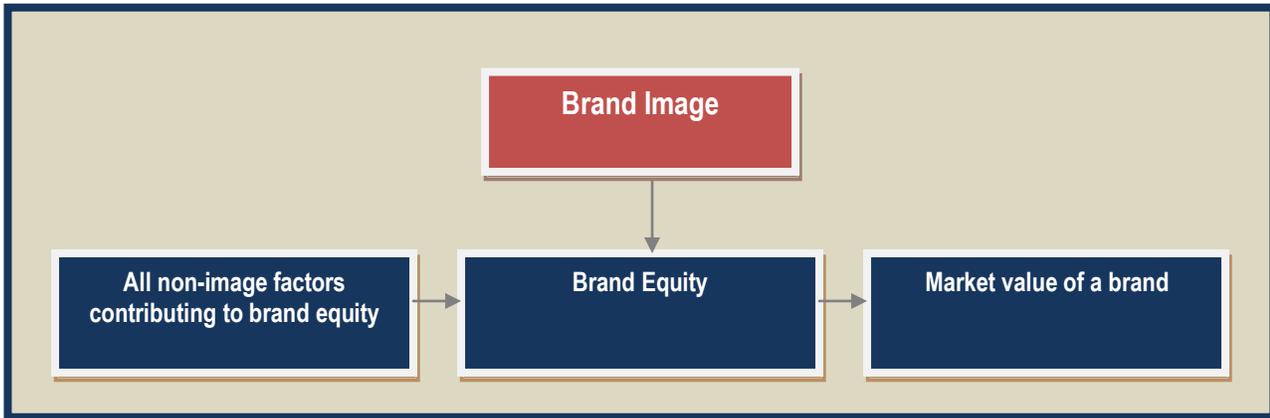
#### **2.4.7 Brand image**

Keller (2008:51) maintains that brand image has long been recognised as an important concept in marketing and although marketers have not always agreed about how to measure it, one generally accepted view is that, consistent with our associative network memory model, brand image is consumers' perceptions about a brand, as reflected by the brand associations held in consumer memory.

Creating a positive brand image takes marketing programmes that link strong, favourable, and unique associations to the brand in memory. Consumers are able to form brand associations in a variety of ways other than marketing activities: from direct experience; through information from other commercial or nonpartisan sources (Keller, 2008:5).

Verma (2002:205) identifies brand image as the key concept between the brand and the brand equity. Verma maintains that the perception of a brand can adjust brand value upwards or downwards based on the brand name. This is illustrated in Figure 2.14.

**FIGURE 2.14: BRAND IMAGE AND BRAND EQUITY**

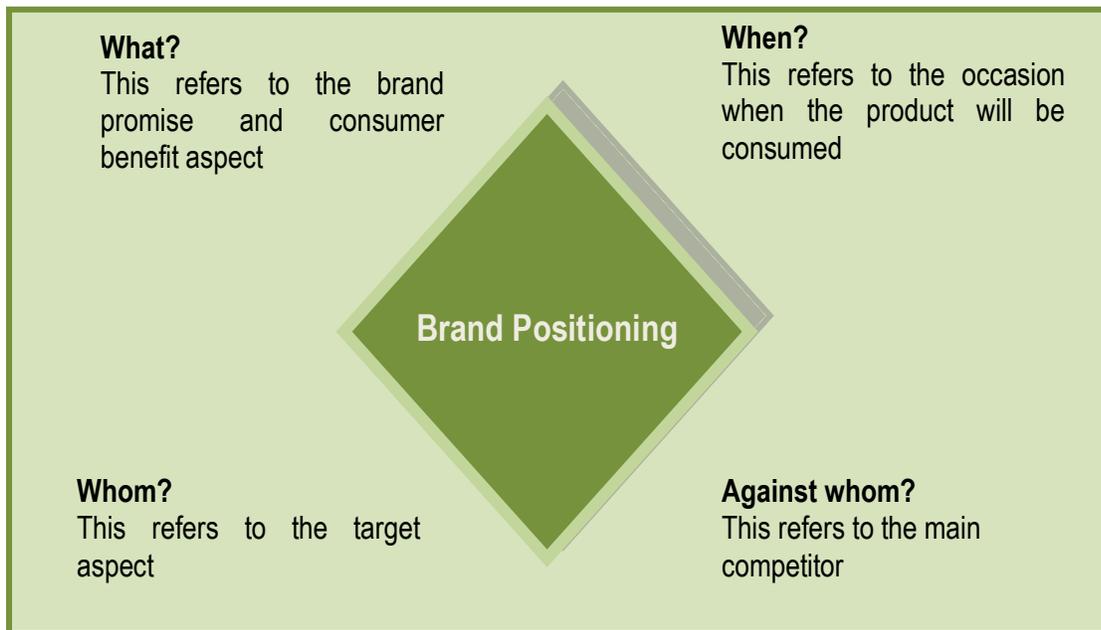


**Source:** Verma (2002:205)

### **2.4.8 Brand positioning**

All marketing strategies, according to Kotler and Keller (2006:37), are built on Segmentation, Targeting, and Positioning (STP). A company discovers different needs and groups in the marketplace, targets those needs and groups that it can satisfy in a superior way, and then positions its offering so that the target market recognises the company's distinctive offering and image. According to Kapferer (2004:99), it is common to distinguish brands according to their positioning. Positioning a brand means emphasizing the distinctive characteristics that make it different from its competitors and appealing to the public. Kapferer (2004:99) claims that brand positioning is based on the four questions depicted in Figure 2.15:

**FIGURE 2.15: BRAND POSITIONING**



**Source:** Kapferer (2004:99)

Kapferer (2004:101) suggests that if a company does an excellent job of positioning, then it can work out the rest of its marketing planning and differentiation from its positioning strategy. Positioning can be defined as follows: Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. The goal is to locate the brand in the minds of consumers to maximise the potential benefit to the firm. Good brand positioning helps guide marketing strategy by clarifying the brand's essence, what goals it helps the consumer achieve, and how it does so in a unique way – customer-focused value proposition (Rith, 2009:1).

Brand positioning, according to Ries and Trout (1998:100), involves building the image of a brand. Kotler (2003:308) defines positioning as “*the act of designing the company's offering: an image to occupy a distinct place in the mind of the target market.*” Keller (2008:99) argues that positioning requires marketers to know:

- who the target consumer is;
- who the main competitors are;
- how the brand is similar to these competitors; and
- how the brand is different to these competitors.

Rith (2009:1) affirms that good brand positioning requires the following five traits, namely that positioning must be:

- unique;
- affordable;
- narrow;
- durable; and
- believable.

#### 2.4.8.1 Target markets

A market, according to Keller (2008:99), is the set of all actual and potential buyers who have sufficient interest in, income for, and access to a product. Verma (2002:135) argues that the first and foremost consideration in search for a position is the concept of target market. Blijlevens, Creusen and Schoormans (2009:27) assert that the identification of a consumer target is vital as different consumers possess different brand knowledge structures and thus different perceptions and preferences for the brand. Once a market is targeted, it can then be segmented. Market segmentation divides the market into distinct groups of homogeneous consumers who have similar needs and consumer behaviour, and who thus require similar marketing mixes. Market segmentation requires making tradeoffs between costs and benefits (Holt, 2002:72). Table 2.8 represents consumer segmentation bases.

**TABLE 2.8: CONSUMER SEGMENTATION BASES**

| Behavioural     | Demographic | Psychographic | Geographic    |
|-----------------|-------------|---------------|---------------|
| User status     | Income      | Values        | International |
| Usage rate      | Age         | Opinions      | Regional      |
| Usage occasion  | Sex         | Attitudes     |               |
| Brand loyalty   | Race        | Activities    |               |
| Benefits sought |             | Lifestyle     |               |

**Source:** Adapted: Keller (2008:99)

#### 2.4.8.2 Nature of competition

Prior to deciding to target a certain type of consumer, it is firstly essential to define the nature of competition, because other firms have also decided to target that segment. Competitive analysis considers a whole host of factors including the resources, capabilities, and likely intentions of other firms. Marketers need to first establish the competitive frame of reference (Keller, 2008:107).

#### 2.4.8.3 Differentiation strategies

To avoid the commodity trap, marketers start with the belief that one can differentiate anything. The obvious means of differentiation, and often most compelling ones to consumers, relate to aspects of the product or service (Oliver, 1999:37).

##### 2.4.8.3.1 *Product differentiation*

Brands can be differentiated on the basis of a number of different product or service dimensions. One more general positioning for brands is as “*best quality*”. The Strategic Planning Institute studied the impact of higher relative product quality and found a significantly positive correlation between relative product quality and return on investment. Quality is also communicated through other marketing elements, for example, a high price signals premium quality. Quality image is additionally affected by packaging, distribution, advertising, and promotion. A manufacturer’s reputation also contributes to the perception of quality (Toms & Taves, 2004:305).

##### 2.4.8.3.2 *Image differentiation*

The image portrayed by brands is another strategy that is used to separate brands. Buyers respond differently to company and brand images. Identity is the way a company aims to identify or position itself or its product. Image is the way the public perceives the company or its products (Toms & Taves, 2004:305).

#### 2.4.9 Brand preference

Truong, Mccoll and Kitchen (2010:346) defines brand preference as the step that precedes brand loyalty and refers to the process in which consumers choose particular brands in the presence of competing brands but will accept substitutes if that brand is unavailable. Alreck and Settle (1999:130) maintain that consumer tastes and preferences for a product or brand might be built through one or more of six distinct modes:

**1. Need association:**

The product or brand is linked to one need through repeated association.

**2. Mood association:**

The mood is attached to the product or brand through repeated association.

**3. Subconscious motivation:**

Suggestive symbols are used to excite consumers' subconscious motives.

**4 Behaviour modification:**

Consumers are conditioned to buy the brand by manipulating cues and rewards.

**5. Cognitive processing:**

Perceptual and cognitive barriers are penetrated to create favourable attitudes.

**6. Model emulation:**

Idealised social lifestyle models are presented for consumers to emulate.

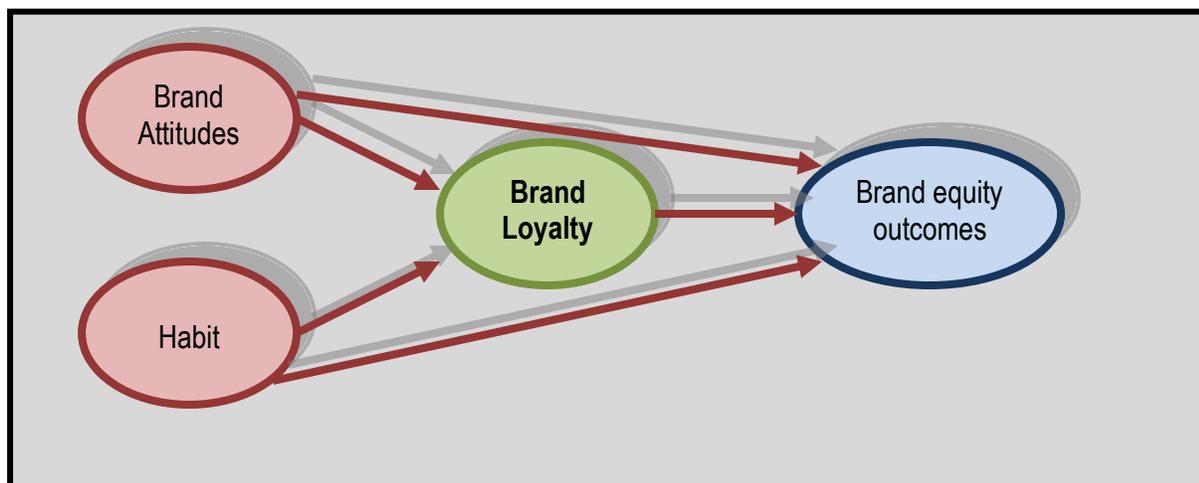
Alreck and Settle (1999:130) confirm that the six modes are derived from the leading theories and perspectives on human learning that have evolved in the fields of psychology and social psychology. Need association and mood association are most closely linked to what is commonly called "classical conditioning" and the work of Pavlov and others of his ilk.

Subconscious motivation is derived mainly from the work of Freud and his disciples while behaviour modification has its roots primarily in the behaviourist learning theories of Skinner and his followers. The cognitive processing mode leans heavily on the information processing models so thoroughly presented and studied by cognitive psychological theorists (Oakley, Adam, Balachander & Sriram, 2008:711). Finally, model emulation finds its foundation in social psychology and sociology, specifically in theories of the socialisation process, social influence, social role-playing and meeting the expectations of others. Although different consumers might build the same preference for a particular brand through different modes, certain modes are vastly more effective for a given type of product or service than for others (Alreck & Suttle, 1999:130).

#### 2.4.10 Brand loyalty

Brand loyalty has been described as a behavioural response and as a function of psychological processes (Jacoby & Kyner, 1973:2). Loyalty is also defined as a deeply held commitment to repurchase or repatronise a preferred product/service consistently over time, despite situational influences and marketing efforts that might have the potential to cause switching behaviour (Oliver, 1999:38). Brand loyalty can thus be described as a function of both attitudes and behaviour (habit) as shown in Figure 2.16.

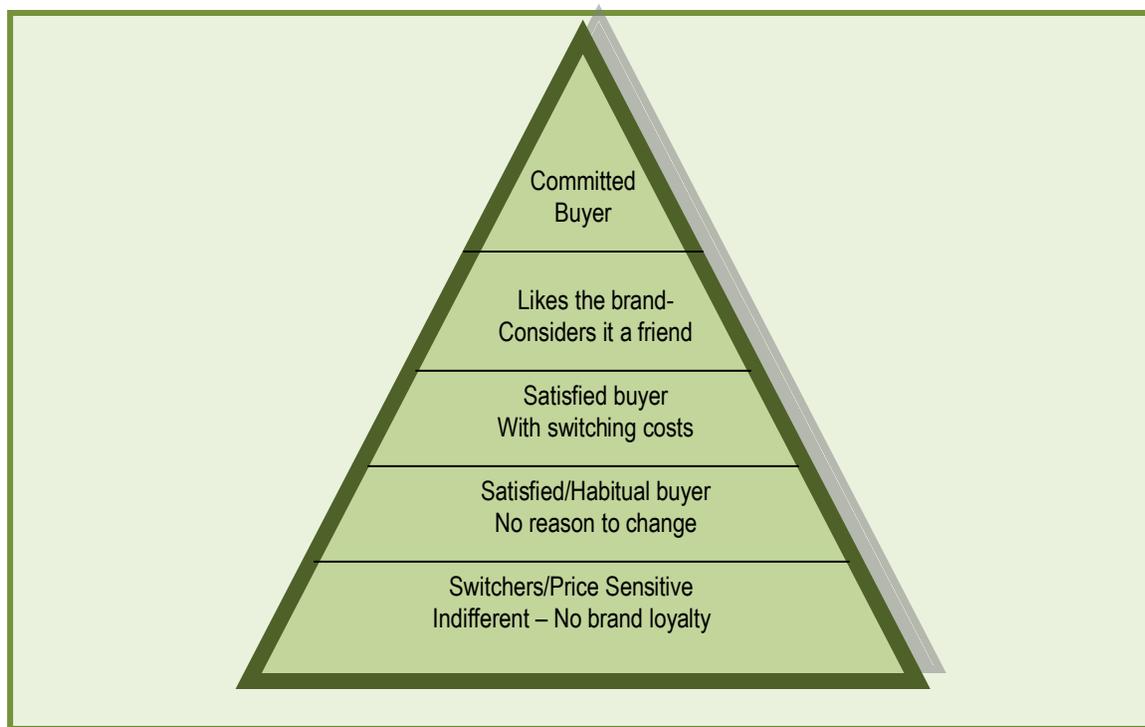
**FIGURE 2.16: ATTITUDES, HABIT, LOYALTY AND BRAND EQUITY**



Source: Jensen and Hansen (2006:442)

Brand loyalty, according to Moisescu (2006:1130), is closely connected to brand equity because all the more loyal the consumers are to the brand, the higher the value of the brand can be estimated. As such, the world's favourite brand, Coca-Cola, is valued at US\$68,744 million in the Interbrand, 2009 brand equity survey (Appendix B). Brand loyalty can qualitatively be distinguished from the other dimensions of brand equity because it is attached closer to the experience factor. Although purchase and use experience are basic factors in brand loyalty, the loyalty of a customer is also influenced by other dimensions of brand equity (Aaker, 1991:41). Aaker continues and categorises the loyalty of the consumer in five different levels as depicted in Figure 2.17.

**FIGURE 2.17: CONSUMER LOYALTY**



Source: Aaker (1991:40)

Dick and Basu (1994:106) suggest that brand loyalty favours positive word of mouth and greater resistance among loyal customers to competitive strategies. Obviously such findings encourage marketers to build and maintain brand loyalty among customers. When striving for such goals, information on factors determining the creation of brand loyalty among customers becomes an important matter.

Maintaining brand loyalty remains the ultimate goal of a marketer. Brand loyalty is the consumer's conscious or unconscious decision, expressed through intention or behaviour, to repurchase a brand continually. It occurs because the consumer perceives that the brand offers the right product features, image, or level of quality at the right price.

Consumer behaviour is habitual because habits are safe and familiar. In order to create brand loyalty, advertisers must break consumer habits, help them acquire new habits, and reinforce those habits by reminding consumers of the value of their purchase and encourage them to continue purchasing those products in the future. The next chapter is dedicated entirely to a literature review of brand loyalty and reflection of brand loyalty models.

#### **2.4.11 Summary**

Brand equity refers to the consumer attitudes and associations with a branded product and building brand equity to yield incremental benefit is the ultimate aim of an organisation. One of the primary benefits attained by higher equity brands is long term sales elasticity. Firms now are very much involved in measuring brand equity which is a good indication of the brands performance and some firms are now attaching a financial value to its brand equity. The two approaches generally used to measure brand equity is the *direct approach* where the actual impact of brand knowledge on consumer response is measured and the *indirect approach* which assesses the potential sources of brand equity. Several models identifying the components of brand equity have been presented over the years. Common components include awareness, association, familiarity, attribute, identity, image, position, preference, relevance, performance and loyalty. Brand equity is therefore the culmination of these components by which the brand name adds value.

## **2.5 BRAND BUILDING**

Strong brands survive crises of all kinds more easily than weak brands. Strong brands protect against economic crises. Brands do not just create value and competitive advantage in good times but protect companies in tough times by forging strong links with consumers, investors and other stakeholders. Brand-building and brand management become critically important in this era, when brands are under political attack as well as competitive attack. The strongest brands of all are those that are well built over time (Ghodeswar, 2008:5).

### **2.5.1 Brand building blocks**

The brand resonance model, according to Kotler and Keller (2006:280), views brand building as an ascending, sequential series of steps, from bottom to top, as depicted in Figure 2.18. These steps are as follows:

#### **Step 1:**

Ensuring identification of the brand with customers and an association of the brand in customers' minds with a specific product class or customer need.

#### **Step 2:**

Firmly establishing the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations.

#### **Step 3:**

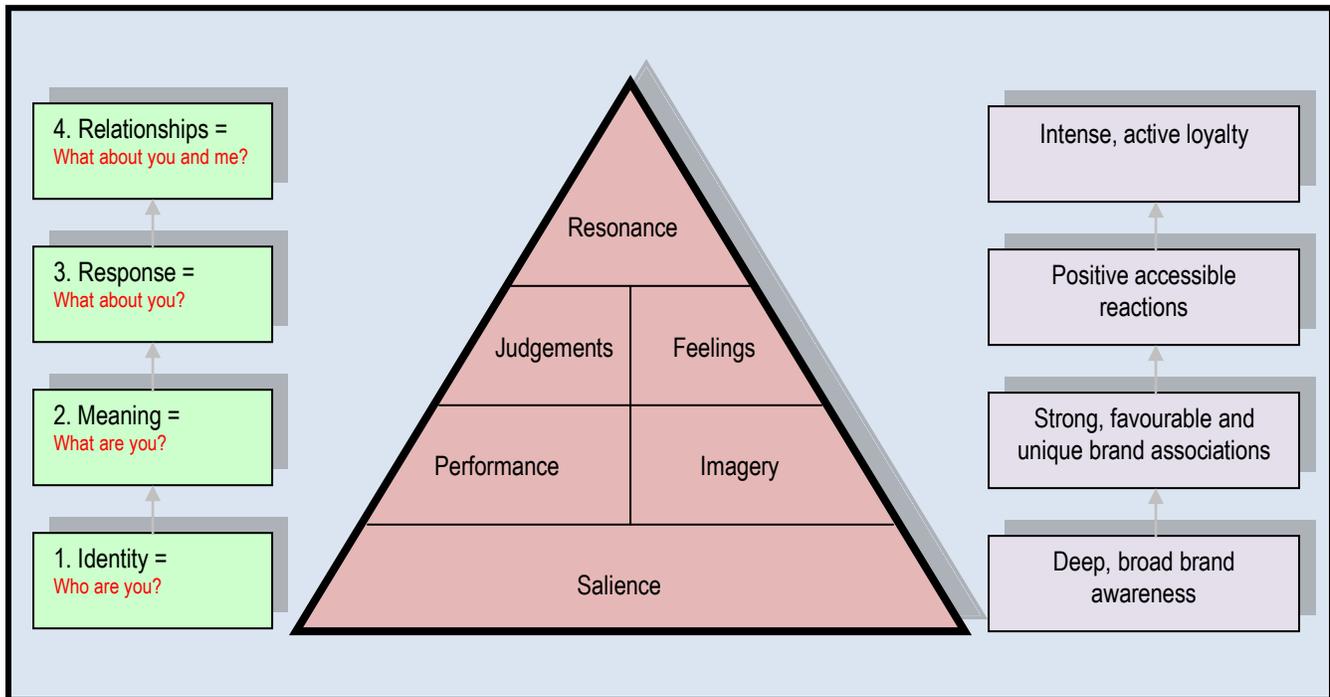
Eliciting the proper customer responses in terms of brand-related judgement and feelings.

#### **Step 4:**

Converting brand response to create an intense, active loyalty relationship between customers and the brand.

The brand building blocks can be assembled to build a brand pyramid with customers as shown in the brand resonance pyramid reflected in Figure 2.18.

**FIGURE 2.18: THE BRAND RESONANCE PYRAMID**



**Source:** Kotler and Keller (2006:281)

The pyramid is made up of the following blocks:

- **Brand salience** relates to how often and easily the brand is evoked under various purchase or consumption situations.
- **Brand performance** relates to how the product or service meets customers’ functional needs.
- **Brand imagery** deals with the extrinsic properties of the product or service, including the ways in which the brand attempts to meet customers’ psychological or social needs. Brand judgements focus on customers’ own personal opinions and evaluations.
- **Brand feelings** are customers’ emotional responses and reactions with respect to the brand.
- **Brand resonance** refers to the nature of the relationship that customers have with the brand and the extent to which customers feel that they are “in sync” with the brand.
- Resonance is characterised in terms of the intensity or depth of the psychological bond customers have with the brand, as well as the level of activity engendered by this loyalty (Keller, 2008:60-74).

### **2.5.2 Building brand equity**

Marketers build brand equity by creating the right brand knowledge structures with the right consumers. There are three main sets of brand equity drivers: The initial choice for the brand elements or identities making up the brand, the product, service, and all accompanying marketing activities and supporting marketing programmes and other associations indirectly transferred to the brand by linking it to some other entity, for example Tiger Woods and Nike or David Beckham and Gillette (Kotler & Keller, 2006:251).

### **2.5.3 Choosing brand elements**

Brand elements are those trademark devices that serve to identify and differentiate the brand. Brand elements can be chosen to build as much brand equity as possible. The test of the brand-building ability of these elements is what consumers would think or feel about the product if they only knew about the brand element.

### **2.5.4 Brand element choice criteria**

According to Kotler and Keller (2006:282) brands need to be:

- **Memorable:**  
How easily is the brand element recalled?
- **Meaningful:**  
To what extent is the brand element credible and suggestive of the corresponding category?
- **Likeable:**  
How aesthetically appealing do consumers find the brand element?
- **Transferable:**  
Can the brand element be used to introduce new products in the same or different category?
- **Adaptable:**  
How adaptable and updatable is the brand element?
- **Protectable:**  
How legally protectable is the brand element?

In summary, brand building involves a continuous effort to ensure that brands are competitive in good times and resilient in challenging times. The brand resonance model which is generally accepted as the most effective model of brand building involves a sequence of steps to create building blocks towards a solid brand pyramid. The blocks are made up of brand salience, brand performance, brand imagery, brand feelings and brand resonance. Brand equity is built by creating the right brand knowledge with the right consumers. The elements used in building brand equity ensure that the brand is memorable, meaningful, likable, transferable, adaptable and protectable.

## **2.6 BRAND AUDITS**

To better understand the complexities of their brands, marketers often need to conduct brand audits. A brand audit is a consumer-focused exercise that involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity (Kotler & Keller, 2006:288). The brand audit can be used to set the strategic direction for the brand. Marketers should, according to Kotler and Keller (2006:288), conduct a brand audit whenever they consider important shifts in strategic direction. Conducting brand audits on a regular basis allow marketers to keep their fingers on the pulse of their brands so that they can manage them more proactively and responsively.

Brand audits can have profound implications for the strategic direction and brand's resulting performance. A brand audit requires understanding sources of brand equity from the perspective of both the firm and the consumer. From the perspective of the firm, it is necessary to understand exactly what product and services are currently being offered to consumers and how each is being marketed and branded (Van Auken, 2007:232).

From the perspective of the consumer, Keller (2003:118) mentions that it becomes necessary to dig deeply into the minds of consumers and uncover the true meaning of brands and products. Brand audits, according to Kotler and Keller (2006:290), consist of two steps: the brand inventory and the brand exploratory.

### **2.6.1 Brand inventory**

The purpose of the brand inventory is to provide a current, comprehensive profile of how all the products and services sold by a company are marketed and branded. Profiling each product or service requires identifying all associated brand elements as well as the supporting marketing programme (Suarez, 2005:861). As part of the brand inventory, it is also advisable to profile competitive brands in terms of their branding and marketing efforts. The brand inventory helps to suggest what consumers' current perceptions may be based on. Marketers can assess the consistency of all the different products or services sharing a brand name (Keller, 2008:128).

### **2.6.2 Brand exploratory**

The brand exploratory, according to Keller (2008:129), is research activity conducted to understand what consumers think and feel about the brand and its corresponding product category to identify sources of brand equity. Several preliminary activities are useful for the brand exploratory. A number of prior research studies may be relevant. It is useful to interview company personnel to gain an understanding of their beliefs about consumer perceptions. Grace (2003:455) mentions that brand exploratory are an investigation into consumers: their knowledge of the brand, awareness, and the strength, favourability and uniqueness of associations including categorisation, use, and the brand promise. It may also include customers' purchase, use and disposal patterns.

Forehand (2006:922) explains that the goal of brand exploratory is to find out what consumers think, feel and do about the brand and product category in order to identify sources of brand equity, and to uncover any problem areas.

Brand exploratory often employs qualitative research techniques such as word associations, projective techniques, visualisation, brand personifications, and laddering. Many firms are now using ethnography to supplement traditional focus groups (Keller, 2008:129).

### **2.6.3 Brand tracking**

Tracking studies collect information from consumers on a routine basis over time. Tracking studies employ quantitative measures to provide marketers with current information as to how their brands and marketing programmes are performing on the basis of a number of key dimensions. Tracking studies are a means of understanding where, how much, and in what ways brand value is being created (Keller, Aperia & Georgson, 2008:363).

### **2.6.4 Brand valuation**

*“Over recent years, intangible assets have become more important to businesses operating in a wide variety of industries. This in turn has put a premium on being able to come up with credible ways to value brands.”* (Haigh, 2009:1).

Haigh (2009:2) indicates that branding is the process of transforming essentially functional assets into relationship assets by providing the basis for a psychological connection between the brand and the customer. This ability to endow a product, service or company with an emotional significance over and above its functional value is a substantial source of value creation and reflects the true value of a brand.

Keller (2008:130) states that brand equity needs to be distinguished from brand valuation; that is the job of estimating the total financial value of the brand. With these well-known companies, brand value is typically over one-half of the total company market capitalisation.

### **2.6.5 Brand reinforcement**

As the company’s major enduring asset, a brand needs to be carefully managed so that its value does not depreciate. According to Keller *et al.* (2008:130), brand equity is reinforced by marketing actions that consistently convey the meaning of the brand to consumers in terms of:

- What products the brand represents?
- What core benefits it supplies?

- What needs it satisfies?
- How the brand makes those products superior?
- Which strong, favourable, and unique brand associations should exist in the minds of consumers?

Reinforcing brand equity requires innovation and relevance throughout the marketing programme. Marketers must introduce new products and conduct new marketing activities that truly satisfy their target market. An important consideration in reinforcing brands is the consistency of the marketing support the brand receives, in terms of both amount and kind.

In managing brand equity, it is important to recognise the trade-offs between those marketing activities that fortify the brand and reinforce its meaning and those that attempt to leverage or borrow from existing brand equity to reap some financial benefit.

#### **2.6.6 Brand revitalisation**

Changes in consumer tastes and preferences, the emergence of new competitors or new technology, or any new development in the marketing environment could potentially affect the fortunes of a brand. Reversing a fading brand's fortunes requires either that brands "*return to their roots*" and lost sources of brand equity are restored or that new sources of brand equity are established. Often, the first place to look in turning around the fortunes of a brand is to understand what the sources of brand equity were to begin with (Keller *et al.*, 2008:671).

To refresh old sources of brand equity or create new sources, two main approaches are suggested by Keller *et al.* (2008:675):

- Expand the depth and/or breadth of brand awareness by improving consumer recall and recognition of the brand during purchase or consumption settings; and
- Improve the strength, favourability, and uniqueness of brand associations making up the brand image. This approach may involve directing at existing or new brand associations.

### **2.6.7 Brand crisis**

Marketing managers must assume that at some point in time, some kind of brand crisis will arise. In general, the more that brand equity and a strong corporate image have been established, the more likely it is that the firm can weather the storm. In terms of swiftness, the longer it takes a firm to respond to a marketing crisis, the more likely it is that consumers can form negative impressions as a result of unfavourable media coverage or word-of-mouth (Kotler & Keller, 2006:291-296).

### **2.6.8 Summary**

A brand audit is an investigation to assess the health of a brand. This process is essential in improving and leveraging brand equity. Brand audits are usually conducted when the strategic direction of the brand needs to be considered. One part of a brand audit involves assessing brand inventory which involves a comprehensive marketing and branding review of the products sold by the company. The second part is brand exploratory which is research based aimed at understanding what consumers think and feel about a brand. Brand tracking studies are also conducted to provide information on brand performance based on a number of key dimensions. The brand audit also includes brand valuation which will result in decisions being made regarding brand reinforcement and brand revitalisation. Finally the audit considers brand crisis especially the strength of the brand to deal with a crisis and the swiftness to respond in a crisis situation.

## **2.7 BRANDING STRATEGIES**

The branding strategy for a firm reflects the number and nature of common and distinctive brand elements applied to the different products sold by the firm. Branding strategy is critical because it is the means by which the firm can help consumers understand its products and services and organises them in their minds (Keller *et al.*, 2008:433).

## 2.7.1 Types of brand strategies

Kapferer (2004:294) asserts that six models in the management of brand-product relationships exist. Each model denotes a certain role for the brand with the products which the brand encompasses. Figure 2.19 represents the six brand strategies presented by Kapferer (2004:294).

**FIGURE 2.19: BRAND STRATEGIES**



**Source:** Adapted: Kapferer (2006:294)

### 2.7.1.1 The product brand strategy

Kapferer (2004:295) indicates that it is widely accepted that a brand is at the same time a symbol, a word, an object and a concept. The product brand strategy involves the assignment of a particular name to one, and only one, product (or product line) as well as one exclusive positioning. The result of such a strategy is that each new product receives its own brand name that belongs only to it. An example of this strategy can be found in the South African hotel industry where the City Lodge Group has developed multiple brands for precise and exclusive positions such as City Lodge, Town Lodge, Courtyard and Road Lodge.

### 2.7.1.2 The line brand strategy

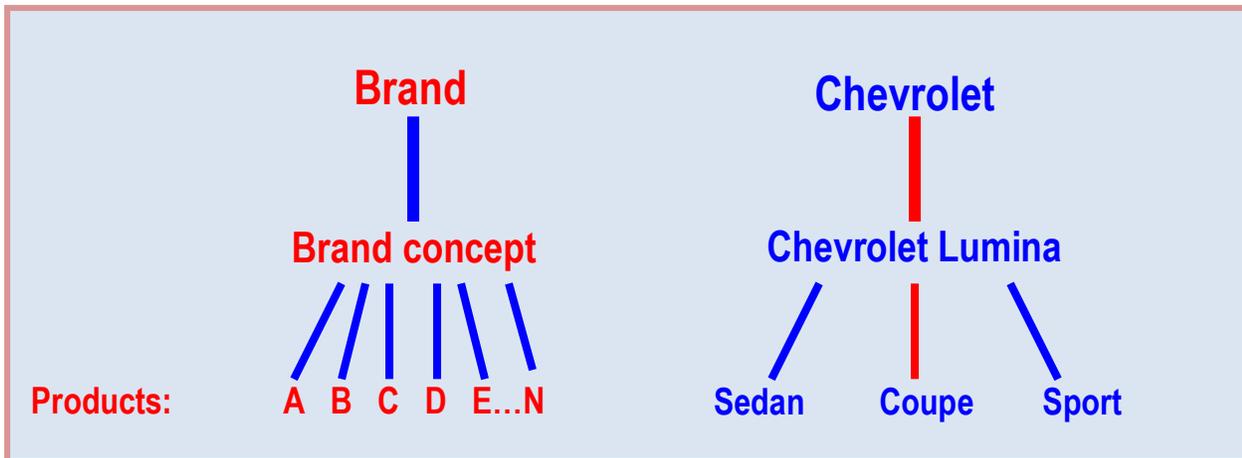
Davis and Halligan (2002:10) describe line brand strategy as a strategy that places a brand name on a line of related products providing more focus than corporate branding. This strategy requires the exploitation of a successful concept by extending it while still remaining close to the initial product. Kapferer (2008:260) indicates that line brand strategy reinforces the selling power of the brand, creates a strong brand image, facilitates distribution for each line extension and reduces launching costs. An example of line brand strategy can be found in the hair care industry where L'Oreal has developed a line of products for hair care and grooming such as shampoos, conditioners, hair gel, hair spray, and hair tints. Kapferer (2008:260) indicates that line brand strategy offers the following advantages:

- It reinforces the selling power of the brand and creates a strong brand image;
- It facilitates distribution for each line extension; and
- It reduces launch costs.

### 2.7.1.3 The range brand strategy

Range brands bestow a single brand name and promote through a single promise a range of products belonging to the same area of competence. The nature and facade of products may differ from the outside, but they are all encompassed under a single banner (Verma, 2002:414). Kapferer (2008:360) clarifies that products although unrelated at times are combined through a unique principle. This is depicted in Figure 2.20 below with an example of range brand formation of Chevrolet Lumina. Range brand structure can be found in all sectors but are primarily used in the food sector e.g. Green Giant, Campbell, Heinz and Whiskas. These brands combine all their products through the unique principle of a brand concept (Kapferer, 2008:360).

**FIGURE 2.20: RANGE BRAND FORMATION**

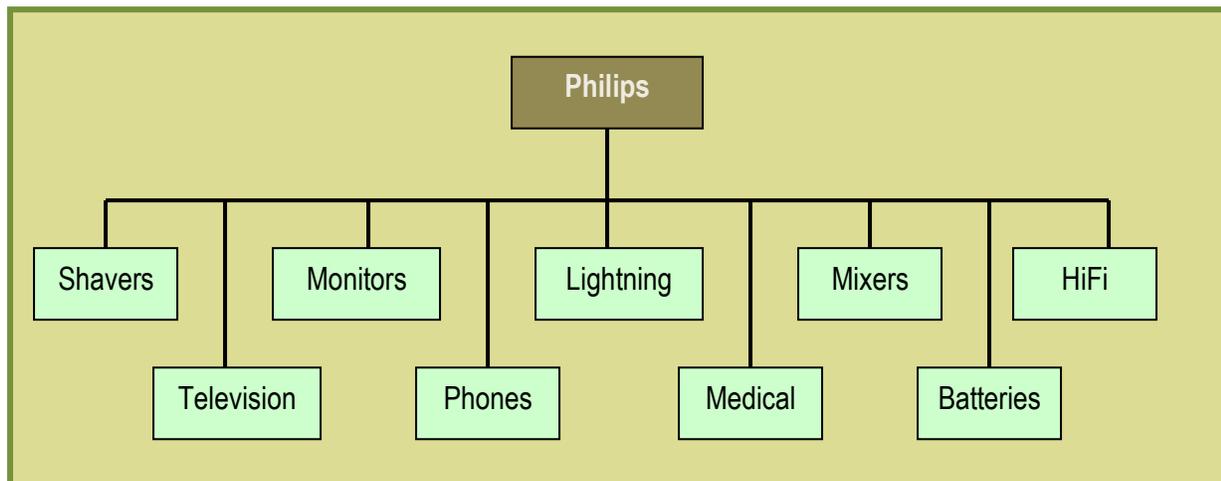


**Source:** Adapted: Kapferer (2004:300)

#### 2.7.1.4 Umbrella brand strategy

In the umbrella brand strategy, the same brand supports several products in different markets. Verma (2002:41) maintains that umbrella branding scores well on the dimension of economics and investing in a single brand is less costly than trying to build a number of brands. Kapferer (2004:301) states that each product within the umbrella brand has its own advertising and communications strategy. An example of umbrella branding is the strategy adopted by Philips as depicted in Figure 2.21 below.

**FIGURE 2.21: UMBRELLA BRAND STRATEGY**



**Source:** Verma (2002:416)

### 2.7.1.5 Source brand strategy

Kapferer (2004:304) claims source brand strategy is identical to the umbrella brand strategy except for one key point – the products have their own brand name. Each product has a unique identity and no longer dwells under the umbrella of a generic name. This strategy sometimes known as double branding is two tiered providing differentiation and depth. An example of a firm following source branding is *Kellogg's* with *Kellogg's Coco Pops*, *Kellogg's Frosties* and *Kellogg's Strawberry Pops*.

### 2.7.1.6 Endorsing brand strategy

Davis and Halligan (2002:11) describe endorsing brand strategy as a modified version of double branding. Verma (2006:422) adds that it makes the product brand name more significant and the corporate brand name is relegated to a lesser status. Kapferer (2004:307) states that the endorsing brand gives its approval to a wide diversity of products grouped under product brands, line brands and range brands. The link between the examples *Pledge*, *Toilet Duck* and *Wizard Air Freshener* is that they are all Johnson products and endorsed as such. The Johnson brand will appear on all the products which act as a base guarantor.

**FIGURE 2.22: THE UNILEVER UMBRELLA BRAND STRATEGY**



**Source:** Badlani (2006:1)

## 2.7.2 Brand strategy choices

When a firm introduces a new product, it has three main choices. The firm can:

- develop new brand elements for the new product;
- apply some of its existing brand elements; and
- use a combination of new and existing brand elements.

When a firm uses an established brand to introduce a new product, it is called a brand extension. When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand. An existing brand that gives birth to a brand extension is referred to as the parent brand. If the parent brand is already associated with multiple products through brand extensions, then it may also be called a family brand (Hem, De Chernatong & Iversen, 2003:786).

### 2.7.2.1 Brand extensions

Randall (2001:62) refers to brand extensions as the introduction of a new product using the existing brand name in the same or a closely related field. Brand extensions sometimes referred to as 'line extensions' form a major part of the marketing activity of many FMCG companies. Aaker (1997:208) supported by Klink and Athaide (2009:31), confirms that 89% of new product introductions are line extensions, 6% are brand extensions, and only 5% are new brands.

#### 2.7.2.1.1 *Advantages of brand extensions*

Brand extensions are one way of ensuring that brand loyal consumers are given variety and can extend their loyalty to new extensions. Apart from this advantage, Randall (2001:62) provides the following good reasons for the prevalence of line extensions:

- one can capitalise on the value of the brand one has spent so much on building up;
- it is cheaper than launching a free standing brand;
- it is more likely to succeed;

- it may revitalise the parent brand;
- competitive advantage may be gained by filling a niche;
- there may be a gap in the product line, which either customers or consumers would like to see filled; and
- the line extension may take shelf space which otherwise would be available to the competitors.

In addition, Halmstad (2009:7) provides the following reasons why brand extensions are so useful:

- brand extensions identify logical new product possibilities;
- they capitalise on the paid-for equity in established brand names;
- they enable a company to enter new categories at significantly lower cost;
- brand extensions reduce the risk of failure given the already established awareness and trust;
- brand extensions create a positive synergistic effect with the efficiencies of umbrella branding and advertising;
- they reinforce the consumers' perceptions of the parent brand name; and
- they bring news to existing brands when there is otherwise nothing new to say about them.

Brand extensions also improve the odds of new product success in a number of ways. Consumers can make inferences and form expectations as to the likely composition and performance of a new product based on what they already know about the parent brand itself. Extensions reduce risk and costs of the introductory launch campaign. They can avoid the difficulty of coming up with a new name and allow for packaging and labelling efficiencies (Randall, 2001:63).

Brand extensions can help clarify the meaning of a brand and its core brand values or improve consumer perceptions of the credibility of the company behind the extension. Line extensions can renew interest and liking for the brand and benefit the parent brand by expanding market coverage. One benefit of a successful extension is that it may also serve as the basis for subsequent extensions.

### 2.7.2.1.2 Challenges to brand extensions

Randall (2001:63) affirms that risks also prevail with brand extensions. These include:

- extensions that fail may damage consumers' faith in the parent brand;
- extensions may also merely take sales away from the parent ('*cannibalisation*'), leaving it weaker;
- both managerial time and the total budget will be split between the original brand and the new lines; and
- retailers have only limited space, and every additional line makes additional demands.

Line extensions may also cause the brand name to not be as strongly identified with any one product. Ries and Trout (1998:44) call this the "*line-extension trap*." Brand dilution occurs when consumers no longer associate a brand with a specific product or highly similar products and start thinking less of the brand. If a firm launches extensions consumers deem inappropriate, it may question the integrity and competence of the brand. Different varieties of line extensions may confuse and perhaps even frustrate consumers. The worst possible scenario with an extension is that not only does it fail, but also it harms the parent brand image in the process. Even if sales of a brand extension are high and meet targets, it is possible that this revenue will have resulted from consumers switching to the extension from existing product offerings of the parent brand – called cannibalising the parent brand. Intra-brand shifts in sales may not necessarily be so undesirable, as they can be thought of as a form of pre-emptive cannibalisation. The firm foregoes the chance to create a new brand with its own unique image and equity.

In today's complex and dynamic markets, a brand strategy like a brand extension can either ensure reinforced loyalty or can result in damage in the faith in the brand. Even the mighty Coca-Cola has endured some cataclysmic results when extending its brand in reaction to competitors (Aaker, 1991:221).

### 2.7.2.1.3 *Categories of brand extensions*

Brand extensions can be broadly classified into two general categories, namely:

- **Line extension:**

In a line extension, the parent brand is used to brand a new product that targets a new market segment within a product category currently served by the parent brand. In a category extension, the parent brand is used to enter a different product category from that currently served by the parent brand. A typical example of a line extension is Coco-Cola Zero which is an extension from the Coco-Cola classic brand targeting a new market segment.

- **Brand line:**

A brand line consists of all products – original as well as line and category extensions sold under a particular brand. A brand mix (or brand assortment) is the set of all brand lines that a particular seller makes available to buyers. A typical example is the Honda company which offers motor vehicles, motorcycles, lawnmowers, motors etc. all under the Honda umbrella.

Many companies are now introducing branded variants that are specific brand lines supplied to specific retailers or distribution channels. A licensed product is one whose brand name has been licensed to other manufacturers who actually make the product (Halmstad, 2009:9).

## 2.7.3 **Branding decisions**

The first branding strategy is whether to develop a brand name for a product. Today, branding is such a strong force that hardly anything goes unbranded. A commodity is a product presumably so basic that it cannot be physically differentiated in the minds of consumers.

### 2.7.3.1 Brand names

Firms usually have four general strategies when it comes to choosing a brand name for its products or services. Schmitt and Zhang (1998:110) concur that most firms choose one of the following three naming strategies:

### 2.7.3.1.1 *Family brand names*

A family brand name is used for all products and by building customer trust and loyalty to the family brand name, all products that use the brand can benefit (De Mooij, 2009:23). Examples include brands in the food industry such as Kellogg's, Heinz and Del Monte. The use of a family brand can also create problems if one of the products gets bad publicity or is a failure in a market. This can damage the reputation of a whole range of brands (Edwards & Day, 2005:41).

### 2.7.3.1.2 *Individual brand names*

An individual brand name, according Edwards and Day (2005:41), does not identify a brand with a particular company. A typical example is Heinz, a leading global food manufacturer with a very strong family brand. Heinz also operates many well-known individual brand names. Examples include Farleys (baby food), Linda McCartney Foods (vegetarian meals) and Weight Watcher's Foods (diet/slimming meals and supplements). Subramanian and Ghose (2003:7) provide the following reasons why a brand needs a separate identity unrelated to the family brand name:

- The product may be competing in a new market segment where failure could harm the main family brand name;
- The family brand name may be positioned inappropriately for the target market segment. For example, the family brand name might be positioned as an upmarket brand for affluent consumers; and
- The brand may have been acquired; in other words, it has already established itself as a leading brand in the market segment. The fact that it has been acquired by a company with a strong family brand name does not mean that the acquired brand has to be changed.

### 2.7.3.1.3 *Combination brand names*

A combination brand name brings together a family brand name and an individual brand name. The idea here is to provide some association for the product with a strong family brand name but maintaining some distinctiveness so that customers know what they are getting (Sexena, 2009:177).

Examples of combination brand names include Microsoft XP and Microsoft Office in personal computing software.

### 2.7.3.2 Brand portfolios

All brands have boundaries. Any one brand is not viewed equally favourable by all the different market segments that the firm would like to target. Some reasons to introduce multiple brands in a category, according to Brown (2009:1), include:

- increasing shelf presence and retailer dependence in the store;
- attracting consumers seeking variety who may otherwise have switched to another brand;
- increasing internal competition within the firm; and
- yielding economies of scale in advertising, sales, merchandising, and physical distribution.

Aaker (2004:23) describes a brand portfolio as a set of all brands and brand lines a particular firm offers for sale to buyers in a particular category. Different brands may be designed and marketed to appeal to different market segments. A brand portfolio is judged by its ability to maximise brand equity. Aaker (2004:92) furthers that the optimal brand portfolio is one where each brand maximises equity in combination with all other brands in the portfolio. In general, the basic principle in designing a brand portfolio is to maximise market coverage, so that no potential customers are being ignored but to minimise brand overlap, so brands are not competing to gain customer approval.

Each brand should be clearly differentiated and appealing to a sizable enough marketing segment to justify its marketing and production costs. Brand portfolios need to be carefully monitored over time to identify weak brands and kill unprofitable ones. Besides these considerations, there are a number of specific roles that Keller (2008:198) identifies in which brands play a significant role in brand portfolio:

#### *2.7.3.2.1 Flankers*

Flanker or “fighter” brands are positioned with respect to competitors’ brands so that more important (and more profitable) flagship brands can retain their desired positioning. Fighter brands must not be so attractive that they take sales away from their higher-priced comparison brands or referents. Fighter brands must not be designed so cheaply such that they reflect poorly on the other brands in the portfolio (Kotler & Keller, 2006:296).

#### *2.7.3.2.2 Cash cows*

Some brands may be kept around because they still manage to hold on to a sufficient number of customers and maintain their profitability with virtually no marketing support (Kotler & Keller, 2006:297).

#### *2.7.3.2.3 Low-end entry-level*

The role of a relatively low-price brand in the brand portfolio often may be as a means of attracting customers to the brand franchise (Kotler & Keller, 2006:298).

#### *2.7.3.2.4 High-end prestige*

The role of a relatively high-priced brand in the brand family often is to add prestige and credibility to the entire portfolio (Kotler & Keller, 2006:303).

## **2.8 SUMMARY**

Brands have become the ultimate competitive asset that supply a bundle of information to the consumer at one go. This perceptual entity that lives in the consumers mind adds dimensions that differentiate it from competitor products or services. Branding is the process of creating the difference and involves the creation of mental structures that help consumers organise their knowledge to clarify decision making. A branding strategy is a long-term plan for the brand

including a determination of key audiences and an understanding of what those audiences need to know about the brand and experience.

The challenges and complexities of the modern marketplace make efficient and effective marketing imperative. Globalisation, increasing competition and volatile financial markets are just a few factors that are placing pressure on marketers to gain a competitive advantage. The concept of branding has put forth a competitive instrument that will only succeed if marketers build, measure, and manage its brands. It is therefore no longer enough to attract and sell products and services to consumers. It is about delivering a set of expectations and associations evoked from experience with a company or product. It involves what customers think and feel about what the business or product actually delivers. The aim is to deliver expectations and associations that are positive. When this is accomplished brand loyal customers emerge which is as Bartholow (2002:1) describes “*The mother’s milk of future marketing*”.

A modern understanding of brand takes it far beyond the somewhat simplistic view of branding that prevailed a decade ago, when it was viewed as a representation – a business or brand logo or tag or advertising message. As revealed in this chapter, branding is a multifaceted process in which a number of considerations and strategies need to be applied to create brand equity and ultimately brand loyalty.

It is commonly accepted in the marketing discipline that it is far cheaper to retain an existing customer than it is to attract a new customer. Reichheld (1996:14) and Bleuel (2008:8) also confirm that it is six times more costly to attract a new customer than to retain an existing one. There is therefore more attention being dedicated to understanding and measuring brand equity and brand loyalty.

The theoretical framework presented in this chapter outlines the intricacies of branding. The chapter covered the concept and emergence of branding and later revealed models, research, strategies and considerations in brand management. While it is understood that the ultimate aim is to create brand loyal consumers and brand equity, the challenge is to quantify equity and loyalty so that results and strategies can be measured. Chapter Three therefore explores brand loyalty literature, models and measures.

# CHAPTER 3

## BRAND LOYALTY

### 3.1 INTRODUCTION

Loyalty according to the Oxford Dictionary (2006:533) is the state or quality of being loyal and a feeling or attitude of devoted attachment and affection. Brand loyalty according to the Esomar market research glossary is a general term used to describe the extent to which consumers buy or use a brand in preference to other brands. In practice consumers often buy or use several brands, therefore brand loyalty is a relative measure.

Scott-Morton and Zettermeyer (2004:164) state that brand loyalty has been a major focus of strategic marketing planning and offers an important basis for developing a sustainable competitive advantage that can be realised through marketing efforts. Fitzgibbon and White (2004:215) describe brand loyalty as a favourable attitude and consistent purchase of a particular brand. Similarly, Baldinger and Rubinson (1996:23) validate that highly loyal buyers tend to stay loyal if their attitude towards the brand is positive. Bauer, Stokburger-Sauer and Exler (2008:208) add that brand loyalty is the degree to which the customer will purchase certain brands without considering the alternatives and that brand strength is positively related to economic success.

Brand loyalty is the ultimate goal a company sets for a branded product (Giddens, 2010:1). It cannot be questioned that the success of a firm depends largely on its ability to attract consumers towards its brands. Brand loyalty is critical for the sustainability and survival of a company (Mellens Dekimpe & Steenkamp, 1996:507).

Loyalty can alternatively be defined as a deeply held commitment to repurchase or repatronise a preferred product/service consistently over time, despite situational influences and marketing efforts that might have the potential to cause switching behaviour (Oliver, 1999:41). Loyalty is defined by Schiffman and Kanuk (2002:27) as *“the commitment of a consumer to a product or service, measured by repeat purchase or attitudinal commitment.”*

Rundle-Thiele and Mackay (2001:532) indicate that brand loyalty is also the consumer's conscious or unconscious decision, expressed through intention or behaviour, to repurchase a brand continually. It occurs because the consumer perceives that the brand offers the right product features, image, or level of quality at the right price. Consumer behaviour is habitual because habits are safe and familiar. Wood and Neal (2009:2) further confirm that in order to create brand loyalty, advertisers usually attempt to break consumer habits, help them acquire new habits, and reinforce those habits by reminding consumers of the value of their purchase and encourage them to continue purchasing those products in the future. Brands can also reduce the risk in product decisions. These risks according Salam (2005:2) involves functional, physical, financial, social psychological and time risks.

### **3.2 BRAND LOYALTY CONCEPTS**

Kumar *et al.* (2006:19) postulates that brand loyalty is indicated when the consumer deliberately chooses a brand from a set of alternative brands. The consumer does not go through a decision process to select a brand when he/she is brand loyal. Though there is a great deal of similarity/overlap between habit and loyalty, the repeat purchase made out of convenience can be classified under habit whereas a purchase made out of commitment is loyalty.

Perhaps one of the most elaborate conceptual definitions of brand loyalty is that offered by Jacoby and Chestnut (1978:80) where brand loyalty is defined as (3.2.1) *biased*, (3.2.2) *behavioural* response, (3.2.3) *expressed over time*, by (3.2.4) *some decision-making unit*, (3.2.5) *with respect to one or more alternative brands out of a set of such brands*, and (3.2.6) *as a function of psychological, (decision-making, evaluative) processes*.

#### **3.2.1 Brand loyalty as a biased response**

Brand loyalty is a biased response. This implies that there has to be a systematic tendency to buy a certain brand or group of brands (Bloemer & Kasper, 1995:311). A process is zero-order when each brand is chosen by the consumer with a certain probability which is independent of the consumer's past purchase decisions. Nothing that the consumer does or is exposed to alters the probability to purchase a specific brand (Neal *et al.*, 2007:112).

### **3.2.2 Brand loyalty as a behavioural response**

Brand loyalty is also influenced by actual consumer behaviour expressed over time. The measure of behavioural loyalty is operationalised on the basis of attitudinal loyalty statement, but modified to describe actual repurchase and recommend behaviour rather than intention (Musa, 2005:44). According to Nath (2005:16), customers behave loyally when they:

- buy again;
- buy more;
- buy more often; and
- buy other company products.

Nath (2005:16) adds that loyal behaviour creates a continuing loop of action and reward in terms of satisfaction; leading to an attitude that propels positive behaviour again. This behavioural response is also referred to as the process of “*brand learning*.”

### **3.2.3 Brand loyalty expressed over time**

An incidental bias towards a brand does not guarantee brand loyalty (Kumar *et al.*, 2006:21). As the process is dynamic, some consistency is needed during a certain time span. This suggests that one should not only consider the number of times a specific brand is purchased during that period, but also the purchase pattern over successive purchase occasions. As such, one can distinguish partially loyal behaviour from completely (non) loyal behaviour (Mellens *et al.*, 1996:509).

Anderson and Srinivasan (2003:124) distinguish consistent loyalty by studying the purchase sequence towards a brand. They classify loyalty into three categories using brands A and B. The example is illustrated in Table 3.1:

**TABLE 3.1: PURCHASE SEQUENCE AND CLASSIFICATION**

| PURCHASE SEQUENCE | CLASSIFICATION     |
|-------------------|--------------------|
| AAAAAA            | Consistent Loyalty |
| ABABAB            | Divided Loyalty    |
| AAABBB            | Unstable Loyalty   |

**Source:** Adapted: Anderson and Srinivasen (2003:124)

### 3.2.4 Brand loyalty as a decision-making unit

Brand loyalty is defined by the purchase pattern of a decision-making unit which may be an individual, a household or a firm. Important to note is that the decision unit does not have to be the actual purchaser (Agnew, 1987:8). For example, the purchases of FMCG in a household are often made by one of the parents, but other members of the household may also be involved in the decision process (Baker & Hart, 2007:124). This issue becomes important when the members of a household have different product needs and use goods for different purposes. This usually results in switching behaviour on the household level which represents different needs or usage purposes by different family members rather than an absence of brand loyalty (Agnew, 1987:9; Mellens *et al.*, 1996:507).

### 3.2.5 Selection of brands

The fifth condition is that one or more brands are selected out of a set of brands. This condition implies that consumers may actually be loyal to more than one brand, a phenomenon observed by many researchers (Ehrenberg, 1972:122; Jacoby, 1971:98; Jarvis, Rungie & Lockshin, 2007:2). Especially for low involvement goods, the consumer often does not evaluate brands on a continuous scale, but classifies them discretely as acceptable or unacceptable.

For FMCG, however, evaluation is done on a continual basis because of the high involvement. If more than one brand is acceptable, an individual might be indifferent between them and exhibit loyalty to a group of brands rather than to a single brand. A problem with multi-brand loyalty is that it is hard to distinguish this kind of behaviour from brand switching, especially if there are only a few brands available (Tsao & Chen, 2005:437). This suggests that an individual who buys brand A and B with the purchase sequence ABBABAAB may be defined as a multi-brand loyal consumer if more than two brands are available. But if only brands A and B can be selected, the behaviour can be interpreted as brand switching, since every brand available is used regularly.

The fifth condition also implies that in order to have brand loyalty, there must be an opportunity to choose among alternatives. Jacoby and Chestnut (1978:82) expressed it as follows: "Before one could speak of brand loyal, one must have the opportunity of being disloyal". As such, brand loyalty cannot exist when a brand has a monopoly position. The determination of the product category therefore becomes of major importance.

### **3.2.6 Function of a psychological process**

Brand loyalty is a function of psychological (decision-making, evaluative) processes. Brands are chosen according to internal criteria resulting in a commitment towards the brand, which, according to Jacoby and Chestnut (1978:232), is an essential element of brand loyalty. Although consumers do not always seek information actively, they do receive some information, for instance, due to advertising campaigns, which may be used to form certain beliefs about brands. Based on these prior beliefs, brands are evaluated and some are preferred over others. In time, the consumer may develop a commitment towards a brand and become brand loyal. Hence, brand loyalty implies consistent repurchase of a brand, resulting from a positive affection of the consumer towards that brand (Motisescu & Bertonceij, 2010:138).

It should be pointed out, however, that the importance of commitment is not supported by some researchers such as Foxall (2002:16) who argue that buying behaviour is caused by instrumental conditioning. These researchers posit that observed behaviour alone is capable of explaining brand loyalty.

According to this view, the purchase will lead to a "reward" (the brand is adequate) or a "punishment" (the brand is inadequate). The former induces a reinforcement with the brand resulting in repurchase while the latter induces cognitive dissonance which is the uncomfortable tension of holding conflicting thoughts and this may result in brand switching.

In this approach, brand loyalty is regarded as a consequence of behaviour, rather than as an explanation. Motiescu (2006:2) argues that commitment is an essential element of brand loyalty, as it allows to separate brand loyalty from repeat buying. Repeat buying may be due to inertia which means that consumers stay with the same brand because they are not prepared to spend effort and time to search for other brands.

A study of Erdem and Swait (2004:193) concluded that inert consumers have different motives; different decision rules and requires other marketing actions than brand loyal consumers. In particular, they do not evaluate a large set of alternatives but use simple decision heuristics like "*Always buy the cheapest brand*" or "*Always buy the same brand*". Repeat buying may be influenced by variables such as the amount of shelf space or distribution intensity, which are supervised by the retail manager. In contrast, brand commitment is more likely to be influenced by a brand's distinguishing characteristics, design features or images (Warrington, 2000:762).

### **3.3 BENEFITS OF BRAND LOYALTY**

Levins (2009:1) states that firms selling brands with a high rate of loyal consumers reduce the marketing costs of the firm. Brand loyal consumers reduce the marketing cost of the firm as the cost of attracting a new customer. This is supported by Sanz (2009:2) who claim that the cost of seeking new customers is about six times higher than the cost of retaining an old one. Similarly, Holt (2008:18-19) confirms that as costs escalate, credit access shrinks and competition increases, a strong and resilient brand the solution for obvious competitive advantage.

Griffin (2009:2-3) and Bell (2000:1) state that loyal customers translate into lower marketing costs and increasing revenue over a customer's lifetime relationship with a company (car dealers' estimate that a loyal customer is worth up to \$400,000 over a lifetime).

Patterson (2007:71) asserts that many firms are beginning to shift their marketing focus from new customers to existing customers in an attempt to secure a cohort of brand loyal customers to first ensure sustainability.

Brand loyal consumers are willing to pay higher prices and are less price sensitive (Villas-Boas, 2004:135; Reichheld & Sasser, 1990:109). Brand loyalty also provides the firm with trade leverage and valuable time to respond to competitive moves (Aaker, 1991:66). In sum, loyalty to the firm's brands represents a strategic asset which has been identified as a major source of the brands' equity.

The following have been identified as the most common benefits from brand loyalty:

### **3.3.1 Higher sales volume**

The average company loses half of its customers every five years, equating to a 13% annual loss of customers. This statistic illustrates the challenges companies face when trying to grow in competitive environments. Achieving even 1% annual growth requires increasing sales to customers, both existing and new, by 14%. Reducing customer loss can dramatically improve business growth and brand loyalty which leads to consistent and even greater sales since the same brand is purchased repeatedly (Giddens, 2010:1).

### **3.3.2 Premium pricing ability**

Studies show that as brand loyalty increases, consumers are less sensitive to price changes. Generally, they are willing to pay more for their preferred brand because they perceive some unique value in the brand that other alternatives do not provide. Additionally, brand loyalists buy less frequently on cents-off deals – these promotions only subsidise planned purchases (Aaker, 1996:145)

### **3.3.3 Retain rather than seek**

Brand loyalists are willing to search for their favourite brand and are less sensitive to competitive promotions. This inelasticity results in lower costs for advertising, marketing and distribution.

According to Giddens (2010:1) it is easier to reinforce behaviours than to change them and the sale is just the beginning of an opportunity to turn the purchaser into a loyalist. Giddens affirms that it costs four to six times as much to attract a new customer as it does to retain an old one.

### **3.3.4 Creating perceptions**

Price premium creates the perception of quality. Gregg and Walczak (2010:119) state that it follows the age-old axiom of “you get what you pay for”. Gregg and Walczak affirm that price and quality of a product are two of the most important strategic variables within the marketing mix. A thorough knowledge of their interdependence is not only valuable for the product manager who sets prices and determines product design. In some instances, it can also help those consumers who might take price as an exclusive or additional cue for evaluating the quality of a product.

The theoretical foundation for this price-quality relationship was laid by Finlay, Hackman and Markus (1996:1), who suggested that there is a tendency among consumers to associate higher prices with higher quality. This notion that consumers use price as an exclusive or additional variable to predict product quality could be empirically confirmed in many experimental studies (Kardes, 2004; Ashenfelter, 2008; Slotjje, 2009).

It should be noted, however, that the importance of price in the consumer's decision-making process does also to a large extent depend on situation (that is search time) and consumer-related (that is familiarity with products or brands) factors (Finlay *et al.*, 1996:1).

### **3.3.5 Increased usage and spending**

Perceived quality has been shown to positively affect customer usage. Consumers tend to select brands they perceive to be quality brands. This also connects to repeat buying or brand loyalty. Consumers tend to continue buying brands that reward them with a good experience versus repeating the evaluation process time after time (Aaker, 1996:149). Chen and Lue (2004:31) similarly reinforces this fact indicating that positive experiences with brands ensure consistent levels of usage and in some cases increased usage particularly when the brand is clearly visible through marketing activities. (Reicheld, 1996:36) affirms that customer spending tends to increase over time.

For example, a customer who repeatedly stays at the same hotel becomes more familiar with the hotel's full product line, such as gift shops and banquet rooms. And that customer will be likely to sample other product lines of the company, thus helping the company achieve a larger share of customers

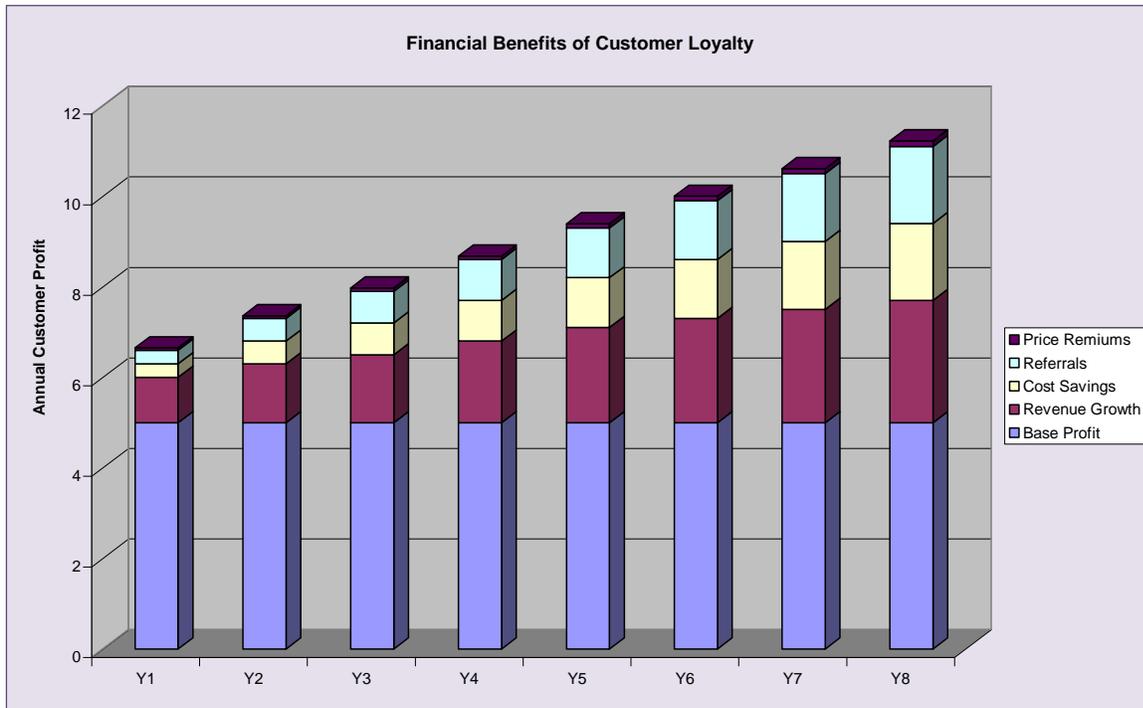
### **3.3.6 Contribution to Return on Investment (ROI)**

According to Aaker's research, perceived quality is the single most-important contributor to a company's Return on Investment (ROI), having more impact than market share, research and development, or marketing expenditures. Aaker (1996:150) states that brand identity perceives quality that contributes to profitability in part by enhancing prices and market share. Improve perceived quality and the organisation's ROI will improve. A study by Mizik and Jacobson (2006:1) using the Young & Rubicam Brand Asset Valuator (Y&R-BAV) model clearly indicates that perceptual brand attributes and relevance does have financial implications for brands and accelerates in contribution to ROI.

### **3.3.7 Financial benefits**

The advantages of customer loyalty are long-term and cumulative. The longer a customer remains loyal, the more profit a business can get from that single customer (Reicheld, 1996:44). The results of research conducted by Giddens (2010:2) reveal that positive financial benefits can be attained through customer loyalty. Giddens asserts that for most businesses, the promise of customer loyalty implies potential economic value creation with some combination of the following five dimensions. This is shown in figure 3.1.

**FIGURE 3.1: FINANCIAL BENEFITS OF CUSTOMER LOYALTY**



**Source:** McKean (2010:114)

### 3.3.8 Customer acquisition

Many companies, according to Mizik and Jacobson (2006:1), invest disproportionately in customer acquisition at the beginning of the relationship, placing themselves in a negative economic position. The hope (*also known as "the plan"*) is to pay off the initial investment many times over through retaining customers and capturing the lion's share of their spending in the category year after year. Orth and Malkewitz (2008:74) point out that brand building plays a central role in customer acquisition in that high equity brands attract and retain customers much more easily than new or low equity brands. This fact alone explains the high speed at which high equity brands captures market share.

### **3.3.9 Enhanced return**

Giddens (2001:4) says that loyal customers are inclined to buy more types and more volume of products and services from their preferred brand, thereby generating an *enhanced return* over the life of the relationship. Goodhue, Wixom and Watson (2002:90) explain that financial benefits are actually experienced through customer spend over their lifetime.

### **3.3.10 Strategy for reducing ongoing expense**

According to Reichheld (1996:165), loyalty can be a strategy for reducing ongoing expense. A company that is retaining customers is one that can, in theory, reduce its investment in customer replacement. By closing the proverbial hole in the bottom of the bucket through which customers leak out, the company can improve profitability substantially. This was amply demonstrated by Frederick Reichheld in his breakthrough 1996 study, *The Loyalty Effect*. It analysed the bottom-line value of an additional five percentage points in retention rate, across a variety of industries.

Ferguson (2008:1) observes that there is an increase in the number of companies concentrating their efforts on customer retention. Ferguson attributes the increase in retention strategies to the following reasons:

- there is increasing intensity in competition;
- customers are becoming more promiscuous;
- the cost of customer acquisition is higher than customer retention; and
- it makes business sense to focus on existing customers.

### **3.3.11 Lower price elasticity**

Waarden (2008:93) maintains that customer loyalty can be associated with lower price elasticity and willingness on behalf of the customer to pay more for the privilege of doing business. Higher margins, according to Waarden (2008:93), almost always drop to the bottom line.

Slotegraaf and Pauwels (2008:295) similarly maintain that brands with a high level of brand loyal customers experience lower price elasticity as customers accept the price they pay for the brand name and brand association. Slotegraaf and Pauwels (2008:295) add that some studies indicate that price reductions have actually had a negative result in sales due to the disapproval of brand loyalists.

### **3.3.12 Referrals**

Loyalty can be equated with the mother of all profitability engines - *referrals*. If loyal customers are happy customers, then it is likely they are unpaid ambassadors for a company, spreading the word on how wonderful it is to do business with the company. That saves the company real money in reduced customer acquisition costs (March, 2006:752). Customers also value their relationships with their branded possessions and with marketing agents and institutions that own and manage the brand and as such announce the value of the brand to family, friends, social groups and work colleagues (Grace & O’Cass, 2002:106).

## **3.4 TYPES OF BRAND LOYALTY**

Building brand loyalty has become a crucial aspect of business when competition is become tougher. Not only do marketers have to set strategies to capture brand loyalists but also need to consider the various brand loyalty types that exist (McMains, 2009:1). McKean (2010:102), Aurifeille, Svizzero and Tisdell (2005:207) and McKean (2010:101), amongst others, identify several brand loyalty types, each with its own benefits, risks, and measurement approaches. The most common of these types of loyalty are discussed below.

### 3.4.1 Contractual loyalty

According to Bass and Bass (2008:429), this brand loyalty type occurs when purchases are made through a formal agreement. This type of loyalty often occurs in business-to-business situations. Aurifeille *et al.* (2005:207) confirm that contractual loyalty usually applies to consumer situations such as subscriptions for newspapers, magazines, mobile telephones or broadband services. Jones, Mothersbaugh and Beatty (2002:442) states that contractual loyalty can be very profitable when looked at on the basis of the net present value of the contract. But it is often less profitable as contracts come up for renegotiation and competitors use aggressive promotional tactics to steal customers away. Contractual loyalty also can instigate dissatisfaction. Customers may feel trapped in a business arrangement. An example given by McKean (2010:110) involves Dell who uses its key account service program, Premier.Dell.com, to add value to the traditional contractual relationship by allowing corporate buyers to place their orders online 24-7, buying under the terms defined in their contracts. However, the computers still have to match the needs of the customers.

Because *contractually loyal* customers are buying under a purchase agreement, the agreement and its status need to be measured. This, according to McKean (2010:112), is accomplished by:

- share of market under contract;
- frequency distribution of contract profitability;
- frequency distribution of customer share of wallet;
- contract renewal rates (perhaps by inception date cohorts);
- incidence of contract expansion into new product lines or business units;
- customer referral frequency; and
- effective price changes at renewal.

### 3.4.2 Transactional loyalty

Repeat purchasing without any contractual obligation can be called transactional loyalty (Lee, 2009:1). Loyalty is based on factors such as price, value perception, and convenience. The customer may find a better deal at any time, and if so, will switch without hesitation (Ahuvia, 2005:174). An example of transactional loyalty is a doctor giving her prescription-writing business to Pfizer. She writes one prescription at a time. Because the doctor's loyalty is affected by her value assessment –

the product costs her nothing, and she gets a free trip to Cape Town each year – the economic relationship is vulnerable to a better deal. If some other pharmaceutical manufacturer develops a better educational curriculum in a more attractive warm weather location, it is likely the physician will prescribe equivalent products from the new company.

White and Yanamandram (2004:191) maintain that transactional loyalty is easy to stimulate with promotions or rewards programs. But to the degree that non-core components are used, "loyalty" can be difficult to sustain at an acceptable profit level. It is also important to note that transactional loyalty can be achieved solely due to customers' perception of the switching cost associated with moving their business.

According to McKean (2010:119), transactionally loyal customers are characterised by patterns that can be teased out by data analytics, such as:

- Changes in recency-frequency-monetary value by customer segment or cohort group;
- Velocity of change in segment mobility;
- Cross-category purchase behaviour and trends;
- Latency (gaps between transactions); and
- Frequency distribution of transaction value.

### **3.4.3 Functional loyalty**

To the functionally loyal customer, the product's very attributes is perceived as superior, thus preferable. One wireless phone company may provide better reception near the customer's home, making for functional loyalty. The Nike example also falls into this category: if you have wide feet, you develop a very functional loyalty to shoes that fit (Barnes, 2006:19). Kim *et al.* (2008:115) state that functional loyalty is often the first hope of efforts to differentiate. To the degree that you can offer customers something tangibly, palpably different yet relevant to the category purchase, you can lock up the portion of the market that prioritises your advantaged function.

With the *functionally loyal* buyer, the key is to closely monitor the basis of the functional preference. Measurement approaches, according to McKean (2010:111), include:

- Top-of-mind awareness on key functional dimensions;
- Changes in perceptions of key functional attributes versus those of competitors;
- Willingness to recommend; and
- Price elasticity.

#### 3.4.4 Emotional loyalty

This, according to Kim and Lee (2010:334), is the "feeling" part of loyalty, in which a customer develops preferences for products or services based on their appeal to the individual's values, ego, sensibilities, or other intangibles. Customers identify with the brand, like the traveller searching for a Starbucks, because they seek some non-functional benefit from the association or experience. Emotional loyalty is the *holy grail* for many marketers – most often sought and least often attained (Hartel & Bennett, 2010:2).

McKean (2010:117) postulates that one of the primary pluses of emotional loyalty is its ability to withstand challenges to the economic or service relationship: Emotionally loyal customers will forgive minor errors in their experience and maintain the relationship. Also, emotional loyalty often is associated with price premiums in powerful brands that have no discernable differences in form, function, value, or convenience.

McKean (2010:119) states that measuring emotional loyalty involves:

- attitudinal surveys on key attributes;
- "like me";
- "a brand I can trust";
- "the right brand for the times";
- competitive brand preference;
- price insensitivity;
- problem tolerance;
- resistance to competitive offers; and
- overall brand preference.

### **3.4.5 Spurious loyalty**

Jones *et al.* (2002:445) refer to spurious loyalty as repeat purchases without positive attitude. White and Yanamandram (2004:191) describe spurious loyalty as being very similar to inertia, where despite perceptions that choices are relatively undifferentiated, behavioural data suggest loyalty. In such cases repeat purchase may be based on the availability of deals, special offers, convenience or the influence of other people. As a result, Hopkins, Kontnik and Turnage (2003:45) argue that consumers temporarily display loyalty and are likely to be open to competing offers. Occasionally, the loyalty is circumstantial. Repeat purchase in spurious loyalty can emanate from the lack of reasonable alternatives for instance, monopoly.

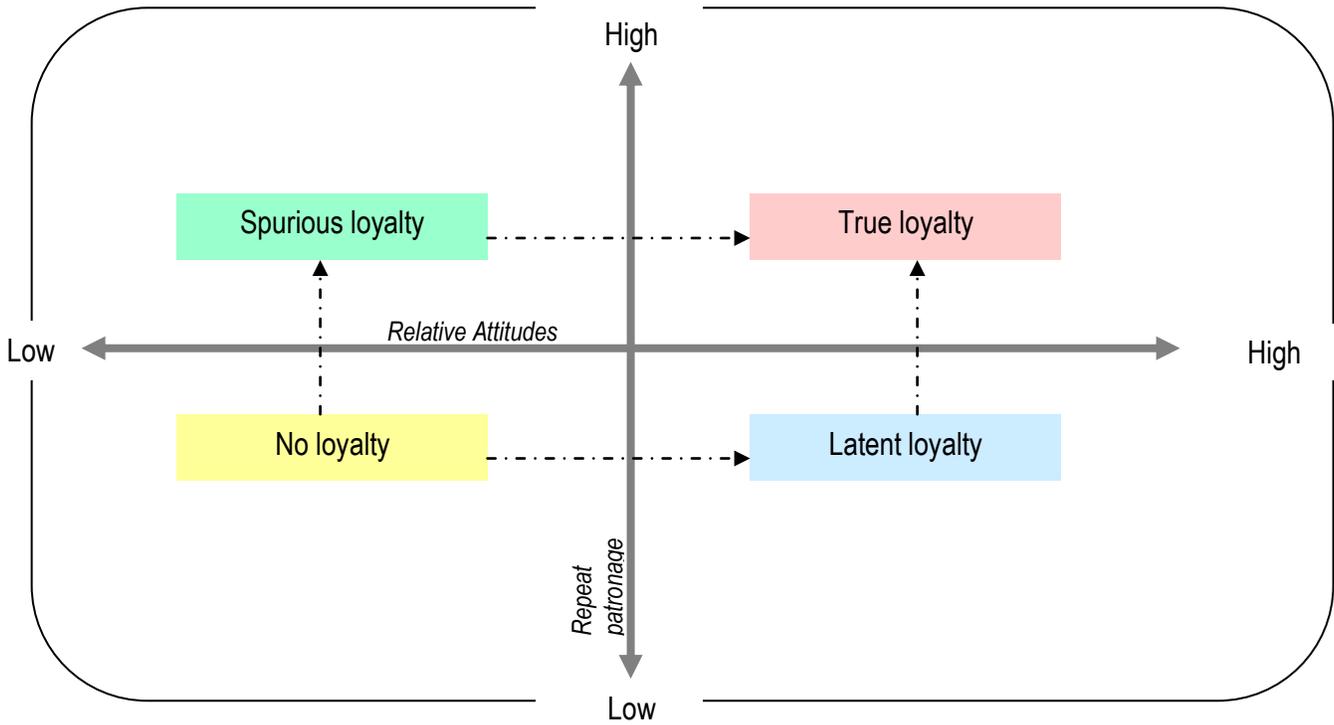
### **3.4.6 Latent loyalty**

This occurs when a consumer has a high relative attitude towards the company or brand, even though loyalty is not evident in terms of purchase behaviour. The cause can be attributed to situational influences such as inconvenient store locations, out-of-stock situations, and/or the influence of other people (Pleshko, 2006:1).

### **3.4.7 No loyalty**

In this type there is no purchase at all, and a complete lack of attachment to the brand. There are also no social influences to be even cognitively loyal to a brand (Gounaris & Stathakopoulos, 2004:285). The relationship between spurious, latent, true and no loyalty with regard to attitude and patronage is depicted in figure 3.2.

**FIGURE 3.2: BRAND LOYALTY MAP**



**Source:** Dick and Basu (1994:101)

### 3.4.8 Covetous loyalty

This type of loyalty has no purchase but, unlike the case of “no loyalty”, the individual exhibits a very high level of relative attachment to the brand as well as a strong positive predisposition towards the brand, which is developed from the social environment (Gounaris & Stathakopolous, 2004:287).

Harris and Goode (2004:141) state that this condition arises from perceived human characteristics which a consumer identifies in a specific brand. The individual comes to like the brand and thus emotional attachment with the brand increases. The brand becomes an extension of the consumer’s own self perception and personality. The consumer trusts it and is willing to recommend it to peers, friends or relatives, although, for reasons beyond the consumer’s control, the purchase itself may never occur. In such cases, the consumer is strongly discouraged to be loyal to a certain brand by social influence.

### **3.4.9 Inertia loyalty**

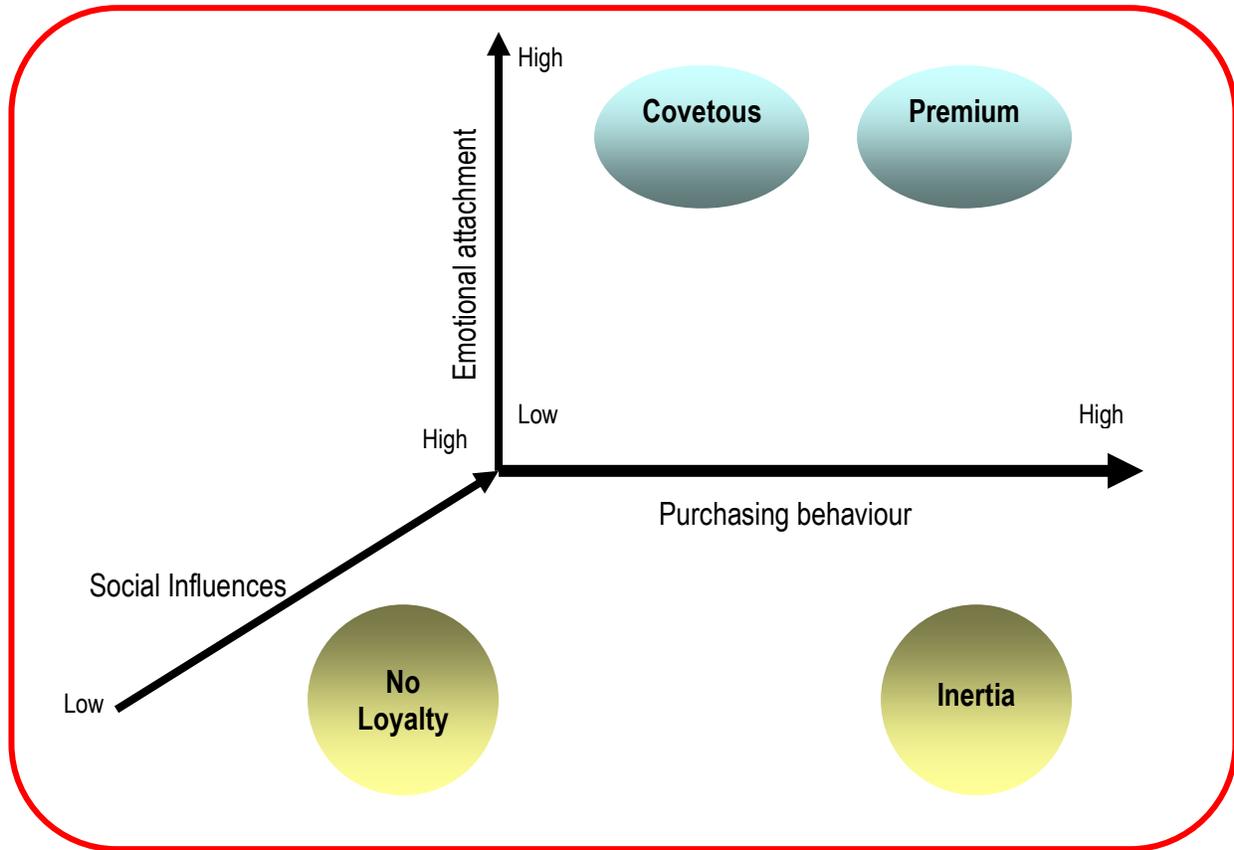
In this type of loyalty, an individual although purchasing the brand, does so out of habit, convenience or for some other reason, but not as a consequence of emotional attachment to the brand or a real social motive (Jensen & Hansen, 2006:442). Inertia loyalty is characterised by a habitual attachment that is to a large extent unemotional and convenience driven. The consumer may systematically choose the specific brand over other brands, but this choice involves little personal investment and no brand commitment (Grigoroudis & Siskos, 2009:143).

### **3.4.10 Premium loyalty**

This type of loyalty occurs when an individual exhibits a high degree of relative attachment to the brand, a high instance of repeat purchases, and appears to be highly influenced by social pressure (Shukla, 2009:351). Premium loyalty is characterised by the greatest degree of consumer attachment to the brand, and the consumer purposefully seeks to purchase the particular brand, while attempting to overcome obstacles. Premium loyalty, according to Griffin (2009:1), propels individuals to suffer various sacrifices in order to acquire their favoured brand. Consumers who exhibit premium brand loyalty have been won over by the brand alternative through the value it provides to them or are convinced that the selected brand is in some way the best brand to buy. This conviction arises from both personal and social motives (Guzman, 2005:1).

Figure 3.3 represents the positions of covetous loyalty, premium loyalty, no loyalty and inertia in regard to emotional attachment, purchasing behaviour and social influences.

**FIGURE 3.3: BRAND LOYALTY TYPES**



**Source:** Adapted: Gounaris and Stathakopoulos (2004:299)

### 3.5 MEASURING BRAND LOYALTY

While researchers agree that loyalty is a very complex construct (Javalgi & Moberg, 1997:169) and most utilize the composite definition of brand loyalty which was originally proposed by Jacoby (1971:119), there is little consensus on the approach to be taken when measuring the construct.

Mellens *et al.* (1996:507) maintain that four main categories of brand loyalty measurement categories can be distinguished as follows:

- brand-oriented attitudinal measures (for example, the proportion of consumers who intend to buy Colgate toothpaste on the next purchase occasion);
- individual-oriented attitudinal measures (for example, the score on an agreement–disagreement scale with the statement: "I like to stick to well known brands");

- brand-oriented behavioural measures (for example, the fraction of repeat buyers of Colgate toothpaste); and
- individual-oriented behavioural measures (for example, an individual is brand loyal in his toothpaste consumption if he buys his favourite brand of toothpaste in more than 50 percent of the purchase occasions).

Chaudhuri and Holbrook (2001:142) verify that researchers are now beginning to focus on the relational variables that lie at the heart of a consumer – brand relationship which leads to brand loyalty. The overwhelming evidence today points to the power of triangulation – evidence of emotional loyalty coupled with one or more elements of functional, transactional, or contractual loyalty (Quester & Lim, 2003:24). Emotional loyalty overcomes problems, sustains the brand relationship, and drives a desire to repurchase. When paired with a strong rationale of a functional, contractual, or transactional nature, the combination works to erect barriers to competition and decrease price elasticity.

According to Jenkinson (1996:11), the drivers of loyalty are complex, and may be based on different – but equally important – factors like experiences, beliefs, preferences, or fit with one's self image. If companies are investing in improving their products, services, or processes, they need to link those investments to specific economic value creation. Brand loyalty measuring frameworks has evolved from a uni-dimensional framework first offered in 1940 to multi- dimensional frameworks offered today. Table 3.2 presents the evolution of the brand loyalty measuring framework.

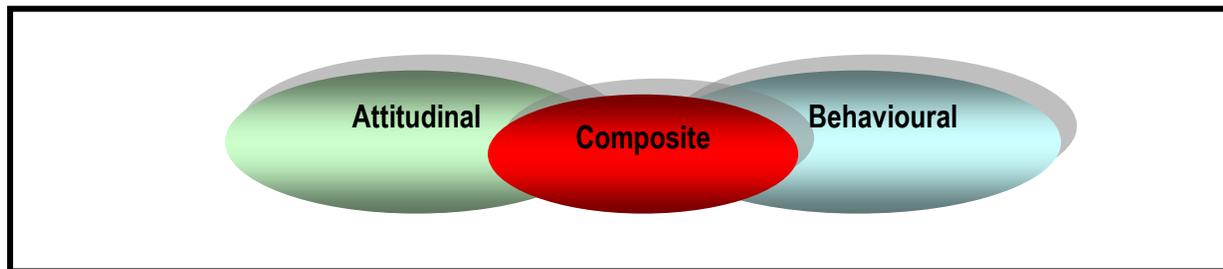
**TABLE 3.2: EVOLUTION OF THE BRAND LOYALTY MEASURING FRAMEWORK**

| YEAR | FRAMEWORK  | RESEARCH INSTRUMENT | RESEARCHER(S)                        |
|------|--|---------------------|--------------------------------------|
| 1940 | Uni-dimensional related to the measurement perspective taken by the researcher                             | Questionnaire       | Unknown                              |
| 1944 | Brand preference measure related to attitudinal loyalty  | Questionnaire       | Guest                                |
| 1955 | Brand preference measure related to attitudinal loyalty  | Questionnaire       | Guest                                |
| 1956 | Behavioural Loyalty  | Questionnaire       | Cunningham                           |
| 1969 | Bi-dimensional related to attitudinal and behavioural loyalty  | Questionnaire       | Day                                  |
| 1971 | Composite loyalty related to the combination of attitudinal and behavioural loyalty                        | Questionnaire       | Jacoby                               |
| 1973 | Composite loyalty related to the combination of attitudinal and behavioural loyalty                        | Questionnaire       | Jacoby and Kyner                     |
| 1978 | Composite loyalty related to the combination of attitudinal and behavioural loyalty                        | Questionnaire       | Jacoby and Chestnut                  |
| 1994 | Multi-dimensional loyalty treating composite loyalty as separate dimensions                                | Questionnaire       | Dick and Basu                        |
| 1995 | Composite loyalty related to the combination of attitudinal and behavioural loyalty                        | Questionnaire       | Bloemer and Kasper                   |
| 1996 | Multi-dimensional loyalty treating composite loyalty as separate dimensions                                | Questionnaire       | Bloemer and Ruyter                   |
| 1996 | Multi-dimensional loyalty treating composite loyalty as separate dimensions                                | Questionnaire       | Narayandas                           |
| 1996 | Multi-dimensional loyalty treating composite loyalty as separate dimensions                                | Questionnaire       | Zeithaml, Berry and Parasuraman      |
| 1999 | Composite with stages of loyalty   | Questionnaire       | Oliver                               |
| 2001 | Composite loyalty related to the combination of attitudinal and behavioural loyalty                        | Questionnaire       | Bennett                              |
| 2001 | Multi-dimensional loyalty treating composite loyalty as separate dimensions                                | Questionnaire       | Yu and Dean                          |
| 2004 | Multi-dimensional loyalty with the focus on brand equity as the most important antecedent of brand loyalty | Questionnaire       | Taylor, Celuch and Goodwin           |
| 2006 | Multi-dimensional loyalty for the next generation  | Questionnaire       | Esch, Langner, Scmitt & Geus (2006). |
| 2008 | Examining the Antecedents of Brand Loyalty from an Investment Model Perspective                            | Questionnaire       | Xiang and Petrick<br>[Redacted]      |

**Source:** Adapted: Rundle-Thiele (2005:494); Punniyamoorthy and Raj (2007:224); Xiang and Petrick (2008:27).

Rundle-Thiele (2005:494) and Punniyamoorthy and Raj (2007:224), among other researchers, agree that the composite model offered by Jacoby and Chestnut illustrated in Figure 3.4 was a breakthrough in brand loyalty measures and became the base construct for much research into loyalty measures.

**FIGURE 3.4: THE COMPOSITE MODEL – JACOBY AND CHESTNUT (1978)**

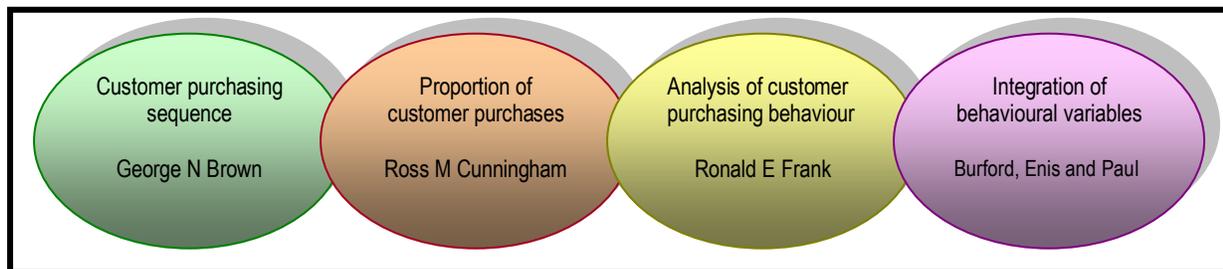


**Source:** Rundle-Thiele (2005:495)

### 3.5.1 Behavioural approaches

The majority of early studies of consumer loyalty looked only at its behavioural dimension. A customer was viewed as loyal to a product or service if he or she demonstrated "consistent purchase of one brand over time" (Backman & Crompton, 1991:9). According to Prichard and Pride (2002:111), one-dimensional behavioural approaches were classified in four groups by Jacoby and Chestnut (Prichard & Pride, 1992:156-157).

**FIGURE 3.5: BEHAVIOURAL DIMENSION**



**Source:** Prichard and Pride (2002:111)

Leenheer, Bijmolt, Van Heerde and Smidts (2007:32) assert that behavioural loyalty refers to patterns of repeat purchasing of a brand/product as a manifestation of loyalty. Many researchers (such as Bandyopadhyay & Martell, 2007:35 and Kahn, Kalwani & Morrison, 1988:384) believe that repeat purchasing can capture the loyalty of a consumer towards the brand of interest. Similarly, Sharp, Wright and Goodhardt (2003:14) suggest that attitude is not relevant to determining brand loyalty. Their research is purely based on the notion that there is no “true” definition of brand loyalty, and that debating this topic is a “waste of time”.

Several groups of researchers have over the years contributed and built on brand loyalty measurements. The first group comprises researchers who located loyalty in the customer's purchasing sequence, for example Brown and Guest. The second group comprises researchers such as Cunningham who defined loyalty on the basis of the proportion of the customer's purchases that featured the brand in question. Jacoby and Chestnut's third group includes the scholars who applied probability models to analyse consumers' purchasing behaviour (Prichard, Howard and Havitz, 1992:161). To this group belongs Frank, who in the early 1960s investigated repeat-purchase probabilities using a simple chance model. The fourth and last of Jacoby and Chestnut's groups integrate several behavioural variables to generate its definition of customer loyalty (Prichard *et al.*, 1992:183). Burford, Enis and Paul (1971:23), as an example, put forward an index combining three behavioural measures of customer loyalty: proportion of resources spent on brand or store, amount allocated to switching, and the number of alternative brands or stores.

While putting into operation such behavioural approaches is easy enough, at the same time they may exhibit fatal weaknesses as theoretical frameworks upon which to hang studies of consumer loyalty (Gahwiler & Havitz, 1995:12). Beginning in the late 1960s, some consumer loyalty researchers began to criticise behavioural approaches to their task (Howard, Edginton & Selin, 1988:42). They pointed out, for example, that because the associated measures relied on overt, observable behaviours, behavioural conceptualisations of consumer loyalty were doomed to such error as the classification of particular consumers as loyal in one study and non-loyal in the next (Backman & Crompton, 1991:206). Moreover, failure to identify relations between loyalties measured by different patterns of use brought many researchers to the conclusion that "brand loyalty encompassed more than repeat use" (Backman & Crompton, 1991:15).

### 3.5.2 Attitudinal approaches

Attitudinal loyalty can be defined as a customers' attitude, loyal or disloyal type behaviour towards the object of interest (Kim, Kliger & Vale, 2003:25). According to Shankar, Smith and Ranaswamy (2000:18), attitudinal loyalty represents a higher-order or long-term, commitment of a customer to the organisation that cannot be inferred by merely observing customer repeat purchase behaviour. Measures of attitudinal loyalty include intention to engage in positive word of mouth or re-purchase.

Conceptually, behavioural models could not, Day noted (1969:30), discriminate between true or intentional loyalty and spurious loyalty (Backman & Crompton, 1991:17; Prichard & Howard, 1997:2). Day (1969:56) and Jacoby (1971:25) proposed an attitudinal conceptualisation of customer loyalty in order to better understand it. According to Jacoby (as cited in Prichard & Howard, 1997:3), a customer who shows brand loyalty by implication "*repeat[s] purchase based on cognitive, affective, evaluative and pre-dispositional factors: the classical primary components of an attitude.*"

Just like approaches focused one-dimensionally on consumer behaviour, however, approaches focused one-dimensionally on attitudinal loyalty, had limitations. According to Prichard and Howard (1997:3), early studies of the attitudinal components in consumer loyalty, when reviewed by loyalty theorists, were often found to lack adequate theoretical conceptualisation. A result of this was a multitude of measures that confounded research. Examination of the theoretical and empirical rigour underlying the development of various attitudinal measures raised certain questions about construct validity (Prichard & Howard, 1997:3).

Baldinger and Rubinson (1996:32) expressed their belief that brand loyalty could be better understood by extending the behavioural definitions of loyalty so as to encompass attitudes (along with behaviour) for measuring loyalty. Their premise is that once consumers are classified behaviourally (in terms of their loyalty patterns), it is possible to link these behavioural segments to the underlying attitudes towards the brands.

Similarly, Chaudhuri and Holbrook (2001:143) examine two aspects of brand loyalty (purchase loyalty and attitudinal loyalty) as linking variables in the sequence of effects from brand trust and brand affect to brand performance (that being market share and relative price). Their study results indicate that when product- and brand-level variables are controlled for, brand trust and brand affect combine to determine purchase loyalty and attitudinal loyalty. Purchase loyalty, in turn, leads to greater market share and attitudinal loyalty leads to a higher relative price for the brand. In another notable paper on brand loyalty, Dick and Basu (1994:111) mentioned that the behavioural measures of loyalty were inadequate in understanding the factors underlying brand loyal purchase behaviour. The behavioural definitions were viewed as being insufficient towards explaining how and why brand loyalty is developed and/or modified. Their conceptual work was therefore developed on the notion that brand loyalty encompasses both consumer attitude and repeat purchase behaviour.

Ogba and Tan (2009:135) also support this view stating that while repeat purchases of a brand over time is an expression of customer loyalty, it is incomplete unless complemented with a positive attitude towards the brand. The positive attitude towards the brand ensures that previous purchase behaviour will continue. In a more recent study, Rundle-Thiele (2005:312) provides insight into how and why consumers are loyal by identifying the multiple dimensions of loyalty. The dimensions that she explored are: situational loyalty, resistance to competing offers, propensity to be loyal, attitudinal loyalty, and complaining behaviour. Her research, based on a survey of wine retailers in Australia, indicates that consumers can be loyal in different ways thereby demonstrating the superiority of a multi-dimensional model of consumer loyalty over a uni-dimensional model.

Other authors (such as East & Hammond, 1996; Rundle-Thiele & Bennett, 2001:25) make a similar argument against the use of a single brand loyalty measure. They suggest that the measures should be classified according to market types: consumable goods, durable goods and services.

They argue that the consumable goods markets, which are typically stable, have a high rate of brand switching, and low involvement and risk. Behavioural measures are appropriate for predicting future brand loyalty levels. Conversely, for durable goods markets, buyers do not frequently switch back and forth between brands. Hence, in any given time period, buyers are sole-loyal or dual-loyal. For example, a given product (such as soap) may be used by all members of a family.

Hence behavioural measures of loyalty may not be sufficient to capture all these characteristics. Lastly, they discuss loyalty in the service context. As the perceived risk increases, the likelihood of loyalty to one brand increases (East & Hammond, 1996:165).

Despite all the calls for better understanding of brand loyalty through the consideration of attitudes as well as behaviour, the meaning and operationalisation of brand loyalty may not be thoroughly understood. Most of the shortfalls have been in the understanding and inclusion of attitudes in defining loyalty. Many attitudinal loyalty measures are considered to be incapable of distinguishing between brands (Subramanian & Ghose, 2003:11).

Day (1969:33) stated the importance of attitudes for defining loyalty, but he also believed that imposition of attitudinal criteria would make loyalty a brand specific concept instead of a general concept describing product-class behaviour. This assumption can be viewed as somewhat inconsistent in that similar attitudinal patterns might be observable across all (or most of) the brands of a product category, thereby increasing the generalisability of the results. Michaelidou, Dibb and Arnot (2005:81) supported this assumption by stating that product category loyalty is related to brand level switching within the same product category, and not switching within the same brand.

Furthermore, the construction of the attitude scale that Day (1969:33) used was not described in detail, and the trial and error fitting of the constants also cast doubt on the accuracy of the research. These limitations were recognised by Day (1969:34) himself who stated that he was unsure of what weights should be given to the relative influence of attitude and behaviour components in the loyalty score. Similarly, though, Jacoby and Kyner (1973:3) did attempt to defend their six-condition definition of loyalty; the definitions and understanding of attitudes seemed unclear.

They stated that their research design guaranteed a comparative evaluative judgement, but unfortunately no details of attitude conceptualisation and measurement were given. Baldinger and Rubinson (1996:23) did emphasise the importance of attitudes for measuring loyalty. They categorised people into two groups –“*prospects*” and “*vulnerables*”– by comparing the strengths of their attitudes and behaviour. Comparing two different constructs on a common scale, can lead to the possibility of inaccurate data.

Bennett and Rundle-Thiele (2002:195) state that only brand-specific measures will be relevant when determining brand loyalty. It is ultimately more important to understand which product attributes are important to the individuals in a household. Determining which observable product attributes are important to consumers allows product managers to effectively position products, and aids in determining whether or not to extend a product line at the risk of cannibalisation. Bennett and Rundle-Thiele (2002:195) present Table 3.3 which outlines the advantages and disadvantages of behavioural and attitudinal measures:

**TABLE 3.3:           ADVANTAGES AND DISADVANTAGES OF BEHAVIOURAL AND ATTITUDINAL MEASURES**

|                             | <b>ADVANTAGES</b>  | <b>DISADVANTAGES</b>  |
|-----------------------------|--|---|
| <b>Behavioural Measures</b> | <ul style="list-style-type: none"> <li>(1) Based on actual behaviour</li> <li>(2) Non-incidenta</li> <li>(3) Easy to collect</li> </ul>  | <ul style="list-style-type: none"> <li>(1) Repeat buying not distinguished from brand loyalty</li> <li>(2) More sensitive to short-run fluctuations</li> <li>(3) Difficult to pick right decision unit</li> </ul> |
| <b>Attitudinal Measures</b> | <ul style="list-style-type: none"> <li>(1) Repeat buying separated from brand loyalty</li> <li>(2) Less sensitive to short-run fluctuations</li> <li>(3) Easy to pick right decision unit</li> </ul> | <ul style="list-style-type: none"> <li>(1) Valid representation of reality not guaranteed</li> <li>(2) Incidenta</li> <li>(3) Harder to collect</li> </ul>  |

**Source:** Bennett and Rundle-Thiele (2002:195)

Rundle-Thiele (2005:494) and Punniyamoorthy and Raj (2007:225) each classify the evolution of brand loyalty in three parts. Rundle-Thiele (2005:494) presents the evolution as traditional, present and future views while Punniyamoorthy and Raj (2007:225) present it as phase 1, phase 2 and phase 3. Their similar account of the evolution of brand loyalty is indicated in Table 3.4.

**TABLE 3.4: EVOLUTION OF BRAND LOYALTY MEASURES**

| <b>RUNDLE-THIELE (2005)</b>   | <b>PUNNIYAMOORTHY AND RAJ (2007)</b>  |
|---|---|
| <b>Traditional views</b>  | <b>Phase 1</b>  |
| <p>The concept of loyalty first appeared in the 1940s. In its earliest days loyalty was proposed as a uni-dimensional construct, which was related to the measurement perspective taken by the researcher. Two separate loyalty concepts evolved. Namely, “brand preference” (Guest, 1944:16) which was later referred to as attitudinal loyalty and “share of market” (Cunningham, 1956:121), which was later referred to as behavioural loyalty. Nearly 30 years after loyalty first appeared in the academic literature researchers (Day, 1969) proposed that loyalty may be more complex and that it may comprise both attitudinal and behavioural loyalty. This bi-dimensional concept has since been combined and referred to as composite loyalty (for example Jacoby, 1971).</p> <p>The composite definition of loyalty has become the basis for much loyalty research that has since been undertaken (for examples, see Jacoby and Kyner, 1973:9; Bloemer &amp; Kasper, 1995:322; Bennett, 2001:252). The composite definition of loyalty considers that loyalty should always comprise favourable attitudes, intentions and repeat-purchase (see Jacoby &amp; Chestnut, 1978). Some researchers (see Oliver, 1999) suggest that loyalty evolves and that there are stages of loyalty.</p> | <p>In earlier days, too much attention had been placed on the earlier history of brand loyalty research on operational measurements with technique – oriented models, emphasising well-defined mathematical models such as Bernoulli, Markov chain or linear learning models (Sheth &amp; Whan (1973:457). Researchers and marketers simply defined loyalty as a behaviour of the customer. Thus, repeated purchase in terms of volume and value was alone a significant measurement of customer loyalty until the 1950s (Pong &amp; Yee, 2001:139). Much criticism was leveled against this one-dimensional approach as the domain of customer loyalty goes beyond customers’ behavioural measures. Dick and Basu (1994:101) argue that loyalty should not be regarded as mere repurchase behaviour. This opens the door for a large number of variables that can be examined as the consequences of evaluative constructs in studies of brand loyalty.</p> <p>Cooper and Withey (1989:531) confirm that customer behaviour can be induced by situation factors such as the lack of available alternatives, high switching cost or a tendency towards inertia. Similarly, Gremler and Brown (1996:173) assert that nearly 75 percent of customers’ purchasing decisions are based on their attitude and emotion.</p> |

**TABLE 3.4: EVOLUTION OF BRAND LOYALTY MEASURES (CONTINUED)**

| <b>RUNDLE-THIELE (2005)</b>   | <b>PUNNIYAMOORTHY AND RAJ (2007)</b>  |
|---|---|
|   | This, according to Gremler and Brown (1996:173), implies loyalty measurement should include customers' attitudes rather than repeated purchase behavioural patterns only.   |
| <b>Present Views</b>  | <b>Phase 2</b>  |
| <p>In 1994, Dick and Basu subsequently identified the need to define the different manifestations of composite loyalty as separate dimensions. Following Dick and Basu's (1994) conceptual model, multi-dimensional views of loyalty emerged in the literature (for examples see Zeithaml, Berry &amp; Parasuraman, 1996; Bloemer, Deruyter &amp; Wetzels, 1999; Narayandas, 1999; Yu &amp; Dean, 2001).</p>  | <p>Andreassen and Lindestad (1998:16) argue that attitudinal measure in itself is also insufficient for measuring loyalty. Therefore, researchers had measured customer loyalty by incorporating behavioural and attitudinal measures simultaneously. This was also referred to as the composite model. In this phase of loyalty development, a liking or attitude toward the brand developed, on the basis of cumulatively satisfying usage occasions (Hallowell, 1996:33). The brand loyalty exhibited is directed at the degree of liking for the brand.</p>   |
| <b>Future Views</b>   | <b>Phase 3</b>  |
| <p>In a personal sense loyalty is a feeling or an attitude of devoted attachment and affection. This feeling of loyalty tends to imply that a person feels an obligation to persevere with a personal relationship through good and bad times. A commercial setting involves a subtle change for the term "loyalty". One of the main reasons for this change is that customers can persevere in a commercial relationship without a feeling or an attitude of devoted attachment. These loyal behaviours demonstrate that the customer has faith in the brand. To put this in context think about a consumable product that you commonly purchase</p> | <p>In the third phase, brand loyalty can be viewed as a "multidimensional" construct. Several distinct psychological processes determine brand loyalty and it entails multivariate measurements. Park (1996:233) argues that attitudinal loyalty and involvement contribute independently to the prediction of different measures of behavioural loyalty. The path analytical model of relationships between involvement, psychological commitment and loyalty proposed by Iwasaki and Havitz (1998:261) that customers have to go through sequential psychological processes to become loyal participants is as follows:</p> |

**TABLE 3.4: EVOLUTION OF BRAND LOYALTY MEASURES (CONTINUED)**

| RUNDLE-THIELE (2005)   | PUNNIYAMOORTHY AND RAJ (2007)   |
|--|---|
| <p>such as baked beans or a newspaper. Do you feel attached to a can of baked beans or a newspaper? There would be few who would agree that they are attached to a can of baked beans or a newspaper. Yet, when asked if they repeatedly purchase a brand of baked beans or a newspaper they may answer yes. This loyal behaviour is also of interest for marketers. It can be acknowledged that loyalty may be one or a combination of attitudinal and behavioural loyalty. Yet this may still provide a limited view of loyalty.</p> | <p>(A) The formation of a high level of involvement in purchase<br/>                     (B) The maintenance of strong attitudes toward resistance to change preferences of the brand<br/>                     (C) The development of psychological commitment to a brand</p> |

**3.6 BRAND LOYALTY MODELS AND CONSTRUCTS**

The number of multidimensional brand loyalty measures over the past decade has increased. The majority of the measures presented examine the key influences on brand loyalty. The following reflect recent studies that explore the influences on brand loyalty in different sectors:

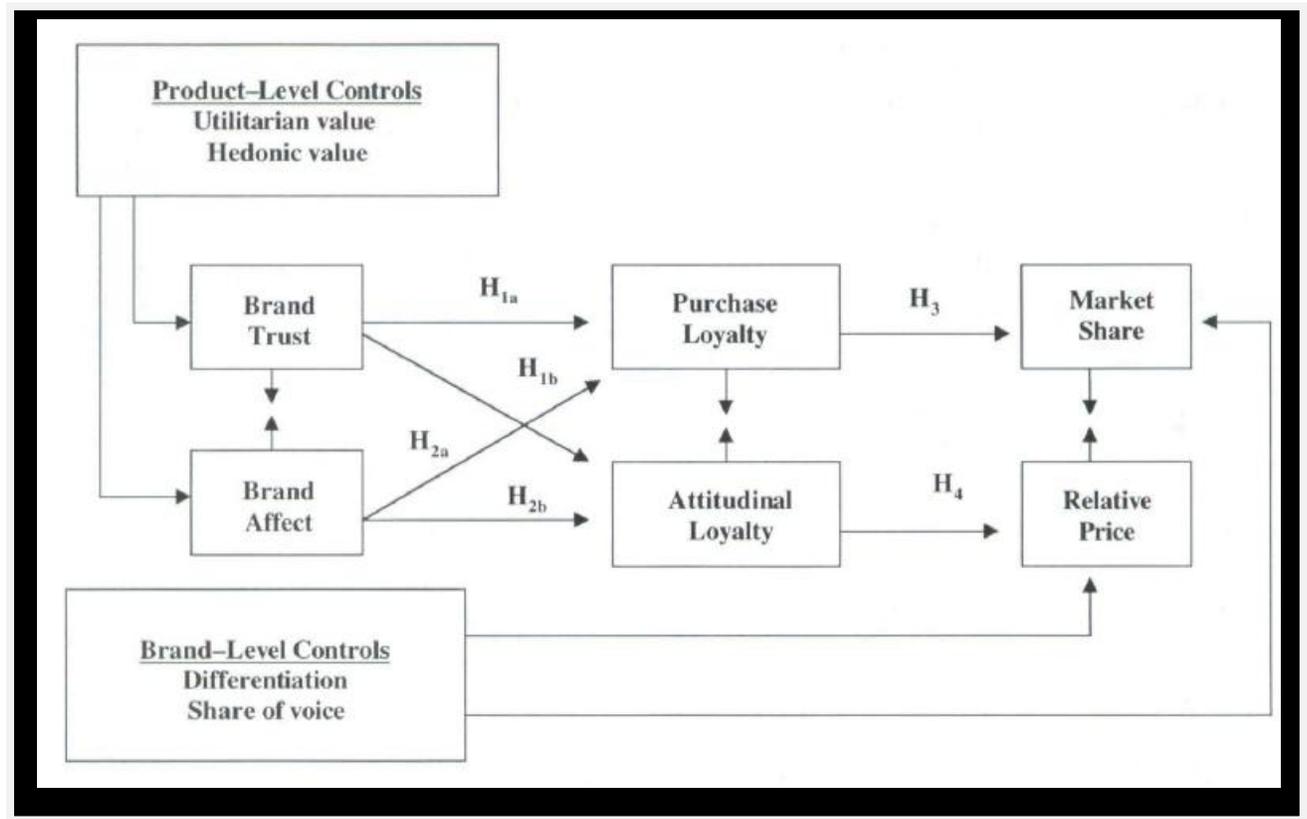
**3.6.1 Chaudhuri and Holbrook (2001)**

Chaudhuri and Holbrook’s (2001:145) model of brand loyalty emanates from research conducted on 107 brands from three separate surveys of consumers and brand managers. Their research reveals the following as having the strongest influence on brand loyalty:

- brand trust;
- brand affect;
- purchase loyalty;
- attitudinal loyalty;
- market share; and
- relative price.

Chaudhuri and Holbrook's model not only combines attitudinal loyalty with purchase loyalty but also uses two moderators in brand trust and brand affect. Unique attributes about Chaudhuri and Holbrook's model is the inclusion of product control levels by means of hedonic and utilitarian values. Chaudhuri and Holbrook (2001:146) define hedonic value as the pleasure potential of a product, whereas utilitarian value is conceptualized as the ability of a product to perform functions in the everyday life of a consumer. Products with a high pleasure potential provide non-tangible, symbolic benefits and are likely to hold a greater potential for evoking positive emotions in a consumer. Chaudhuri and Holbrook's model which is presented as Figure 3.6 below depicts how brand trust (H1a) and brand affect (H2a) generates purchase loyalty (H3) which leads to market share. The figure also depicts how brand trust (H1b) and brand affect (H2b) promotes attitudinal loyalty (H4) to provide relative price. The diagram also shows the opposing forces (purchase loyalty and attitudinal loyalty) and (market share and relative price).

**FIGURE 3.6: BRAND LOYALTY INFLUENCES – CHAUDHURI AND HOLBROOK (2001)**



Source: Chaudhuri and Holbrook (2001:145)

### 3.6.2 Giddens (2001)

Giddens (2001:4), in her brand loyalty study of multiple brands across several industries of current and potential customers, provides the following as the strongest influences on brand loyalty from inception to engagement:

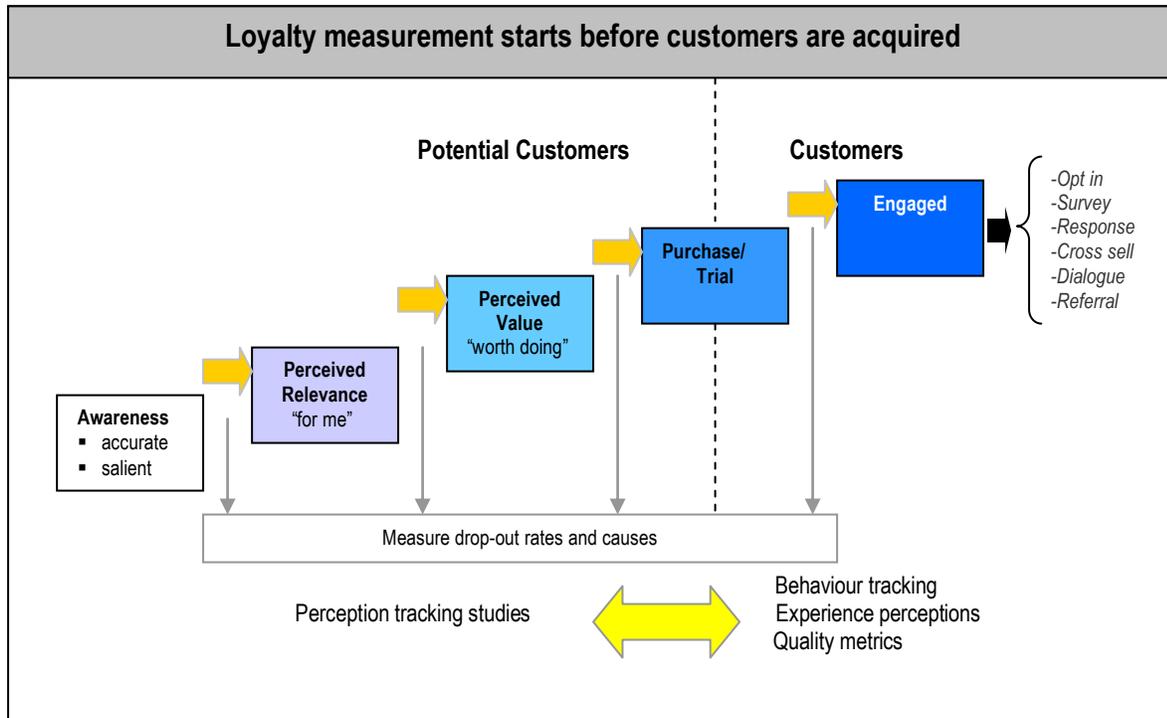
- awareness;
- perceived relevance; and
- perceived value.

Giddens (2001:5) affirms that the overwhelming evidence today points to the power of triangulation – evidence of emotional loyalty coupled with one or more elements of functional, transactional, or contractual loyalty. Emotional loyalty overcomes problems, sustains the brand relationship, and drives a desire to repurchase. When paired with a strong rationale of a functional, contractual, or transactional nature, the combination works to erect barriers to competition and decrease price elasticity.

Giddens acknowledges that the drivers of loyalty are complex, and may be based on different – but equally important – factors like experiences, beliefs, preferences, or fit with one's self image. But if one is investing in improving products, services, or processes, they need to link those investments to specific economic value creation.

According to Giddens (2001:6), this suggests that to successfully measure loyalty, one needs to first define it in very specific terms that apply to the desired business outcome and that measuring loyalty actually begins before customers are acquired. The Giddens model (Figure 3.7) suggests that awareness, perceived relevance, perceived value and purchase/trial can be measured for perception and drop-out rates before the acquisition of customers.

**FIGURE 3.7: BRAND LOYALTY INFLUENCES – GIDDENS (2001)**



Source: Giddens (2001:4)

### 3.6.3 Uncles, Dowling and Hammond (2003)

Brand loyalty measures and constructs according to Uncles *et al.* (2003:295) have two main aims. One is to increase sales revenues by raising purchase/usage levels, and/or increasing the range of products bought from the supplier. A second aim is more defensive – by building a closer bond between the brand and current customers. Brand loyalty has been largely defined and measured in either behavioural or attitudinal terms (Mellens *et al.*, 1996:522).

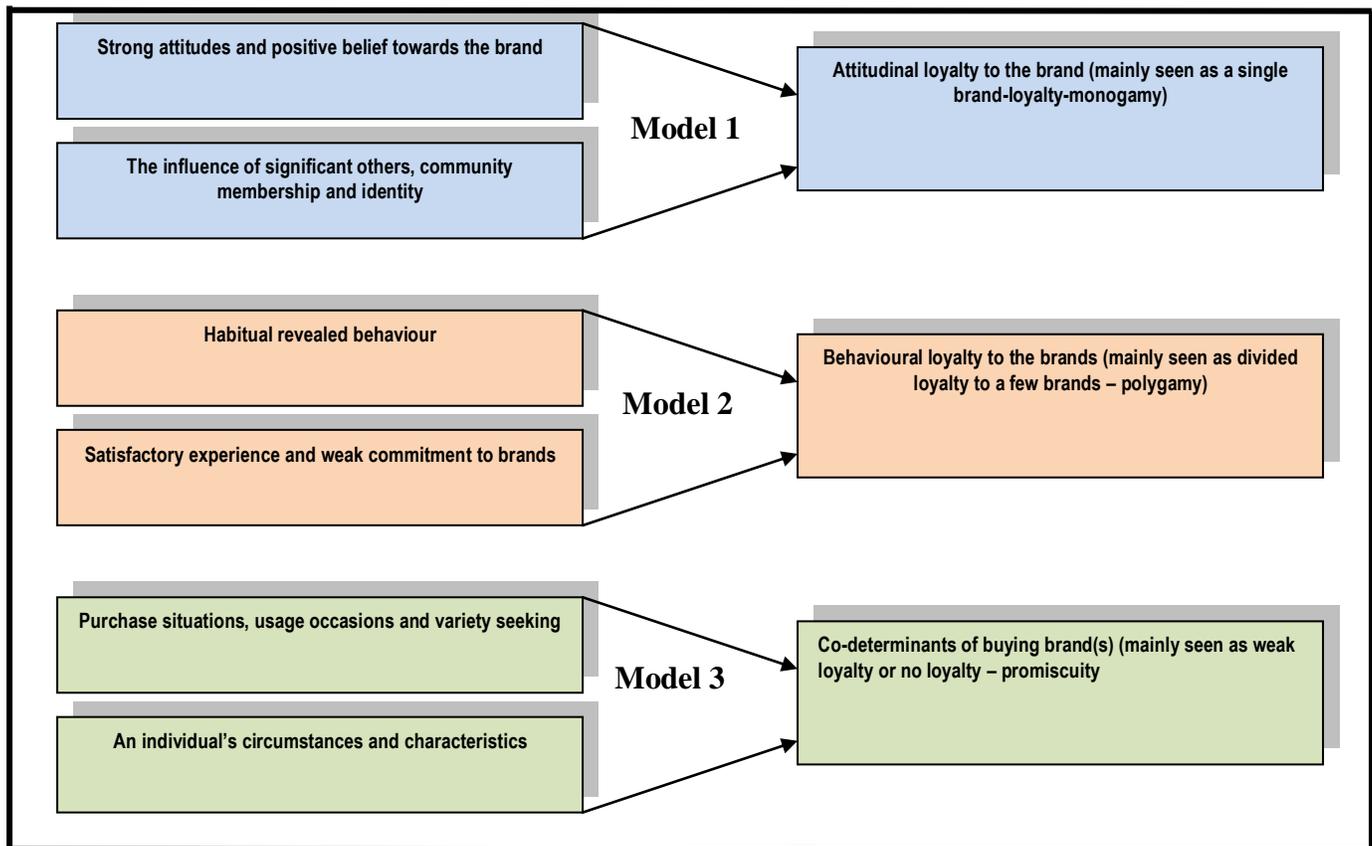
Uncles *et al.* (2003:296), conceptualise customer loyalty in three different ways. Loyalty may be conceived in terms of favourable attitudes or beliefs towards a brand, manifested in an emotional attachment to the brand. Or, it may be thought of purely in terms of behaviour, the regular purchasing of a particular brand.

Finally, there are what Uncles *et al.* (2003:297) describes as the contingency approach, which assumes that the relationship between attitudes, behaviour and loyalty is moderated by variables such as an individual's current circumstances or the particular situation, or both.

While there is no universally agreed definition of brand loyalty, Uncles *et al.* (2003:295) propose the emergence of three popular conceptualisations (Figure 3.8):

- 1) Loyalty – (Model 1) as primarily an attitude that sometimes leads to a relationship with the brand;
- 2) Loyalty – (Model 2) mainly expressed in terms of revealed behaviour (that is pattern of past purchase); and
- 3) Buying – (Model 3) moderated by the individual's characteristics, circumstances, and/or the purchase situation.

**FIGURE 3.8: CONCEPTUALISATIONS OF CUSTOMER LOYALTY**



Source: Uncles *et al.* (2003:296)

- **Loyalty as primarily an attitude that sometimes leads to a relationship with the brand (Model 1)**

Many researchers and experts argue that there must be strong “attitudinal commitment” to a brand for true loyalty to exist (Jacoby & Chestnut, 1978; Foxall & Goldsmith, 1994; Reichheld, 1996). This is seen as taking the form of a consistently favourable set of stated beliefs towards the brand purchased. These attitudes may be measured by asking how much people say they like the brand, feel committed to it, recommend it to others, and have positive beliefs and feelings about it – relative to competing brands (Dick & Basu, 1994).

The strength of these attitudes is the key predictor of a brand’s purchase and repeat patronage. This is confirmed by Oliver (1999:41) who defines a customer as: A deeply held commitment to re-buy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behaviour.

- **Loyalty mainly expressed in terms of revealed behaviour (that is, pattern of past purchase) (Model 2)**

Model 2 is the most controversial but the best supported by data. The controversy comes about because loyalty is defined in terms of pattern of past purchases with only a secondary regard to underlying consumer motivations or commitment to the brand (Ehrenberg, 1988:119). Researchers have gathered impressive amounts of data about these purchase patterns over many years across dozens of product categories and for many diverse countries (Uncles, 1994:342). Although all the studies are grounded in considerable amounts of market research, data and analysis, controversy persists as the studies rule out revealed behaviour as a dominant measure of loyalty.

- **Buying moderated by the individual’s characteristics, circumstances, and/or the purchase situation (Model 3)**

Proponents of Model 3, the contingency approach, argue that the best conceptualisation of loyalty is to allow the relationship between attitude and behaviour to be moderated by contingency variables such as the individual’s current circumstances, their characteristics

and/or the purchase situation faced. That is, a strong attitude towards a brand may provide only a weak prediction of whether or not the brand will be bought on the next purchase occasion because any number of factors may co-determine which brand(s) are deemed to be desirable (Soderlund, 1998:177). Examples of individual circumstances may include budget effects (the desired brand is too expensive) and time pressure (need to buy at the next available opportunity).

#### **3.6.4 Schijns (2003)**

Research results on a brand loyalty study conducted by Schijns (2003:59) based on the model by Shanker *et al.* (2000:33) in the insurance sector identify the following five major precursors of brand loyalty:

- **Overall customer satisfaction**

Overall customer satisfaction was found to be relationship-specific and was found to be the cumulative effect of a set of discrete service encounters or transactions with the service provider over a period of time. Customer satisfaction is suggested to be a necessary, but insufficient condition for customer loyalty alone.

- **Trust**

According to Schijns (2003:57), trust was evident and concurred with the definition by Morgan and Hunt (1994:23) where trust is “*when one party has confidence in an exchange partner’s reliability and integrity*”. It was suggested that trust positively affects commitment and was found to be the basis for loyalty.

- **Perceived switching cost**

Schijns (2003:58) confirmed that perceived switching costs can be a significant mobility barrier when considering an alternative relationship. Schijns’ (2003:58) findings concurred with the findings of Reinartz, Thomas and Kumar (2005:77) where “*the buyer’s anticipation of high switching costs gives rise to the buyer’s interest in maintaining a quality relationship.*”

- **Reputation**

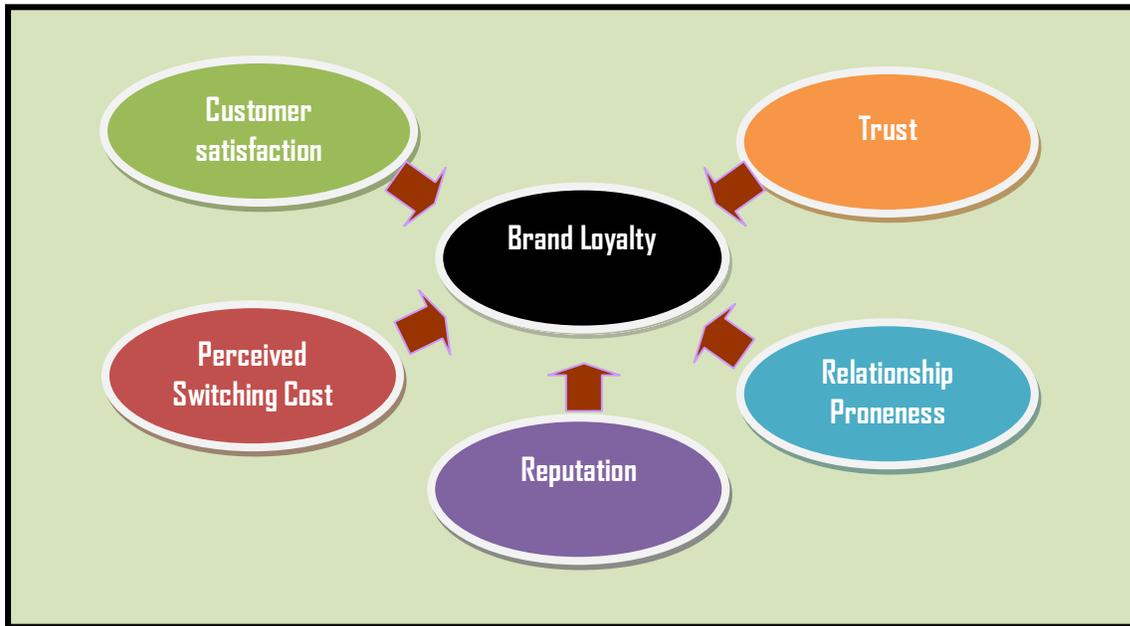
Schijins (2003:59) reveals that based on a company's *reputation* one could decide to do business and start a relationship with that company. The reputation of a potential new partner reduces the perceived risk of making the wrong decision and facilitates the change to the new partner. From this perspective, the reputation of a company lowers the entrance barriers for (potential) customers. A company's reputation also plays a role in case of breaking an existing relationship. The reputation of a company can withhold the customer breaking the relationship because he may face social uncertainty, lack of knowledge about new potential partners, and (thus) lack of confidence in a new exchange partner's reliability and integrity. From this perspective, the reputation of a company increases the exit barriers for (existing) customers. Both perspectives may have a positive effect on customer loyalty, in particular on behavioural loyalty.

- **Relationship proneness**

According to Schijins (2003:60), relationship proneness is an individual characteristic of the buyer, and is defined as "a buyer's relatively stable and conscious tendency to engage in relationships with sellers of a particular product category". Schijins (2003:61) verified studies by Odekerken-Schröder (1999) and Storbacka, Strandvik and Grönroos (1994:31) in that a buyer's interest in relationships positively influences the level of commitment to a relationship in which the buyer is engaged.

Schijins' five major precursors of brand loyalty are depicted in Figure 3.9:

**FIGURE 3.9: BRAND LOYALTY INFLUENCES – SCHIJNS (2003)**



**Source:** Schijns (2003:62)

### 3.6.5 Musa (2005)

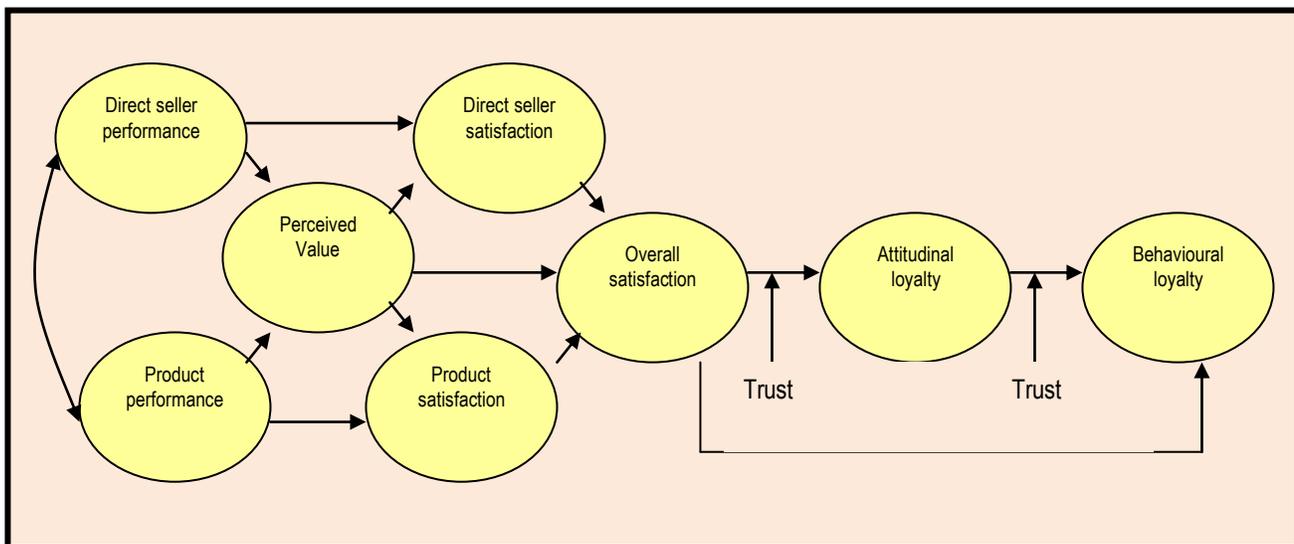
Musa (2005) offers a multidimensional model using a chaining process and a moderating variable. Musa (2005:46) reveals that the results of his study in the beauty and healthcare sector attributes brand loyalty to the following:

- performance;
- subsystem satisfaction and overall satisfaction;
- perceived value;
- attitudinal loyalty;
- behavioural loyalty; and
- trust.

As depicted in Figure 3.10, Musa explains that customer loyalty intention results from the customers' overall satisfaction with their previous consumption or service experiences. Consequently, Musa hypothesizes that loyalty intention is positively related to behavioural loyalty.

In the study, Musa hypothesizes that customer satisfaction with the product and direct seller could have a positive effect on customer overall satisfaction with the direct sales channel and consequently influencing their loyalty intentions and in turn loyalty behaviour such as recommend, repurchase and price tolerance. Musa proposes that trust could moderate the overall satisfaction –attitudinal loyalty and attitudinal loyalty,

**FIGURE 3.10: BRAND LOYALTY INFLUENCES – MUSA (2005)**

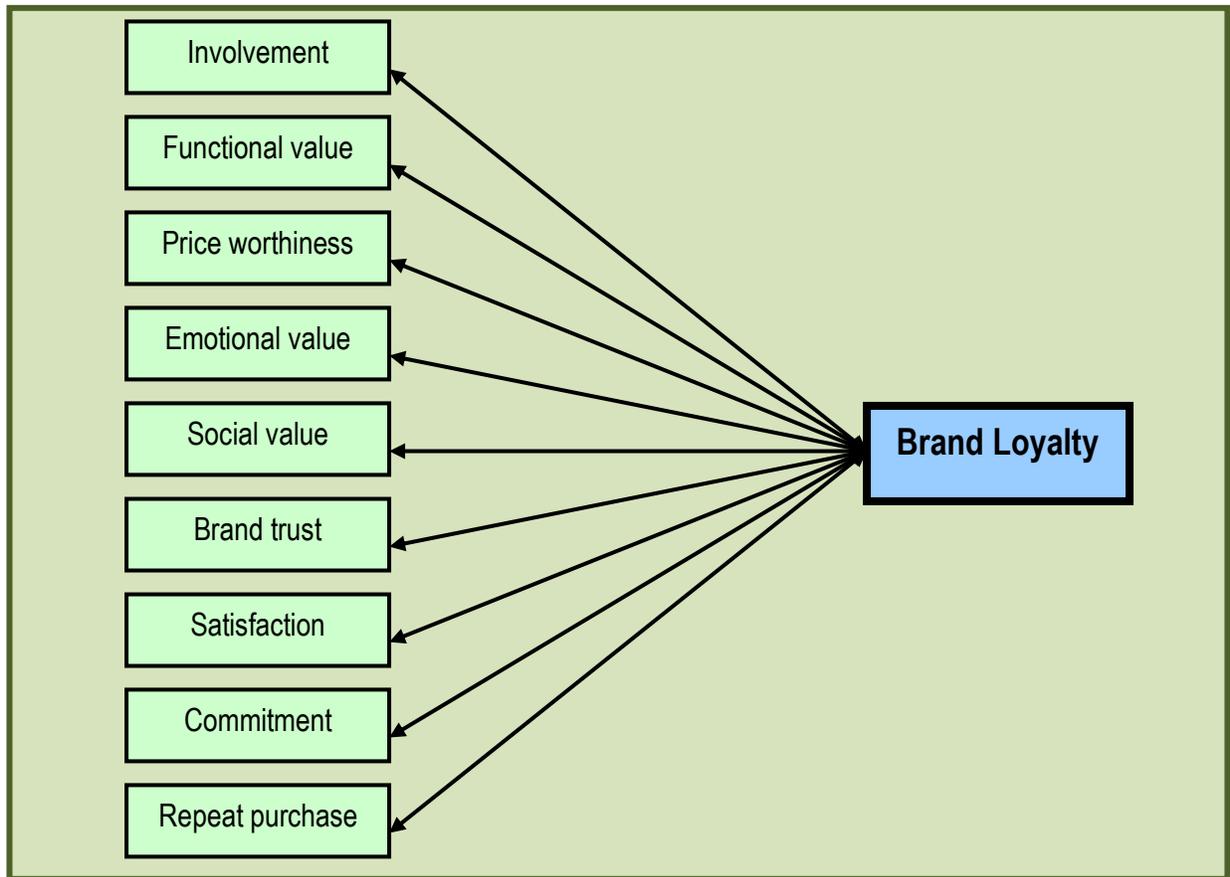


**Source:** Musa (2005:47)

### 3.6.6 Punniyamoorthy and Raj (2007)

Punniyamoorthy and Raj's (2007) model of brand loyalty in the newspaper industry can be described as a multidimensional construct that includes both attitudinal commitment and behavioural purchase loyalty. Their study confirms that the nine influences depicted in Figure 3.11 play a major role in influencing brand loyalty.

**FIGURE 3.11: BRAND LOYALTY INFLUENCES – PUNNIYAMOORTHY AND RAJ (2007)**



**Source:** Punniyamoorthy and Raj (2007:226)

### **3.6.7 Maritz (2007)**

The Maritz Multidimensional Loyalty Model, developed in 2007 after a decade of research is a typical multidimensional construct examining both attitudinal and behavioural loyalty.

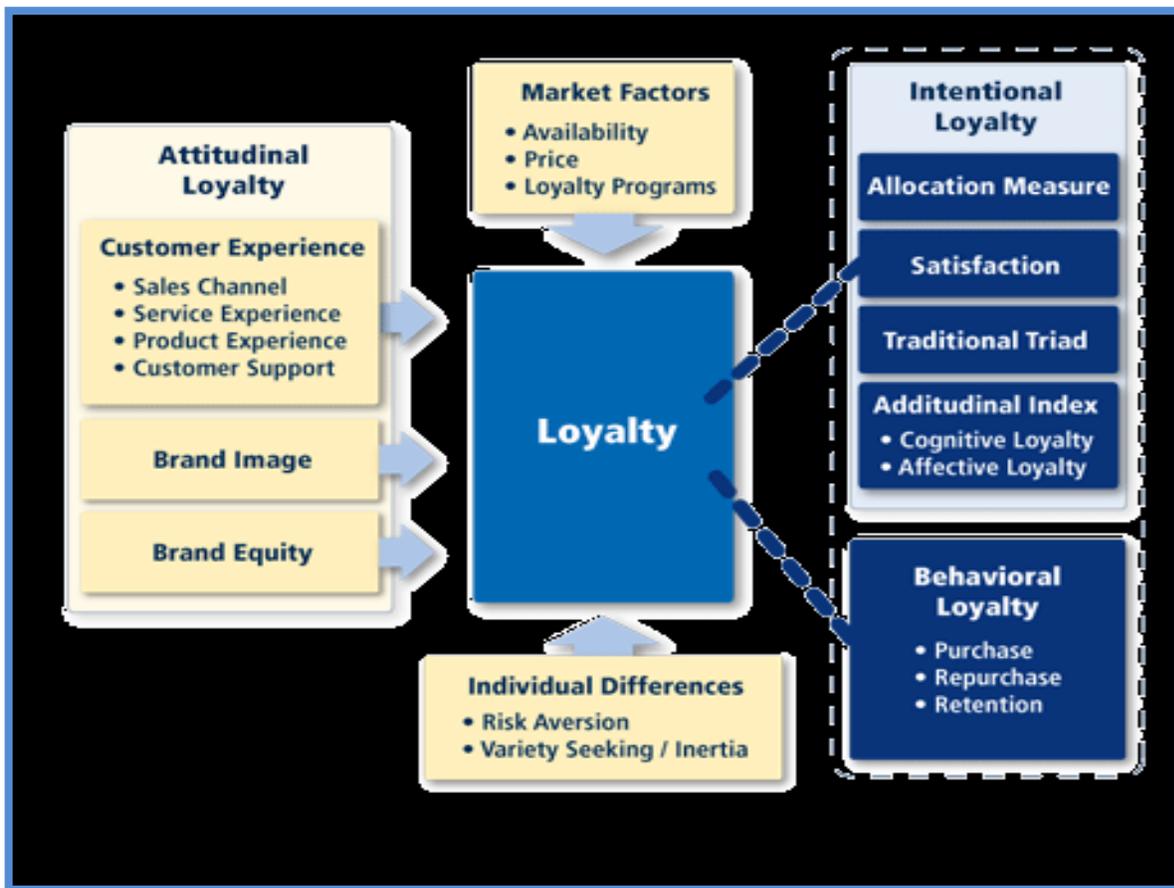
The model examines the effects of the attitudinal brand loyalty ingredients:

- Marketplace factors;
- Individual psychographic differences;
- Customer experience;
- Brand image; and
- Brand equity.

The model examines intentional loyalty from a behavioural perspective that has been shown to be more predictive of customer loyalty. The model creates a view of loyalty by deconstructing it into proven loyalty ingredients including marketplace factors, individual psychographic differences, customer experience attributes and brand factors.

It also includes several measures of respondent intentional loyalty that have been shown to be more predictive of customer loyalty than traditional measures. The model is combined with behavioural information, to provide a complete view of customer loyalty. The Maritz Multidimensional Loyalty Model is depicted in Figure 3.12.

**FIGURE 3.12: BRAND LOYALTY INFLUENCES – MARITZ (2007)**



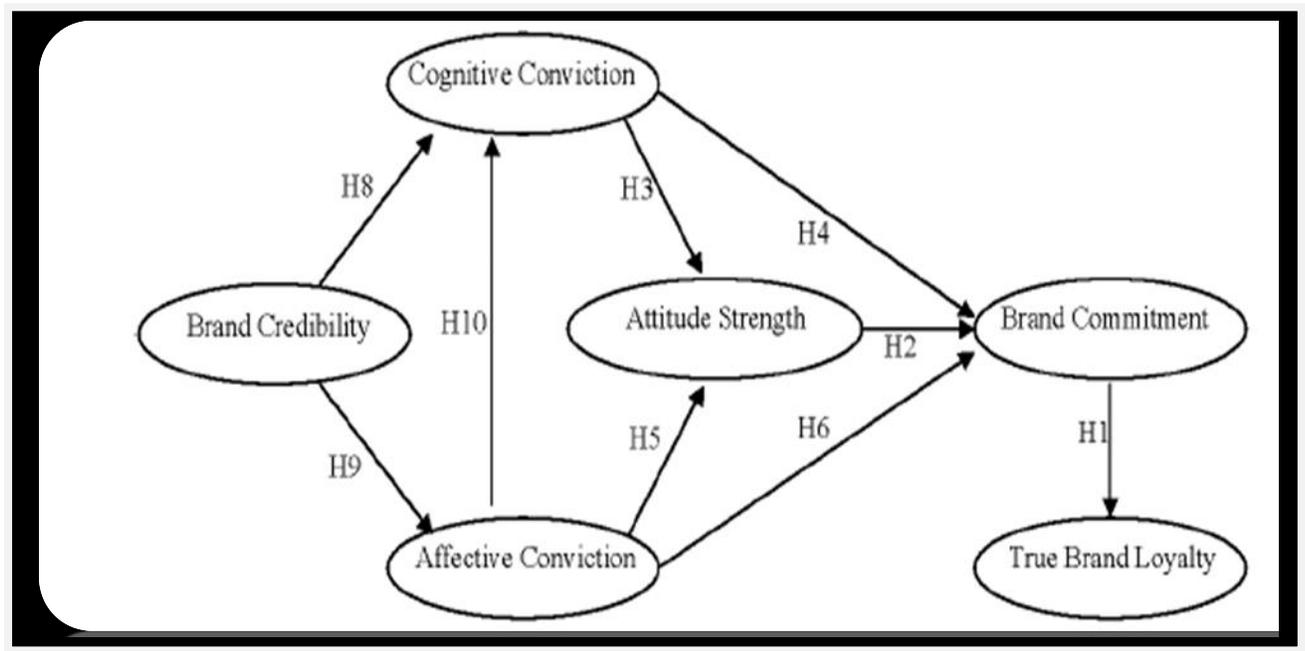
Source: Maritz (2007:1)

### 3.6.8 Kim, Morris and Swait (2008)

Kim *et al.* (2008:99) examine a model of six latent constructs and propose that *true* brand loyalty can be explained as a result of the following five distinct antecedents:

- cognitive conviction;
- brand credibility;
- attitude strength;
- affective conviction; and
- brand commitment.

**FIGURE 3.13: BRAND LOYALTY INFLUENCES - KIM, MORRIS AND SWAIT (2008)**



**Source :** Kim *et al.* (2008:104)

The model based on research focuses on the following factors that lead to changes in true brand loyalty:

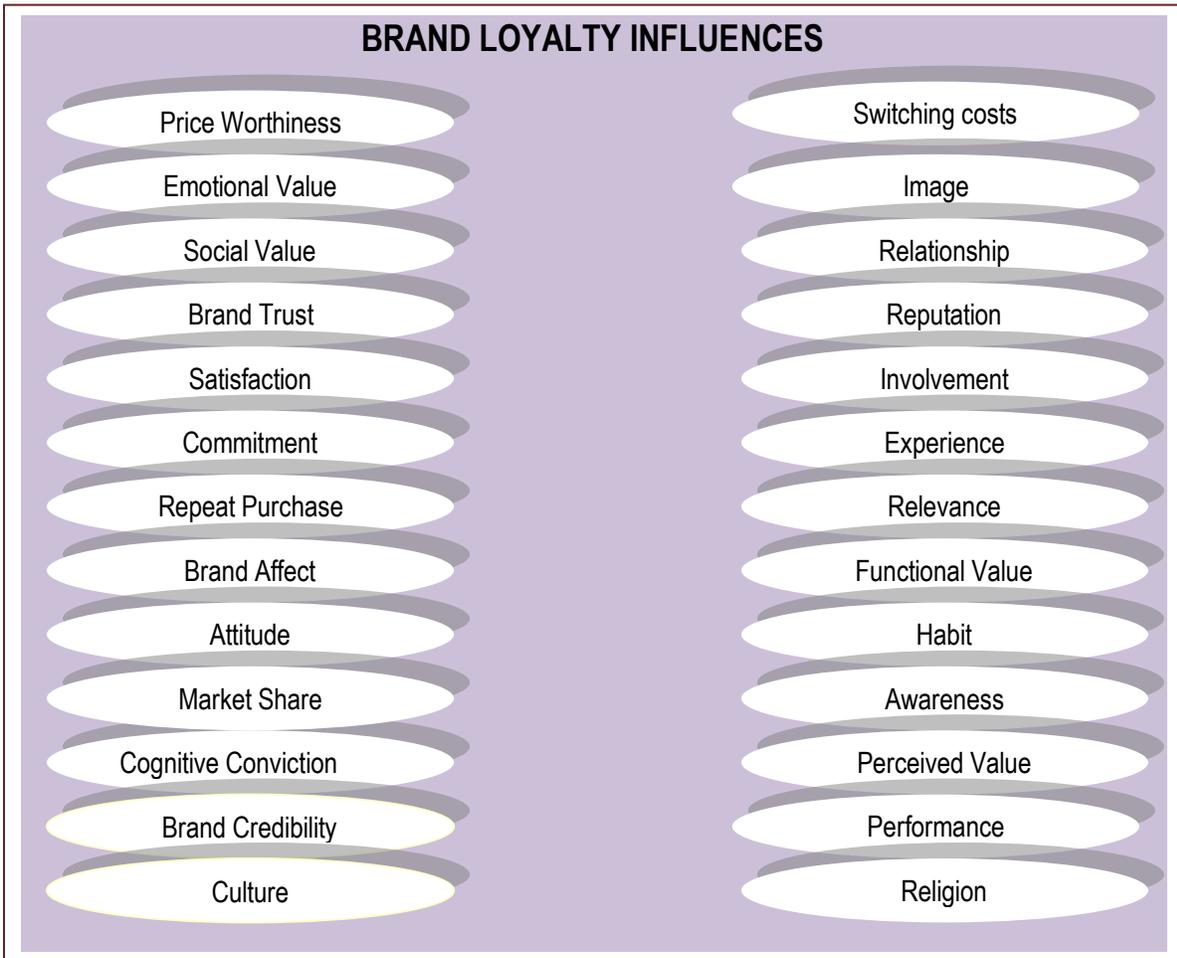
- brand commitment in which consumers pledge or bind themselves to purchase the brand;
- attitude strength in which the consumers' attitudes are extreme, intense, certain, personally important, and knowledgeable;
- cognitive brand conviction pertaining to the consumers' subjective certainty (thinking their view is correct), ego preoccupation (thinking about the brand often), and cognitive elaboration (claiming to have more knowledge about the brand than others);
- affective brand conviction pertaining to feelings of pleasure, arousal, and dominance about the brand (Emotional Response measured by AdSAM); and
- brand credibility pertaining to the consumers' personal history of experience with the brand.

### **3.7 KEY BRAND LOYALTY INFLUENCES**

Research studies over the past decade have uncovered several influences of brand loyalty. The research studies conducted has examined the influences from a behavioural, attitudinal and multi-dimensional perspective.

While a number of influences have been identified and tested over the years, it is not possible to test the strength of each and every one. Based on the literature review and brand loyalty studies by acclaimed academics examined in this chapter – Jacoby and Chestnut (1978), Traylor (1981), Dick and Basu (1994), Park (1996), Chaudhuri and Holbrook (2001), Giddens (2001), Jensen and Hansen (2002), Schijins (2003), Musa (2005), Rundle-Thiele (2005), Punniyamoorthy and Raj (2007), Kim. *et al.* (2008) and Maritz (2007) as well as other studies on the influences of brand loyalty, the following 26 influences have been identified.

**FIGURE 3.14: KEY BRAND LOYALTY INFLUENCES USED IN RESEARCH STUDIES**



### 3.7.1 Research results in previous studies

Research studies by Jacoby and Chestnut (1978), Traylor (1981), Dick and Basu (1994), Park (1996), Chaudhuri and Holbrook (2001), Giddens (2001), Jensen and Hansen (2002), Schijns (2003), Musa (2005), Rundle-Thiele (2005), Punniyamoorthy and Raj (2007), Kim *et al.* (2008) and Maritz (2007) focus on identifying the key influences of brand loyalty. The common and key brand loyalty influences from their studies are as follows:

### 3.7.1.1 Customer satisfaction

Over the years, most companies have acknowledged that happy customers are more likely to be repeat customers than unhappy ones (Engels, 2005:4). Owing to the difficulty of defining "happy," loyalty indicators predominantly have been linked to satisfaction measurement. Some have even gone further, setting their sights on nothing less than "delighting" customers or eliciting the rare reaction of "wow" (Delgado, Munuera & Yague, 2003:50).

Yet none of these descriptors has proven sufficiently objective to span business units, channels, or customer touch points so as to create a consistent standard for managers to achieve. Nor has any been more than loosely correlated to incremental profitability because few attributes are so distinct that they exceed the matching efforts of competitors. Nevertheless, the majority of mid-sized to large companies today have some sort of measurement system for customer satisfaction, if for no other reason than to ensure continued performance at or above their category's competitive standard (Saaty, 1994:41).

Customer satisfaction is believed to mediate consumer learning from prior experience and to explain key post-purchase behaviours such as complaining, word of mouth, repurchase intention and product usage (Westbrook & Oliver, 1991:86). Lin (2009:145) suggests that customer satisfaction has a significant influence on repurchase intention and post purchase complaint and that the higher level of customer satisfaction will lead to a higher level of brand loyalty.

Overall, customer satisfaction is relationship-specific and according to Bitner and Hubbert (1994:183; Oliver, 1999:43), it is the cumulative effect of a set of discrete service encounters or transactions with the service provider over a period of time. Customer satisfaction is also suggested to be a necessary, but insufficient condition for customer loyalty (Schijns, 2003:63).

Satisfaction, though necessary, is an insufficient solo condition for loyalty. You can achieve high levels of satisfaction yet not inspire any real loyalty. For example, look no further than the local car dealer (Back & Parks, 2003:419).

A number of academic studies in recent years have shown that satisfied customers do not necessarily buy more or more often, in any category (Gustafsson, Johnson & Roos, 2005:210). Satisfaction as a proxy for loyalty is relative to each brand's position in the market at any given time. *“If we accept that the perception of value most heavily influences comparative purchase decisions at any point in time, and past satisfaction is but an element of that perception, then if company B offers me greater value, all my satisfaction with company A likely will not prevent my switching for greater relative value”* (Engels, 2005:4).

Customer satisfaction has therefore emerged as the most commonly used variable to measure brand loyalty and is present in almost every brand loyalty research study (Marterson, 2007:547).

### 3.7.1.2 Switching costs

In many markets, consumers face non-negligible costs of switching between different brands of products or services. As classified by Klemperer (1987:376), there are at least three types of switching costs: transaction costs, learning costs, and artificial or contractual costs. Transaction costs are costs that occurred to start a new relationship with a provider and sometimes also include the costs necessary to terminate an existing relationship. Learning costs represents the effort required by the customer to reach the same level of comfort or facility with a new product as they had for an old product. Artificial switching costs are costs created by deliberate actions of firms and are very common in the marketplace: frequent flyer programs, repeat-purchase discounts, and “clickthrough” rewards are all examples (Aydin, Ozer & Arasil, 2005:27).

Switching costs have been theoretically shown to have positive effects over prices, profits, and entry deterrence, and have been linked to a variety of competitive phenomena such as price wars and deep discounts offered by firms to attract new customers (Beggs & Klemperer, 1992:652; Klemperer, 1987:375; Klemperer, 1995:518; Schmalensee, 1974:589).

Switching costs can be a significant mobility barrier when considering an alternative relationship (Morgan & Hunt, 1994:26). Dwyer (1987:14) proposes that “the buyer’s anticipation of high switching costs gives rise to the buyer’s interest in maintaining a quality relationship”.

### 3.7.1.3 Brand trust

Trust exists “when one party has confidence in an exchange partner’s reliability and integrity” (Morgan & Hunt, 1994:27). It is suggested that trust positively affects commitment (Dwyer, 1987:15; Morgan & Hunt, 1994:28; Odekerken-Schröder, 1999:79; Schijns, 1999:309), and is the basis for loyalty. Research by Garbarino and Johnson (1999:76) found a strong relationship between loyalty and brand trust. Their research suggested that there is a distinct need of trust in developing positive and favourable attitudes towards brands. According to Hess (1995:21), brand trust is the central construct for any long-term relationship and is an important contributor in attaching a kind of emotional commitment that leads to long-term loyalty. The research results of Garbarino and Johnson (1999:77) and Hess (1995:21) suggest that it is reasonable to expect that the higher the feeling of trust in a brand, the more the consumers are loyal to it and a higher level of brand trust leads to a higher level of brand loyalty.

Based on a company’s reputation one could decide to do business and start a relationship with that company. The reputation of a potential new partner reduces the perceived risk of making the wrong decision and facilitates the change to the new partner. From this perspective, the reputation of a company lowers the entrance barriers for (potential) customers. A company’s reputation also plays a role in case of breaking an existing relationship. The reputation of a company can withhold the customer breaking the relationship because he may face social uncertainty, lack of knowledge about new potential partners, and (thus) lack of confidence in a new exchange partner’s reliability and integrity. From this perspective, the reputation of a company increases the exit barriers for (existing) customers. Both perspectives may have a positive effect on customer loyalty, in particular on behavioural loyalty (Hutton, 1997:428).

### 3.7.1.4 Relationship proneness

Relationship proneness is an individual characteristic of the buyer, and is defined as “a buyer’s relatively stable and conscious tendency to engage in relationships with sellers of a particular product category” (Odekerken-Schröder 1999:44; Storbacka *et al.* 1994:266).

Similarly, Bloemer and Odekerken-Schroder (2002:69) describes relationship proneness as the stable tendency of a consumer to engage in relationships with retailers and can therefore be considered as a part of a consumer's personality. In addition, Storbacka *et al.* (1994:267) emphasizes that relationship proneness is a conscious tendency to engage in relationships as opposed to a tendency to engage in relationships based on inertia or convenience. Moreover, according to Bloemer and Odekerken-Schroder (2002:70), the concept of proneness is focused on the tendency to engage in relationships as opposed to the tendency to maintain or enhance relationships. The latter would not be generic as it would be contingent upon a particular seller, leading to a close resemblance to the construct of relationship commitment. It can be assumed that consumers, who are intrinsically inclined to engage in relationships with retailers in general, will also reveal store loyalty to a particular retailer (Odekerken-Schröder, 1999:45).

Bagozzi (1975:33) states that "retailers, for example, know that they will not obtain repeat purchases if the consumer is taken advantage of and deceived". While many relationship marketing studies dealt with relationships based on dependence and locking in buyers (constraint-based relationships), consumer relationship proneness focuses on positive motivations of customers driven by a stable and conscious tendency to engage in relationships with sellers (*dedication-based relationships*) (Barnes 2006:145). Research by Bloemer and Odekerken-Schröder (2002), DeWulf, Odekerken-Schröder and Iacobucci (2001:33), Barnes (2006:145), Bendapudi and Berry (1997:15) and Christy, Oliver and Penn (1996:176) indicate that relationship proneness has a significant bearing on brand loyalty.

### 3.7.1.5 Brand involvement

Gordon, McKeage and Fox (1998:44) claim that product involvement involves an ongoing commitment on the part of the consumer with regard to thoughts, feelings and behavioural response to a product category. Miller and Marks (1996:123) state that involvement is an unobservable state of motivation, arousal or interest toward a product. Park (1996:244) confirms that his research provided additional evidence that involvement is closely related to intentions and behaviours, corroborating evidence from numerous studies. Studies by Jacoby and Chestnut (1978); Park (1996) and Traylor (1981) that examined the relationship between product involvement and loyalty indicate a definite correlation.

LeClerc and Little (1997:453) found that brand loyalty interacted with product involvement. In a similar vein, Park (1996:246) in his study found that involvement and attitudinal loyalty were highly correlated. Research conducted therefore suggests that a higher level of involvement with a brand leads to a higher level of brand loyalty.

#### 3.7.1.6 Perceived value

Punniyamoorthy and Raj (2007:233) describe perceived value as the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Voss, Seiders, Grewal and Godfrey (2005:32) are of the opinion that perceived value is made up of several of the following components:

- **Functional value**

The functional value of a brand along with the emotional value and social value is collectively referred by many authors as customer value or perceived value. The utility derived from the product quality and expected performance of the product is called functional value. Functional value was seen to be the key influence on consumer choice. Functional value was created by attributes such as reliability and durability (Park, 1996:247). Affif (2008:1) maintains that functional value occurs when the needs and wants to be satisfied are related to the function of a certain product used by a customer. Huang and Zhang (2008:103) states that the results of his research indicate that functional value and symbolic value have prominent effects on both attitudinal loyalty and behavioural loyalty.

- **Emotional value**

According to Diep and Sweeny (2008:400), emotional value is the utility derived from the feelings or affective states that a product generates. Emotions play a part in every purchase decision.

- **Price-worthiness factor**

The utility derived from the product due to the reduction of its perceived costs (Jensen & Drozdenko, 2008:115). Higher level of price worthiness will lead to higher level of brand loyalty (Punniyamoorthy & Raj, 2007:233).

- **Social value**

The utility derived from the product's ability to enhance social self-concept. A higher level of social value will lead to a higher level of brand loyalty (Punniyamoorthy & Raj, 2007:233).

### 3.7.1.7 Commitment

According to Kim *et al.* (2007:112), brand commitment occurs when consumers pledge or bind themselves to purchase the brand. Customer commitment is a central construct in the development and maintenance of marketing relationships because it is a key psychological force that links the consumer to the selling organisation (Bansal, Irving & Taylor, 2004:238). The nature of commitment, according to Fullerton (2005:101), is that it is an attitudinal construct representing customer feelings about the act of maintaining a relationship with a commercial partner. Delgado *et al.* (2003:51) argue that commitment explains the process by which it is presumed that a customer is loyal because he/she has a favourable attitude toward the brand and is also a frequent buyer of that brand. This process is a feature of brand communities in which consumers share identification with a brand they consume as individuals and as part of the community (McAlexander, Schouten & Koenig, 2002:44). Intuitively, affective commitment would lie at the heart of a consumer-brand relationship because consumers come to be identified with and be involved with many of the brands they regularly consume (Fournier, 1998:351). There is overwhelming evidence to suggest that the higher the level of commitment, the higher the level of brand loyalty (Fullerton, 2005:105).

### 3.7.1.8 Repeated purchase behaviour

The consistent repeat purchase is one kind of "Loyalty-Prone" behaviour (Cunningham, 1956:119) which forms the base for brand loyalty. Repeated purchase behaviour is an axiomatic term that

simply refers to the extent to which consumers re-purchase the same brand in any equal-length period of time (Ehrenberg, 1988:176). The strength of behavioural brand loyalty is, therefore, directly a function of the repetitive occurrence of purchase or consumption behaviour. Saaty (1994:20) asserts that the consumer establishes a systematic biased response or habit simply due to the frequency of encounters.

Once the behavioural brand loyalty is strongly manifested by the consumer, it is very difficult to change the systematic bias away from the brand thus resulting in a repeat purchase pattern leading to higher level of brand loyalty (Chaudhuri & Holbrook, 2001:146).

#### 3.7.1.9 Brand affect

Brand affect is defined as the potential in a brand to elicit a positive emotional response in the average consumer as a result of its usage (Chaudhuri & Holbrook, 2001:145; Morgan & Hunt (1994). In another study, brand affect is defined as a brand's potential to elicit a positive emotional response in the average consumer as a result of its usage (Moorman, Zaltman, & Deshpande, 1992:34).

Most commonly, affect is characterised in terms of two independent dimensions: positive and negative. Several authors suggest that people strive to experience positive affect and avoid negative effect. Furthermore, Ladhari (2007:1088) finds a positive relationship between positive affect experienced in a retail context and willingness to buy. Moreover, they report that the positive affect may mediate the effects of store image on loyalty. In line with De Ruyter and Bloemer (1999:325) positive affect is defined as *the extent to which an individual affirms a zest for life*.

#### 3.7.1.10 Brand relevance

With the geometric proliferation of increasingly meaningless brands in the marketplace, consumers are now seeking brands that establish relevance (Moore, 2003:331). A brand, according to Tucker (2005:1), needs to stand for something that actually matters in a world of too many brands for human cognition. Brands that are relevant (*it has freshness about them and portray positive significance*) are a key component in ensuring brand loyalty (Kea, 2008:2). As businesses,

nonprofits, and governmental entities alike are embracing branding and spending more money on marketing, their brand messages need to become more complex and orchestrated to carry more meaning and to establish effective brand relevance. The traditional strategies of repetition are inadequate of themselves to create either the “authentic newness” or the “individual.

#### 3.7.1.11 Brand performance

Perceived performance is the customer’s evaluation of product or service performance following the consumption experience. Brand performance as stated by Musa (2005:47) is the subjective evaluation of the core product (that is, attributes of the focal product), comprising both intrinsic (effectiveness) and extrinsic (packaging) characteristics. Direct seller performance refers to performance-delivery elements including the direct salesperson’s characteristics and services offered (Endut, 1999:74; Raymond & Tanner, 1994:350).

#### 3.7.1.12 Culture

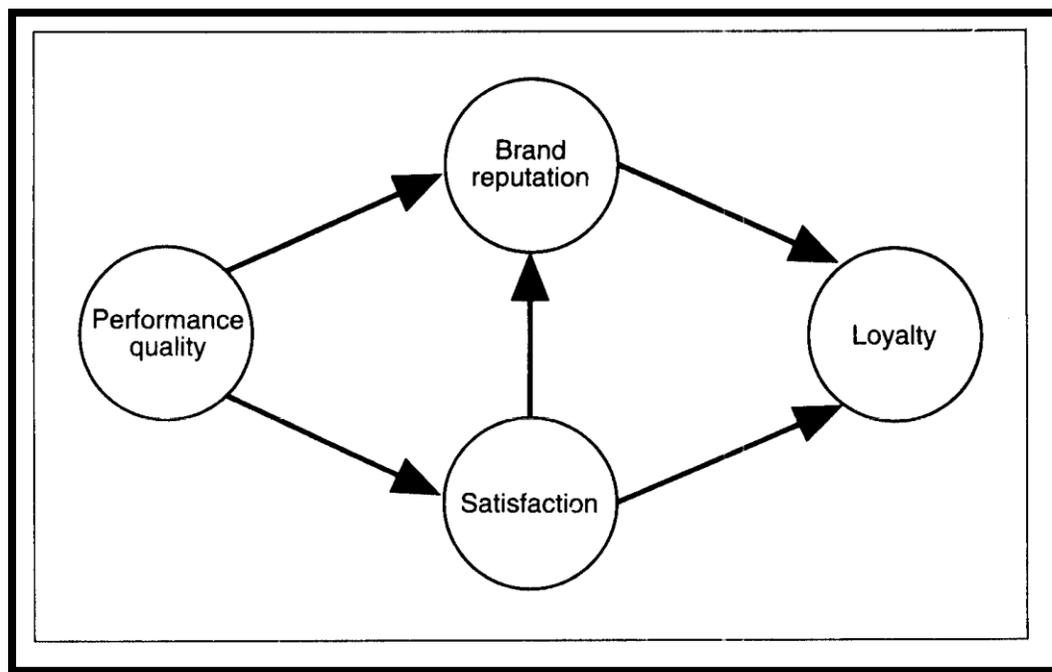
Kotler and Keller (2006:177) regard family as the most important consumer buying organisation in society. Sahay and Sharma (2010:16) confirm that young individuals remain loyal to family brands until other factors take over. Lamb *et al.* (2008:267) maintains that family and culture play an integral role in purchasing behaviour and brand loyalty. Bravo, Fraj and Martinez (2007:58) add that family introduces a psychological dimension to brand loyalty in that it indirectly assures security and trust through generations of use. Bravo *et al.* (2007:58) also maintain that nostalgia is a related factor that keeps individuals loyal to classical brands.

#### 3.7.1.13 Brand reputation

Research conducted by Selnes (1993:30), Gounaris and Stathakopoulos (2004:301) and Veloutsou and Moutinho (2009:298) indicate that brand reputation has a consistent and strong effect on loyalty in all models tested. Selnes (1993:31) accentuates that where customers have limited ability to evaluate product quality, brand reputation more than any other influence should be emphasized.

Selnes's research found brand reputation to be the strongest influence on brand loyalty from four other frequently tested influences as depicted in Figure 3.15. Veloutsou and Moutinho (2009:299) maintain that brand loyalty can be primarily driven through brand reputation in most segments.

**FIGURE 3.15: SELNES'S BRAND LOYALTY RELATIONSHIP MODEL**



Source: Selnes (1993:24).

#### 3.7.1.14 Brand experience

After conducting extensive research on the effects of consumer experiences on brand loyalty, Srinivasan and Till (2002:428) assert that consumers do not behave as puppets when it comes to purchase behaviour. Srinivasan and Till maintain that consumers are not habitual about their purchases and continually evaluate their experience with their brand. Automotive researcher Meakins (2003:2) emphasizes that brand loyalty is not a fad and is now vital in every manufacturer's growth strategy. Meakins claims that the key in maintaining brand loyalty is to provide the experience which is a combination of good treatment and positive results that consumers are becoming accustomed to. Meakins (2003:3) also claims that ever-sophisticated customers have access to multiple alternatives for products and services, driving expectations higher, and customer loyalty to become more fickle. O'Cass and Grace (2004:257) claim that proving the right experience

to the customer is the secret to success. A research study conducted by Temkin in 2008 in which 4 700 customers were surveyed on 100 brands in 12 industries, also revealed extremely strong correlation between customer experience and brand loyalty.

**TABLE 3.5: COMMON BRAND LOYALTY INFLUENCES**

|    | <b>Influence</b>              | <b>Researchers</b>   |
|----|-------------------------------|--|
| 1  | <b>Customer Satisfaction</b>  | Punniyamoothy and Raj (2007), Engels (2005), Musa (2005), Schijins (2003), Delgado <i>et al.</i> (2003), Dick and Basu (1994), Jacoby and Chestnut (1978).   |
| 2  | <b>Switching Costs</b>        | Kim, Morris and Swait (2008), Maritz (2007), Schijins (2003), Morgan and Hunt (1994), Dick and Basu (1994), Jacoby and Chestnut (1978).  |
| 3  | <b>Brand Trust</b>            | Punniyamoothy and Raj (2007), Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Garbarino and Johnson (1999), Dick and Basu (1994), Jacoby and Chestnut (1978).                               |
| 4  | <b>Relationship Proneness</b> | Kim, Morris and Swait (2008), Schijins (2003), Chaudhuri and Holbrook (2001), Odekerken-Schroder (1999), Dick and Basu (1994), Jacoby and Chestnut (1978).   |
| 5  | <b>Involvement</b>            | Kim, Morris and Swait (2008), Punniyamoothy and Raj (2007), Musa (2005), Giddens (2001), Park (1996), Dick and Basu (1994), Jacoby and Chestnut (1978).  |
| 6  | <b>Perceived Value</b>        | Kim, Morris and Swait (2008), Punniyamoothy and Raj (2007), Musa (2005), Schijins (2003), Giddens (2001), Garbarino and Johnson (1999), Dick and Basu (1994), Jacoby and Chestnut (1978).                |
| 7  | <b>Commitment</b>             | Kim, Morris and Swait (2008), Punniyamoothy and Raj (2007), Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Garbarino and Johnson (1999), Dick and Basu (1994), Jacoby and Chestnut (1978). |
| 8  | <b>Repeat Purchase</b>        | Kim, Morris and Swait (2008), Punniyamoothy and Raj (2007), Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Garbarino and Johnson (1999), Dick and Basu (1994), Jacoby and Chestnut (1978). |
| 9  | <b>Brand Affect</b>           | Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Moorman, Zaltman and Deshpande (1992), Dick and Basu (1994), Jacoby and Chestnut (1978).  |
| 10 | <b>Brand Relevance</b>        | Kim, Morris and Swait (2008), Tucker (2005), Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Giddens (2001), Dick and Basu (1994), Jacoby and Chestnut (1978).                              |
| 11 | <b>Brand Performance</b>      | Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Endut (1999), Dick and Basu (1994), Jacoby and Chestnut (1978).   |
| 12 | <b>Culture</b>                | Punniyamoothy and Raj (2007), Mann (2007), Musa (2005), Schijins (2003), Chaudhuri and Holbrook (2001), Dick and Basu (1994), Jacoby and Chestnut (1978).  |

### **3.8 BRAND LOYALTY AND FAST MOVING CONSUMER GOODS (FMCG)**

The term fast moving consumer goods (FMCG) refers to goods of daily use bought by retail consumers, like toothpaste, soaps and detergents, deodorants, and more. These are usually purchased as an outcome of small-scale consumer decisions so FMCGs are usually supported (advertising, promotion) by the manufacturers. FMCG are called so because the basic unit of sale is a FMCG that needs to be made available at point of sale, and replenished (Seyama, 2006:19).

In the past, marketing and branding activities were mainly directed towards high cost goods and consumables. Very little attention was given to FMCG as the common belief was that the margins were too low for the investment and effort required (Dacko, 2006:283). Success in the Indian market, however, soon made marketers pay attention to the potential of this industry. The Indian FMCG sector is now the fourth largest sector in India's economy with a total market size in excess of US\$ 13.1 billion. The FMCG market is set to treble from US\$ 11.6 billion in 2003 to US\$ 33.4 billion in 2015 (Khanna, 2006:22). Since 2005 countries from around the world began branding efforts in the FMCG sector. A Data Monitor (2010) tracking study indicates growth in the South African FMCG sector has been good with an annual growth rate (CAGR) of 6.5% for the period spanning 2005-2009 (Data Monitor: 2010). The success of FMCG companies can also be noticed on the Interbrand 2009 global brands survey (Appendix B), where for the first time two FMCG companies (Lacome and Campbell's) entered the top 100 list in positions 91 and 100 respectively.

### **3.9 SUMMARY**

Brand loyalty is the consumer's conscious or unconscious decision, expressed through intention or behaviour, to repurchase a brand continually. It occurs because the consumer perceives that the brand offers the right product features, image, or level of quality at the right price.

Despite a plethora of studies on brand loyalty spanning over the last three decades, the research paradigm is unique in its inability to produce generalisable results. Brand loyalty research suffers from a lack of agreement over the operationalisation of the construct of the brand loyalty (Bandyopadhyay & Martell, 2007:35). Most brand loyalty models presented has been well research and possess merits however the differences between models are vast. One can never select one model as the most significant.

In a dynamic environment affected by several external factors like the deepening financial recession, marketers and researchers alike are beginning to even further appreciate the value of brand loyal customers. Measuring the loyalty of customers has assumed prominence and ultimately, the objective of a loyalty measurement process is to forecast changes in customer profitability. Loyalty, according to Giddens (2001:5), when properly measured, is a leading indicator of future purchase behaviour, and thereby profitability. As research into brand loyalty accelerates, frameworks and models presented become enhancements of previous work considering further variables and influences.

A review of the evolution of the consumer loyalty concept and examining several decades' worth of loyalty models and research, suggests that the concept's complexity is not adequately acknowledged by the behavioural approach alone or the attitudinal approach alone. The composite framework of multidimensional modelling of consumer loyalty that incorporates relational analyses of loyalty's dimensions is considered the most complete and offers useful direction for future research.

There are several common key factors that influence brand loyalty. These factors are critical in the formulation of a brand measurement framework. These factors as depicted in Figure 3.16 are: customer satisfaction, switching costs/risk aversion, brand trust, relationship proneness, involvement, perceived value, commitment, repeat purchase, brand affect brand relevance, brand performance and culture. The key and common influences identified in this chapter are key variables to be used in the formulation of the brand loyalty measurement framework in later chapters. There are many ways to measure loyalty and the key is to measure more, do it faster, and connect the measurements to the economic outcomes of the organisation (Alexandris, Douka, Papadopoulos & Kaltsatou, 2008:240).

In the following chapter, the brand loyalty influences identified in Chapter One and the influences identified by inspecting existing models and frameworks in this chapter are examined to determine an appropriate, convenient and controlled set of influences to be tested. The technique to reduce the initial set of influences, research methodology and statistical analysis employed in this study are also presented and justified.

# CHAPTER 4

## RESEARCH METHODOLOGY

### 4.1 INTRODUCTION

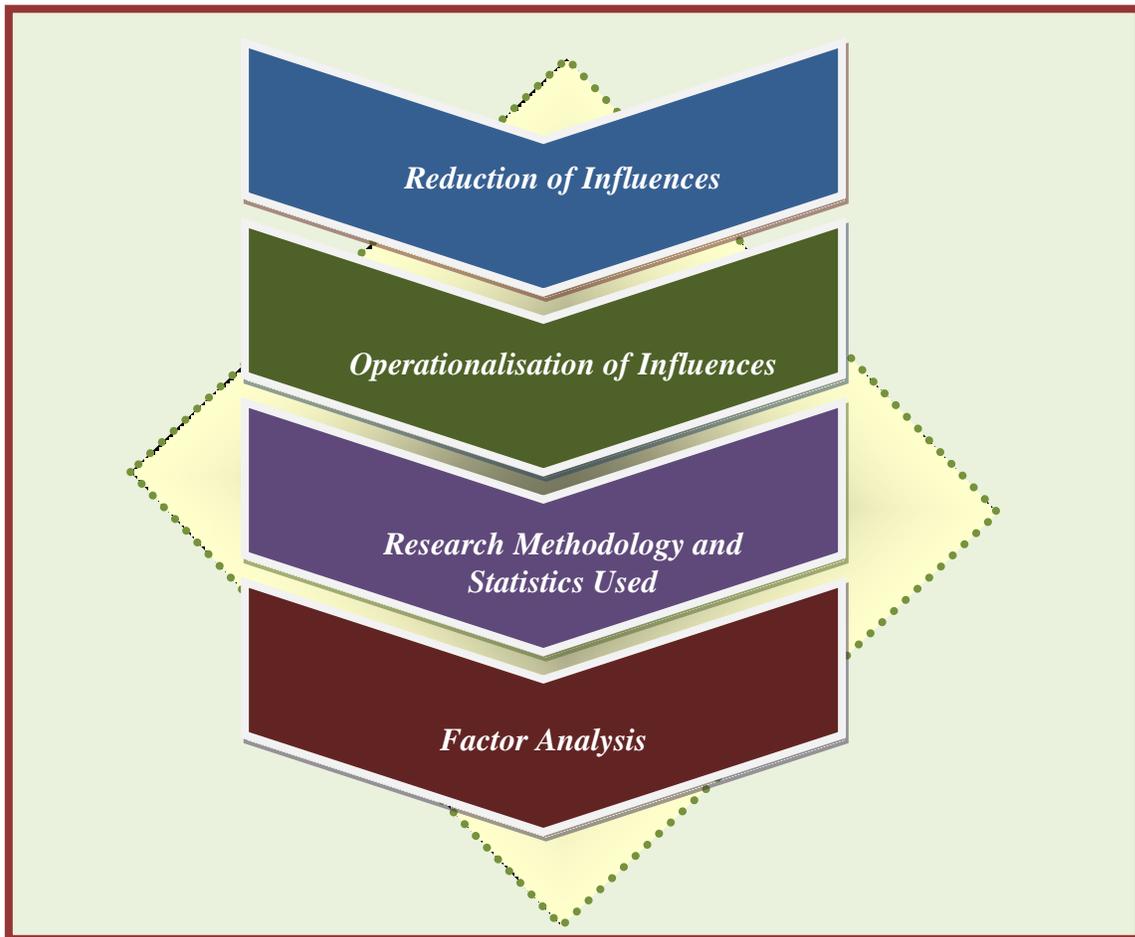
The research problem addressed in this study relates to the identification of the influences relevant for brand loyalty in the FMCG sector. In Chapters Two and Three, influences from the marketing literature were identified, which were believed to reflect the influences that appear to be relevant for brand loyalty in the FMCG sector.

The purpose of this chapter is to first reduce the brand loyalty influences identified and describe the research methodology followed during the empirical phases of the study.

Mouton and Babbie (2000:111) state that the four steps that constitute good research are conceptualisation, instrumentation, information gathering and closure. These four steps were used as the broad guide for this chapter in the following way:

- **Conceptualisation:** The chapter begins by examining the 26 brand loyalty influences identified in Chapter Three and reducing them to 12 influences most supported by literature and recent research studies. After justification of the 12 brand loyalty influences, the conceptual framework is then presented.
- **Instrumentation:** The 12 influences selected were operationalised and refined to reflect the understanding of the concepts in the context of the present study. In this step, the measuring instrument was in the process of formation.
- **Data gathering:** The process of questionnaire development, sampling and accumulation of data followed along with the required statistical tests to ensure validity and reliability.
- **Closure:** A description of factor analysis and the factor analysis process to be undertaken in Chapter Five is finally outlined.

**FIGURE 4.1: STRUCTURE OF CHAPTER FOUR**



## **4.2 REDUCTION OF INFLUENCES**

### **4.2.1 Objective**

The objective of this section was to assess the importance of (and, therefore, the relevance to) each of the brand loyalty influences identified in Chapter Three. These influences together with a remark on the position of each influence appear in Table 4.1.

#### 4.2.2 Influences considered

In Chapter Three, an initial set of 26 influences that may have an influence on brand loyalty were identified. These influences along with justification for the selection of 12 influences appear in Table 4.1.

**TABLE 4.1: INFLUENCES CONSIDERED**

| Number | Influence                     | Remark   |
|--------|-------------------------------|--|
| 1      | Customer Satisfaction         | Overwhelming support was shown in Chapter 3 for the importance of these four brand loyalty influences. Therefore, there is no need to evaluate their importance again.   |
| 2      | Switching Costs/Risk Aversion |  |
| 3      | Brand Trust                   |  |
| 4      | Relationship Proneness        |  |
| 5      | Involvement                   | Support emerged for the importance of influences 5-12. Even though the support was not as overwhelming as for dimensions 1-4, these influences were retained for the study.  |
| 6      | Perceived Value               |  |
| 7      | Commitment                    |  |
| 8      | Repeat Purchase               |  |
| 9      | Brand Affect                  |  |
| 10     | Brand Relevance               |  |
| 11     | Brand Performance             |  |
| 12     | Culture                       |  |
| 13     | Price Worthiness              | These dimensions were excluded since they were: <ul style="list-style-type: none"> <li>• incorporated in the remainder influences;</li> <li>• found to be unreliable in other research studies</li> </ul> <p style="text-align: center;">or</p> <ul style="list-style-type: none"> <li>• infrequently used in similar research studies.</li> </ul> |
| 14     | Equity                        |  |
| 15     | Image                         |  |
| 16     | Habit                         |  |
| 17     | Awareness                     |  |
| 18     | Religion                      |  |
| 19     | Experience                    |  |
| 20     | Reputation                    |  |
| 21     | Social Value                  |  |
| 22     | Brand Credibility             |  |
| 23     | Emotional Value               |  |
| 24     | Celebrity Influence           |  |
| 25     | Functional Value              |  |
| 26     | Attitude                      |  |

### 4.3 OPERATIONALISATION OF INFLUENCES

The remaining 12 influences were operationalised to reflect the understanding of the concepts in the context of the present study. The complete set of operationalisations appears in Table 4.2.

**TABLE 4.2: OPERATIONALISATION OF INFLUENCES**

| No | Influence                            | Definition   | Source  | Operationalisation   |
|----|--------------------------------------|--|---|--|
| 1  | <b>Customer Satisfaction</b>         | The degree to which customer expectations of a brand are met or exceeded.  | Tam (2005:784)  | An overall positive evaluation over time of all aspects of a customer-brand relationship |
| 2  | <b>Switching Costs/Risk Aversion</b> | The costs incurred by switching brands<br><br>A consumer faces a switching cost between sellers when an investment specific to his current seller must be duplicated for a new seller  | Lee and Cunningham (2001:127)<br><br>Farrell and Klemperer (2007:116) | The perceived cost of ending a relationship and securing a new relationship              |
| 3  | <b>Brand Trust</b>                   | Feeling of security held by the consumer in his/her interaction with the brand, that it is based on the perceptions that the brand is reliable and responsible for the interests and welfare of the consumer.                  | Delgado <i>et al.</i> (2003:51)                                       | The perceived credibility of a brand in which one has confidence                         |
| 4  | <b>Relationship Proneness</b>        | Brand relationship proneness is the consequence of how a given customer perceives her relationship with a brand over time  | Parish and Holloway (2010:61)   | The benefits a customer receives from all aspects of a relationship                      |
| 5  | <b>Involvement</b>                   | Involves an ongoing commitment on the part of the consumer with regard to thoughts, feelings and behavioural response to a product category.<br><br>An unobservable state of motivation, arousal or interest toward a product. | Gordon <i>et al.</i> (1998:44)<br><br>Miller and Marks (1996:127)     | Reflects the perceived relevance of a brand to the individual on an ongoing basis        |

**TABLE 4.2: OPERATIONALISATION OF INFLUENCES (CONTINUED)**

| No | Influence                | Definition   | Source   | Operationalisation  |
|----|--------------------------|--|--|---|
| 6  | <b>Perceived Value</b>   | Customer's opinion of a brand's value to him or her. It may have little or nothing to do with the brand market price, and depends on the brand's ability to satisfy his or her needs or requirements.                                      | Punniyamoorthy and Raj (2007:233)                | The value a customer receives from a brand  |
| 7  | <b>Commitment</b>        | The degree to which a customer is committed to a given brand in that they are likely to re-purchase/re-use in the future. The level of commitment indicates the degree to which a brand's customer franchise is protected from competitors | Raju, Unnava & Montgommery (2008:855)            | An enduring desire to maintain a loyal relationship   |
| 8  | <b>Repeat Purchase</b>   | An axiomatic term that simply refers to the extent to which consumers re-purchase the same brand in any equal-length period of time  | Ehrenberg (1988:450)                             | Establishment of a systematic biased response or habit simply due to the frequency of encounters. |
| 9  | <b>Brand Affect</b>      | A brand's potential to elicit a positive emotional response in the average consumer as a result of its use.  | Matzler, Bidman & Grabner-Kräuter (2006 :430)    | The perceived positive emotional response as a result of brand usage                              |
| 10 | <b>Brand Relevance</b>   | The alignment of a brand's strategy and identity to provide a clearly stated benefit that addresses a need, want or desire of a given consumer or consumer segment.  | Ashworth (2007:520)                              | The perceived relevance of a brand that provides satisfaction                                     |
| 11 | <b>Brand Performance</b> | The subjective evaluation of the core product (i.e., attributes of the focal product), comprising both intrinsic (effectiveness) and extrinsic (packaging) characteristics.  | Musa (2005:47)                                   | Evaluation of product or service performance following the consumption experience                 |
| 12 | <b>Culture</b>           | Integrated pattern of human knowledge, belief, and behaviour that is both a result of an integral to the human capacity for learning and transmitting knowledge and purchase behaviour to succeeding generations                           | Schroeder, Salzer-Morling & Askegaard (2006:191) | Psychological dimension to brand loyalty assuring security and trust through generations of use   |

The operationalisation in Table 4.2 was based on the relevant definitions in the literature sources indicated. In some cases, operationalisations were slightly adapted to reflect the objectives of the present study or the industry under study.

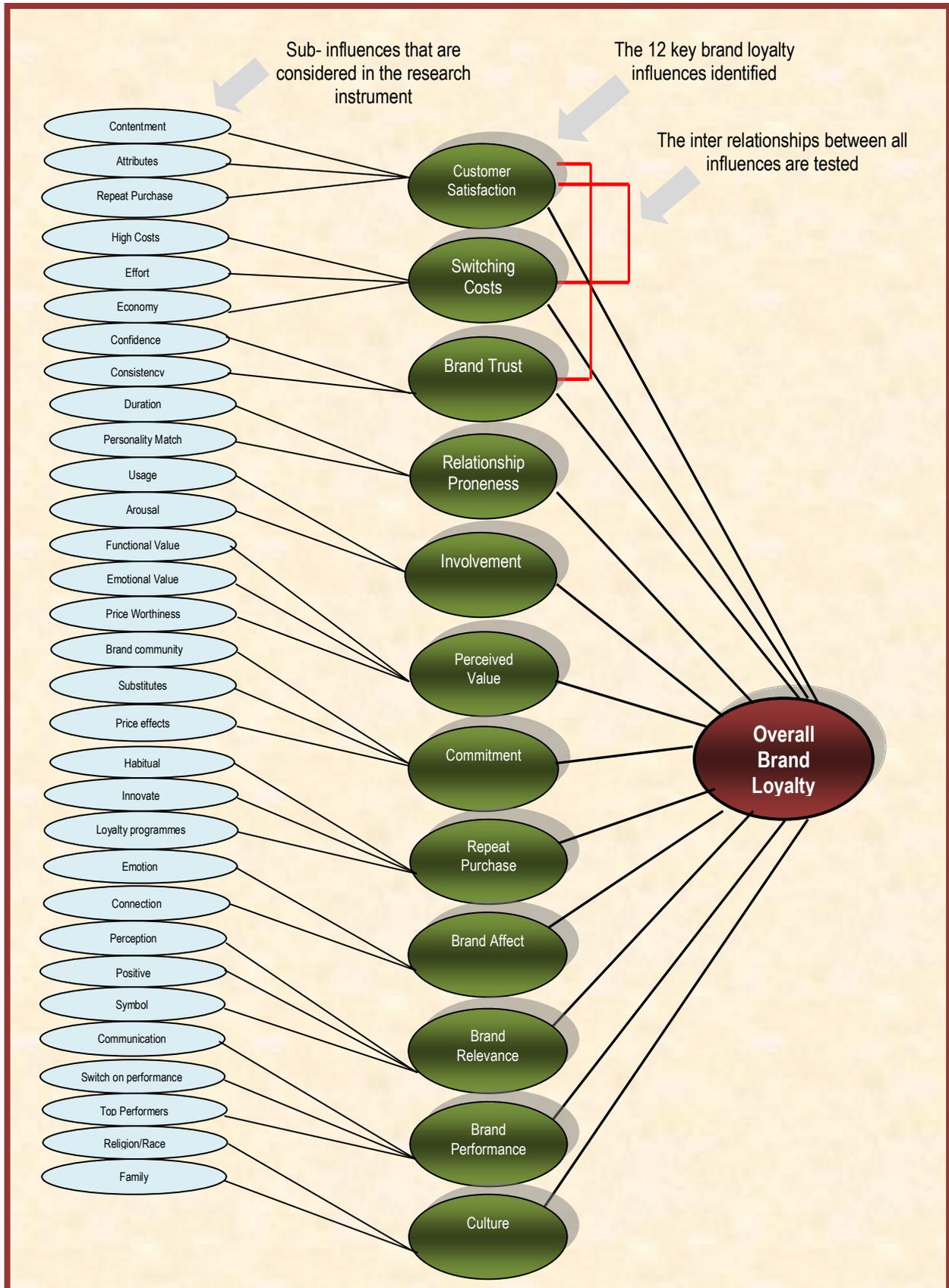
### 4.3.1 Conceptual framework

Figure 4.2 depicts the conceptual framework with the selected influences that were tested. The strength of each influence as well as the relationship between influences is explored and explained in Chapter Five. Research into each influence reveals its sub influences which are a vital consideration in the formation of the research instrument. Figure 4.3 reveals the sub influences identified per influence.

**FIGURE 4.2: BRAND LOYALTY – CONCEPTUAL FRAMEWORK**



**FIGURE 4.3: KEY BRAND LOYALTY INFLUENCES AND SUB INFLUENCES**



### 4.3.2 Questionnaire development

A questionnaire was developed where customers had to indicate the importance of the influences in creating and maintaining brand loyalty towards the selected three FMCG products. The technique used a process of comparisons by respondents between three variables at a time. For the present study, the technique comprised a process where respondents had to evaluate the importance of each of the influences relative to the remainder of the influences.

### 4.3.3 Number of items per influence

The number of items in the questionnaire per influence range from three to five. Table 4.3 outlines the number of items per influence while Table 4.4 outlines the origins of the questionnaire items.

**TABLE 4.3: NUMBER OF ITEMS PER INFLUENCE**

| No.                          | Influence                     | Number of Items |
|------------------------------|-------------------------------|-----------------|
| 1                            | Customer Satisfaction         | 5               |
| 2                            | Switching Costs/Risk Aversion | 5               |
| 3                            | Brand Trust                   | 4               |
| 4                            | Relationship Proneness        | 4               |
| 5                            | Involvement                   | 4               |
| 6                            | Perceived Value               | 4               |
| 7                            | Commitment                    | 5               |
| 8                            | Repeat Purchase               | 5               |
| 9                            | Brand Affect                  | 3               |
| 10                           | Brand Relevance               | 4               |
| 11                           | Brand Performance             | 3               |
| 12                           | Culture                       | 4               |
| <b>Total number of items</b> |                               | <b>50</b>       |

#### 4.3.4 Source of questionnaire items

As indicated earlier, several studies identified the important influences driving the success of brand loyalty. An analysis of the questionnaires utilised by these studies produced a detailed list of the items used to measure the dimensions relevant to the present study.

**TABLE 4.4: ORIGINS OF QUESTIONNAIRE ITEMS**

| Dimension                    | Code  | Item  | Source                           |
|------------------------------|-------|---|----------------------------------|
| Customer Satisfaction        | CUS01 | I am very satisfied with the FMCG brands I purchase   | Delgado <i>et al.</i> (2003:53)  |
|                              | CUS02 | Distinctive product attributes in FMCG keep me brand loyal  | Saaty (1994:21).                 |
|                              | CUS03 | My loyalty towards a particular FMCG brand increases when I am satisfied about that brand         | Anderson and Sullivan (1993:125) |
|                              | CUS04 | I do not repeat a purchase if I am dissatisfied about a particular FMCG brand                     | Chen and Lue (2004:26)           |
|                              | CUS05 | I attain pleasure from the FMCG brands I am loyal towards   | Leuthesser & Kohli (1995:17)     |
| Switching Cost/Risk Aversion | SCR01 | I do not switch FMCG brands because of the high cost implications                                 | Klemperer (1987:388)             |
|                              | SCR02 | I do not switch FMCG brands because of the effort required to reach a level of comfort            | Beggs and Klemperer (1992:56)    |
|                              | SCR03 | I avoid switching FMCG brands due to the risks involved   | Self generated item              |
|                              | SCR04 | I switch FMCG brands according to the prevailing economic conditions                              | Kim <i>et al.</i> (2003:27)      |
|                              | SCR05 | I prefer not to switch FMCG brands as I stand to lose out on the benefits from loyalty programmes | Klemperer (1995:520)             |
| Brand Trust                  | BTS01 | I trust the FMCG brands I am loyal towards  | Halim (2006:1)                   |
|                              | BTS02 | I have confidence in the FMCG that I am loyal to  | Morgan and Hunt (1994:23)        |
|                              | BTS03 | The FMCG brands I purchase has consistently high quality  | Reast (2005:11)                  |
|                              | BTS04 | The reputation of a FMCG brand is a key factor in me maintaining brand loyalty                    | Raimondo (2000:33)               |
| Relationship Proneness       | RPR01 | I prefer to maintain a long-term relationship with a FMCG brand                                   | Dwyer (1987:18)                  |
|                              | RPR02 | I maintain a relationship with a FMCG brand in keeping with my personality                        | Bloemer (1999:106)               |
|                              | RPR03 | I maintain a relationship with an FMCG brand that focuses and communicates with me                | Davis (2002:10)                  |
|                              | RPR04 | I have a passionate and emotional relationship with the FMCG brands I am loyal to                 | Reast (2005:10)                  |
| Involvement                  | INV01 | Loyalty towards a FMCG brand increases the more I am involved with it                             | Quester and Lim (2003:29)        |
|                              | INV02 | Involvement with a FMCG brand intensifies my arousal and interest towards that brand              | Knox and Walker (2001:121)       |

**TABLE 4.4: ORIGINS OF QUESTIONNAIRE ITEMS (CONTINUED)**

| Dimension       | Code  | Item   | Source  |
|-----------------|-------|--|---|
| Involvement     | INV03 | I consider other FMCG brands when my involvement with my FMCG brand diminishes                       | Self generated item                             |
|                 | INV04 | My choice of a FMCG brand is influenced by the involvement others have with their FMCG brand         | Quester and Lim (2003:25)                       |
| Perceived Value | PVL1  | My FMCG brand loyalty is based on product quality and expected performance                           | Olson (2008:246)                                |
|                 | PVL02 | I have an emotional attachment with the FMCG brands I am loyal towards                               | Petromilli, Morrison & Million (2002:22)        |
|                 | PVL03 | Price worthiness is a key influence in my loyalty towards FMCG brands                                | Punniyamorthy and Raj (2007:233)                |
|                 | PVL04 | The FMCG brands that I am loyal to enhances my social self concept                                   | Punniyamorthy and Raj (2007:233)                |
| Commitment      | COM01 | I have pledged my loyalty to particular FMCG brands  | Kim <i>et al.</i> (2008:111)                    |
|                 | COM02 | I do not purchase/sample other FMCG brands if my FMCG brand is unavailable                           | Self generated item                             |
|                 | COM03 | I identify with the FMCG brands that I consume and feel as part of the brand community               | McAlexander <i>et al.</i> (2002:18).            |
|                 | COM04 | The more I become committed to a FMCG brand, the more loyal I become                                 | Fullerton (2005:100)                            |
|                 | COM05 | I remain committed to FMCG brands even through price increases and declining popularity              | Foxall (2002:18)                                |
| Repeat Purchase | RPS01 | My loyalty towards FMCG brands is purely habitual  | Gordon (2003:333)                               |
|                 | RPS02 | I do not necessarily purchase the same FMCG brands all the time                                      | Self generated item                             |
|                 | RPS03 | I always sample new FMCG brands as soon as they are available  | East and Hammond (1996:165)                     |
|                 | RPS04 | I establish a FMCG brand purchasing pattern and seldom deviate from it                               | Heskett (2002:356)                              |
|                 | RPS05 | Loyalty programmes are reason I repeat FMCG brand purchases  | Sharp <i>et al.</i> (2003:20)                   |
| Brand Affect    | BAF01 | I attain a positive emotional response through the usage of a FMCG brand                             | Chaudhuri and Holbrook (2001:146)               |
|                 | BAF02 | The FMCG brands that I am loyal towards makes a difference in my life                                | Moorman <i>et al.</i> (1992:45)                 |
|                 | BAF03 | I am distressed when I am unable to use/purchase a particular FMCG brand                             | Matzler (2006:430)                              |
| Brand Relevance | BRV01 | The FMCG brands that I am loyal towards stands for issues that actually matters                      | Minninni (2005:24)                              |
|                 | BRV02 | The FMCG brands that I am loyal towards has freshness about them and portray positive significance   | Henkel, Tomczak, Heitmann & Herrmann (2007:311) |
|                 | BRV03 | I know that an FMCG brand is relevant through the brand messages communicated.                       | Moore, Fernie & Burt (2008:922)                 |
|                 | BRV04 | The FMCG brands that I am loyal towards are constantly updating and improving so as to stay relevant | Self generated item                             |

**TABLE 4.4: ORIGINS OF QUESTIONNAIRE ITEMS (CONTINUED)**

| Dimension         | Code  | Item  | Source                               |
|-------------------|-------|---|--------------------------------------|
| Brand Performance | BPF01 | I evaluate a FMCG brand based on perceived performance  | Musa (2005:47)                       |
|                   | BPF02 | I will switch FMCG brand loyalty should a better performing FMCG brand be available           | Baldauf, Cravens & Binder (2003:222) |
|                   | BPF03 | I am loyal only towards the top performing FMCG brand   | Wong and Merrilees (2008:377)        |
| Culture           | CUL01 | My choice of FMCG brands is in keeping with the choice made by other members in my race group | Self generated item                  |
|                   | CUL02 | My loyalty towards an FMCG brand is based on the choice of FMCG brand used by my family       | Kotler and Keller (2006:177)         |
|                   | CUL03 | Religion plays a role in my choice and loyalty of FMCG brands                                 | Self generated item                  |
|                   | CUL04 | Family used FMCG brands indirectly assure brand security and trust.                           | McDougall and Chantrey (2004:9)      |

#### 4.3.5 Sampling procedure

This phase of the study comprised a survey held amongst FMCG consumers. A sample of 550 post graduate management students in full time employment was randomly selected for the study. The sample size conforms and exceeds the recommendation by Hair *et al.* (1998:124) in that the number of respondents should be a ratio of 14 observations to each variable in order to perform factor analysis. When the 36 variables identified in 12 categories are multiplied by the suggested 14 observations, a sample of 504 is recommended.

This sample was drawn from four South African business schools namely: Management College of Southern Africa (MANCOSA), Regent Business School, University of KwaZulu-Natal and North-West University. This also meant that the survey was conducted in major South African cities that primarily make up the South African business segment. The cities in which the survey was conducted were Durban, Johannesburg, Cape Town, Port Elizabeth, East London, Bloemfontein, Polokwane and Potchefstroom.

The sample consisted of middle and top managers with a minimum of three years' work experience. From the population a sample was drawn to include managers currently studying towards a Post Graduate Diploma in Management or a Masters of Business Administration Degree. The rationale for selecting a sample with such characteristics is that the sample:

- sets a minimum educational level for entry into the research;
- represents a segment that is more informed about contemporary business practices;
- represents a community that is more likely to analyse their own purchasing behaviour;
- represents middle to higher income earners that have a wider choice of brands to consider in their purchasing decision;
- represents a segment of middle to higher income earners whose brand choices are shielded the economic downturn;
- represents a segment that falls between LSM 6 to LSM 10 category which according to Martins (2007:168) is responsible for 64.1% of the food expenditure in South Africa; and
- would be able to understand the terminology and nomenclature specified in the questionnaire.

#### **4.3.6 Questionnaire development**

A questionnaire was developed where selected customers had to indicate the importance of the 12 influences in maintaining brand loyalty. For the present study, the technique comprised a process where respondents had to evaluate the importance of each of the influences relative to the remainder of the influences using a 7-point Likert scale. Although likert scales are ordinal, Stone (2009:2) believes there is evidence that people (at least in business research) do respond in patterns that are close enough to approximate interval level. According to Syque (2010:1), Likert scales are a research instrument that offers several benefits. Firstly, the questions used are usually easy to understand and lead to consistent answers. Secondly, questions or statements act together to provide a useful coherent picture. Finally, the responses can easily be captured, analysed and evaluated.

The questionnaire was designed and structured according to the guidelines of Leung (2002:144) who provides detailed guidelines in the following areas of questionnaire design:

- defining the objectives of the survey;
- determining the sampling group;
- writing the questionnaire;
- administering the questionnaire; and
- interpretation of the results.

### **4.3.7 Data collection**

A direct approach was used to distribute the questionnaires to respondents. This method was regarded as appropriate since respondents that satisfied the demographic profile of the study were available at lectures at the several venues in South Africa and at the same time. This questionnaire was accompanied by a covering letter that provided the reasons for the study. Respondents were encouraged to participate in the study. Volunteering respondents were given 30 minutes to complete the questionnaire. It was possible to distribute and collect the questionnaires within 30 minutes as groups of respondents were at the same place at the same time. It was also possible to achieve a highly favourable questionnaire return rate of 98% (541 out of 550) using the direct approach.

### **4.3.8 Data analysis**

The *Statistical Package for the Social Sciences* Incorporated (SPSS Inc) version 16 of 2008 was used to statistically analyse the data collected in the survey. Descriptive statistics (means and standard deviations) were used to analyse the data. Construct validity of the questionnaire was assessed by means of an exploratory factor analysis. Cronbach alpha coefficients were used to assess the reliability of the measuring instrument (Field, 2007:666). The Bartlett test of sphericity was used to examine whether a variance-covariance matrix was proportional to an identity matrix and to examine the appropriateness of factor analysis in this research study. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was utilized. The statistics used in the study are explained in the following section.

## **4.4 STATISTICAL TECHNIQUES USED**

### **4.4.1 Validity**

Field (2007:795) defines validity as evidence that a study allows inferences about the question it was aimed to answer or that a test measures what it set out to measure conceptually. The term validity also refers to whether a study is able to scientifically answer the questions it is intended to answer, and as such, it is vital for a test to be valid in order for the results to be accurately applied and interpreted (Iacobucci & Churchill, 2010:255). At the crux of validity, is the level of compatibility

between a construct and the indicators of it: the better the fit, the greater the measurement validity (Llusa & Zornoza, 2000:915).

However, it is important to note that the concept of validity has expanded substantially and validity is no longer limited or influenced solely by reliability. The classical relationship between reliability and validity is also much better and more clearly defined in the modern research (Zikmund, 2000:282). Although various types of validity exist, the important validity concept for this research is construct validity.

The validity of a questionnaire is to be assessed to evaluate whether the questionnaire in fact measures what it is supposed to measure. Three different categories of validities could be assessed: content (face) validity, criterion validity and construct validity (Zikmund, 2000:282-4):

- *Content or face validity* refers to a subjective but systematic evaluation of how well the content of a scale represents the measurement task at hand (Malhotra, 2004:269). By assessing content validity it is, therefore, considered whether the questionnaire covers the entire domain of the construct that is being measured (Iacobucci & Churchill, 2010:257). However, content validity is often regarded as a more informal and even weak assessment of validity.
- *Criterion validity* is to determine whether the data correlate with other data measuring the same construct. Two different types of criterion validity exist, namely *concurrent* and *predictive validity*. Zikmund (2000:283) argues that the two measures differ only on the basis of a time dimension. According to Tull and Hawkins (1993:318), *concurrent validity* is the extent to which one measure of a variable may be used to estimate an individual's current score on a different measure of the same, or a closely related, variable.
- *Predictive validity* is assessed by investigating the possibility that the questionnaire predicts or correlates with a criterion measure which is administered at a later stage (Theron, 2008:186).

The questionnaire used in the present study was based on the literature review that indicates relationships or associations between the constructs. The focus of the present study was on the assessment of *construct validity*.

Construct validity refers to the operationalisation of a construct in a practical application setting. Construct validity is an important concept for this research, because the validation of the research questionnaire put forward in this study, requires a high level of construct validity (Iacobucci & Churchill, 2010:256).

When construct validity is evaluated, both theory and the data are evaluated. According to Malhotra (2004:269), construct validity requires a sound theoretical knowledge of the nature of the construct being measured and the way it relates to other constructs. Here, Tull and Hawkins (1993:318) argue that construct validity involves more than just knowing how well a given measure works, as it also indicates why the measure works.

Iacobucci and Churchill (2010:255) state that three different types of construct validity are often assessed:

- *convergent validity* (the measure correlates positively with other measures);
- *discriminant validity* (the measure does not correlate with other constructs from which it is supposed to differ); and
- *nomological validity* (the degree to which the measure correlates in theoretically predicted ways with measures of different but related constructs). By focusing on discriminant validity in the present study, the purpose was, therefore, to use questionnaire items that would discriminate sufficiently between the different constructs measured in this study.

The assessment of the questionnaire's discriminant validity was done by way of confirmatory factor analysis. To achieve or prove construct validity, empirical evidence is required to support the theoretical basis of the research. This study aims to provide the empirical evidence that supports the selection of previously used and tested brand loyalty models as theoretical basis for the developed research questionnaire. As Spooner (2009:1) further points out, such evidence includes statistical analyses of the internal structure of the test including the relationships between responses to different

test items. Construct validity also assumes relationships between the test and measures of other constructs. Experiments are required to test for construct validity due to its operational nature. As such, experiments designed to reveal aspects of the causal role of the construct also contribute to construct validity evidence (Spooner, 2009:1).

Burns and Grove (1999:232-234), however, have previously warned that construct validity is deteriorated by any one of the following threats:

- inadequate pre-operational explication of constructs;
- mono-operation or mono-method bias;
- hypotheses guessing with experimental conditions;
- evaluation apprehension; and
- interaction between treatment and testing.

#### **4.4.2 Reliability**

Since factor analysis is used to validate the questionnaire in this study, reliability of the scale is required to ensure that the questionnaire reflects the construct it is measuring. It is for this reason that Cronbach alpha is used. The justification for using Cronbach coefficients was based on the general acceptability in the marketing literature for the use of this type of analysis (Hair *et al.*, 1998:118). Cronbach's alpha, according to Sprinthall (2007:314), is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. However, a high alpha does not imply that the measure is uni-dimensional. If, in addition to measuring internal consistency, you wish to provide evidence that the scale in question is uni-dimensional, additional analyses can be performed. Exploratory factor analysis is one method of checking dimensionality. Technically speaking, Cronbach's alpha is not a statistical test – it is a coefficient of reliability or consistency (Barber, 2007:1).

According to Santos (1999:2), one of the most popular reliability statistics is Cronbach's alpha as published by the mathematician Cronbach in 1951. Cronbach's alpha determines the internal

consistency or average correlation of items in a survey instrument to gauge its reliability (Wuensch, 2009:9). For this study, the minimum reliability coefficient is set at  $\alpha \geq 0.70$ . However, in cases of lower reliability coefficients, a lower coefficient may be sufficient for analytical scrutiny (Field, 2007:668). Luo (2010:1), in this regard, supports Field and states that 0.7 is an acceptable minimum coefficient for attitudinal and behavioural constructs on ratio scales.

#### **4.4.3 Factor comparison**

In order to compare two factor structures that have been extracted by factor analysis, the normal visual comparison (or so-called eyeball test) is employed to determine if the same statements loaded onto each of the factors. Although it may reveal interesting comparisons on the common statements and their factor loadings, this comparison is neither scientific nor accurate (Wuensch, 2009:11).

One method to do such a comparison is the *Salient Similarity Index* by Catell where the two pattern loadings are classified into either positive or negative salient constructs and then compared. However, the comparison remains difficult and the sampling error alone may cause inversions in the factor order (Wuensch, 2009:12).

Another more acceptable method of factor comparison is to make use of correlation coefficients between the factors (Wuensch, 2009:13). If strong correlations exist between the factors and its statement that loads onto the factor, it is plausible to perform comparative analysis between the factors (such as the analysis of service gaps and the calculation of the effect size (Cohen, 1988:231). The factor congruent correlation coefficient is usually calculated to serve this purpose, but a factorial Pearson coefficient is also regarded as a satisfactory correlation measure (Wuensch, 2009:13-14). The method of choice in this study is the Pearson correlation coefficient because of its ability to not only determine the differences in the two factors' pattern of loadings, but also the differences (or similarities) in the magnitude of these loadings, even if dissimilarities exist in the factor loadings (Du Plessis, 2010:121).

In this study, the strength of the relationship between influences is assessed using the Pearson's correlation coefficient statistical test. Field (2007:791) describes Pearson's correlation coefficient as a standardised measure of the strength of relationship between two variables which can take any

value from -1 (as one variable changes, the other changes in the opposite direction by the same amount), through 0 (as one variable changes the other doesn't change at all), to +1 (as one variable changes, the other changes in the same direction by the same amount).

The Pearson  $r$  can detect not only differences in two factors' patterns of loadings, but also differences in the relative magnitudes of those loadings. One should be beware that with factors having a large number of small loadings, those small loadings could cause the  $r$  to be large (if they are similar between factors) even if the factors had dissimilar loadings on the more important variables.

#### **4.4.4 Bartlett's test of sphericity**

In this study, the Bartlett's test of sphericity is used to examine the hypothesis that the variables are uncorrelated in the population. In other words, the population correlation matrix is an identity matrix; each variable correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ).

Field (2008:724) describes the Bartlett's test of sphericity as a test that examines whether a variance-covariance matrix is proportional to an identity matrix. It effectively tests whether the diagonal elements of the variance-covariance matrix are equal (that is, group variances that are the same), and that the off-diagonal elements are approximately zero (that is, the dependent variables are not correlated).

#### **4.4.6 Kaiser-Meyer-Olkin (KMO) measure**

To examine the appropriateness of factor analysis in this research study, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is utilized. The KMO measure of sampling adequacy provides an index (between 0 and 1) of the proportion of variance among the variables that might be common variance (Darlington, 2005:58). KMO can be calculated for individual and multiple variables and represents the ratio of the squared correlation between variables to the squared partial correlation between variables (Field, 2007:735). Hutcheson and Sofroniou (2009:233) previously indicate that correlation varies between 0 and 1 where a value of 0 indicates that the sum of partial correlations (hence, factor analysis is likely to be inappropriate); a value close to 1 indicates that

patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors. Values between 0.5 and 0.7 are mediocre and values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb.

## **4.5 EXPLORATORY RESEARCH**

### **4.5.1 Purpose of exploratory research**

An exploratory study is undertaken when not much is known about the situation at hand as in the case in this study or no information is available on how similar problems or research issues have been solved in the past. In such cases, extensive preliminary work needs to be done to gain familiarity with the phenomenon in the situation and understand what is occurring before developing a model and setting up a rigorous design for comprehensive investigation (Brown, 2006:117).

Routio (2003:1) explains that an exploratory study as depicted in Figure 4.3 is essentially the analysis of existing theory to find new theories and improved object. Routio adds that exploratory studies are preferred for the following reasons:

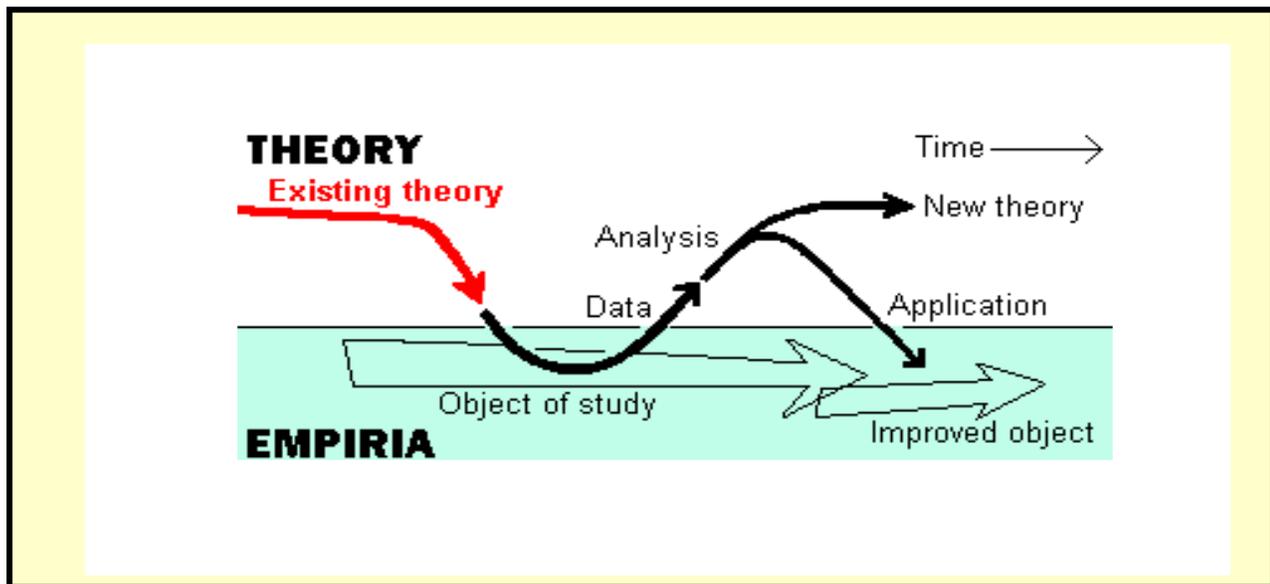
- the object of the study is documented completely and not restricted to the description to those topics that have been documented in earlier studies;
- the study describes exceptional character which existing theories are unable to portray. In the light of existing theories the object of study appears as an inexplicable anomaly; and
- phenomenological pursuit into deep understanding and distrust on earlier descriptions and explanations are possible.

According to Brown (2006:45), successful exploratory research accomplishes the following:

- familiarity with basic details, settings and concerns;
- a well grounded picture of the situation are developed;
- generation of new ideas and assumption, development of tentative theories or hypothesis;
- determination of whether the study is feasible in future;
- refinement of issues for more systematic investigation and formulation of new questions; and
- direction for future research and techniques get developed.

The exploratory approach adopted in this study is in keeping with the process outlined by Routio (2003:1) depicted in Figure 4.4. The process involves the analysis of existing theory and data on brand loyalty and brand loyalty models in order to determine a set of influences prevalent in the FMCG sector. The set of influences identified are tested with the sample and then analysed and evaluated to present an improved model that represents the brand loyalty influences in the FMCG sector

**FIGURE 4.4: EXPLORATORY RESEARCH PROCESS**

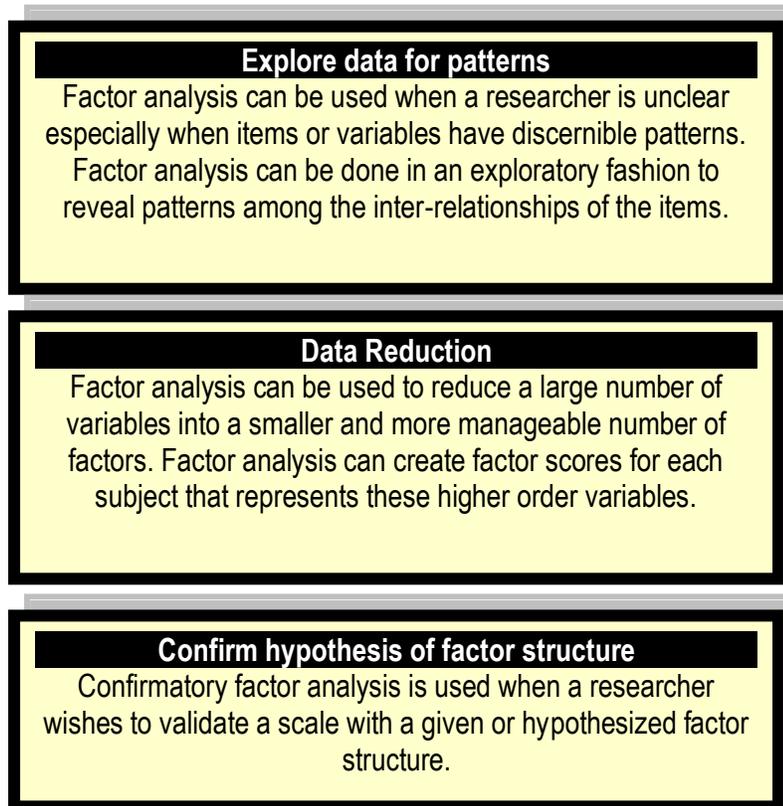


Source: Routio (2003:1)

#### 4.5.2 Primary applications of exploratory research

Costello and Osborne (2005:2) postulate that exploratory research typically comprises three stages. This is in keeping with Coughlin and Knight (2008:3) who indicate that in exploratory research data are first explored for emerging patterns, the data are then reduced and finally the hypothesis of the factor structure is confirmed. This process is expanded in Figure 4.5.

**FIGURE 4.5: PRIMARY APPLICATIONS OF EXPLORATORY RESEARCH**

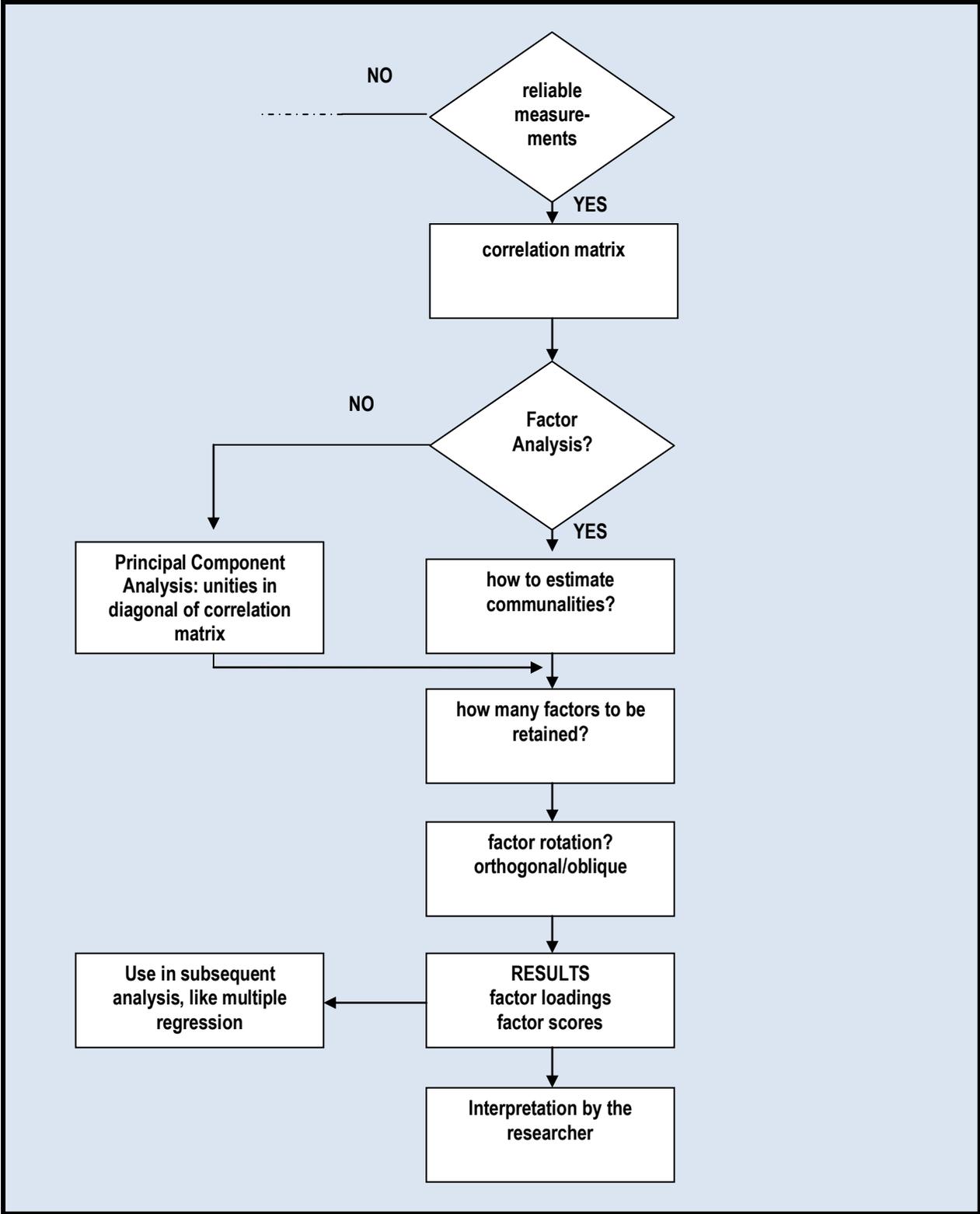


**Source:** Adapted: Coughlin and Knight (2008:3)

### **4.5.3 Factor analysis**

Factor analysis examines the interrelationships among variables to discover if those variables can be grouped into a smaller set of underlying factors (Costello & Osborne, 2005:1). Darlington (2005:1) posits that factor analysis is a procedure used to determine the number of continuous latent variables that are needed to explain the correlations among a set of observed variables. The continuous latent variables are referred to as factors, and the observed variables are referred to as factor indicators. In factor analysis, factor indicators can be continuous, censored, binary, ordered categorical (ordinal), counts, or combinations of these variable types. The steps in factor analysis presented by Suhr (2006:9) are depicted in Figure 4.6.

**FIGURE 4.6: STEPS IN FACTOR ANALYSIS**



Source: Suhr (2006:9)

#### 4.5.3.1 Assumptions of factor analysis

Some common assumptions of factor analysis are as follows:

- assumes that the observed variables are a linear combination of some underlying of hypothetical or unobservable factors;
- some of the factors are assumed to be common to two or more variables and some are assumed to be unique to each variable;
- the factors or unobserved variables are assumed to be independent of one another;
- all variables in a factor analysis must consist of at least an ordinal scale; and
- nominal data are not appropriate for factor analysis.

#### 4.5.3.2 Factor analysis procedure

The first step, according to Kaplin, Yurt, Guneri and Kurtulus (2010:1301), in completing a factor analysis is to measure the interrelationships among the items. This step leads to the determination of the appropriate number of factors.

When initially determining the appropriate number of factors, one factor is identified for each variable. Obviously the researcher expects that the number of useful factors will be substantially less. However, if no relationship exists between the variables then each variable would make its own unique factor.

Multiple different statistical procedures exist by which the number of appropriate number of factors can be identified. These procedures are called "Extraction Methods." By default SPSS does what is called a principal components extraction method. This principal components method is simpler and until more recently was considered the appropriate method for exploratory factor analysis.

Statisticians now advocate for a different extraction method due to a flaw in the approach that principal components utilizes for extraction.

In the principal components analysis, interim correlation coefficient matrix is what is analysed to explore the inter-relationships between the items to determine if the items can be grouped together to represent a smaller set of underlying factors.

De Coster (1998:1) provides the following seven steps when conducting an exploratory factor analysis:

**Step 1: Collect measurements** – The variables need to be measured on the same (or matched) experimental units.

**Step 2: Obtain the correlation matrix** – The correlations (or covariances) between each of the variables need to be obtained.

**Step 3: Select the number of factors for inclusion** – Sometimes there is a special hypothesis that will determine the number of factors to be included, while other times there is a need for the final model to account for as much of the covariance in the data with as few factors as possible. If the  $k$  measures are known, then one can at most extract  $k$  factors. There are a number of methods to determine the “optimal” number of factors by examining the data. The *Kaiser criterion* states that one should use a number of factors equal to the number of the eigenvalues of the correlation matrix that are greater than one. The “screen test” states that one should plot the eigenvalues of the correlation matrix in descending order, and then use a number of factors equal to the number of eigenvalues that occur prior to the last major drop in eigenvalue magnitude.

**Step 4: Extract the initial set of factors** – Submission of correlations or covariances need to be made into a computer program to extract the factors. This step is too complex to reasonably be done by hand. There are a number of different extraction methods, including maximum likelihood, principal component, and principal axis extraction. The best method is generally maximum likelihood extraction, unless there is a serious lack of multivariate normality in the measures.

**Step 5: Rotate your factors to a final solution** – For any given set of correlations and number of factors there are actually an infinite number of ways that the factors could be defined and still account for the same amount of covariance in the measures. Some of these definitions, however, are easier to interpret theoretically than others. By rotating the factors an attempt at finding a factor solution that is equal to that obtained in the initial extraction but which has the simplest interpretation can be made. There are many different types of rotation, but these all try to make the factors each highly responsive to a small subset of the items (as opposed to being moderately responsive to a broad set). There are two major categories of rotations, *orthogonal rotations*, which produce uncorrelated factors, and *oblique rotations*, which produce correlated factors. The best orthogonal rotation is widely believed to be Varimax because it attempts to maximise the dispersion of factor loadings within factors, therefore it loads a smaller number of variables on each factor (Field, 2007:746). This simplifies the interpretation of factors. Oblique rotations are less distinguishable, with the three most commonly used being Direct Quartimin, Promax, and Harris-Kaiser Orthoblique.

**Step 6: Interpret the factor structure** – Each of the measures will be linearly related to each of the factors. The strength of this relationship is contained in the respective *factor loading*, produced by the rotation. This loading can be interpreted as a standardised regression coefficient, regressing the factor on the measures. Factors are defined by considering the possible theoretical constructs that could be responsible for the observed pattern of positive and negative loadings. To ease interpretation, the option of multiplying all of the loadings for a given factor by -1 exists. This essentially reverses the scale of the factor, allowing you, for example, to turn an “unfriendliness” factor into a “friendliness” factor.

**Step 7: Construct factor scores for further analysis** – If additional analyses need to be performed using the factors as variables, factor scores need to be constructed. The score for a given factor is a linear combination of all of the measures, weighted by the corresponding factor loading. Sometimes factor scores are idealised, assigning a value of 1 to strongly positive loadings, a value of -1 to strongly negative loadings, and a value of 0 to intermediate loadings. These factor scores can then be used in analyses just like any other variable,

although one should remember that they will be strongly collinear with the measures used to generate them.

#### **4.5.4 Confirmatory factor analysis (CFA)**

Harrington (2008:1) describes confirmatory factor analysis (CFA) as a multivariate statistical procedure that is used to test how well the measured variables represent the number of constructs. Confirmatory factor analysis (CFA) and exploratory factor analysis (EFA) are similar techniques, but in exploratory factor analysis (EFA), data is simply explored and provides information about the numbers of factors required to represent the data. In exploratory factor analysis, all measured variables are related to every latent variable. But in confirmatory factor analysis (CFA), researchers can specify the number of factors required in the data and which measured variable is related to which latent variable. Confirmatory factor analysis (CFA) is a tool that is used to confirm or reject the measurement theory.

The primary objective of a CFA is to determine the ability of a predetermined factor model to fit an observed set of data. Some common uses of CFA, according to Fabrigar, Wegener, MacCallum and Strahan (2000:281) are to:

- establish the validity of a single factor model;
- compare the ability of two different models to account for the same set of data;
- test the significance of a specific factor loading;
- test the relationship between two or more factor loadings;
- test whether a set of factors are correlated or uncorrelated;
- assess the convergent and discriminant validity of a set of measures;
- compare the ability of two different models to account for the same set of data;
- test the significance of a specific factor loading;
- test the relationship between two or more factor loadings;
- test whether a set of factors are correlated or uncorrelated; and to
- assess the convergent and discriminant validity of a set of measures.

#### 4.5.4.1 Performing CFA

Hatcher (1994:356) and De Coster (1998:5) agree that there are six basic steps to performing a CFA:

##### **Step 1: Define the factor model:**

The first thing one needs to do is to precisely define the model one wishes to test. This involves selecting the number of factors, and defining the nature of the loadings between the factors and the measures. These loadings can be fixed at zero, fixed at another constant value, allowed to vary freely, or be allowed to vary under specified constraints (such as being equal to another loading in the model).

##### **Step 2: Collect measurements**

One needs to measure your variables on the same (or matched) experimental units.

##### **Step 3: Obtain the correlation matrix**

One needs to obtain the correlations (or covariances) between each of your variables.

##### **Step 4: Fit the model to the data**

You will need to choose a method to obtain the estimates of factor loadings that were free to vary. The most common model-fitting procedure is *Maximum likelihood* estimation, which should probably be used unless your measures seriously lack multivariate normality. In this case you might wish to try using *asymptotically distribution free* estimation.

##### **Step 5: Evaluate model adequacy**

When the factor model is fit to the data, the factor loadings are chosen to minimise the discrepancy between the correlation matrix implied by the model and the actual observed matrix. The amount of discrepancy after the best parameters are chosen can be used as a measure of how consistent the model is with the data. The most commonly used test of model adequacy is the  $X^2$  *goodness-of-fit* test. The null hypothesis for this test is that the model adequately accounts for the data, while the alternative is that there is a significant amount of discrepancy. Unfortunately, this test is highly sensitive to the size of the sample, such that tests involving large samples will generally lead to a

rejection of the null hypothesis, even when the factor model is appropriate. Other statistics such as the *Tucker-Lewis index* compare the fit of the proposed model to that of a null model." These statistics have been shown to be much less sensitive to sample size.

#### **Step 6: Compare with other models**

If one wants to compare two models, one of which is a reduced form of the other, you can just examine the difference between their  $X^2$  statistics, which will also have an approximately  $X^2$  distribution. Almost all tests of individual factor loadings can be made as comparisons of full and reduced factor models. In cases where you are not examining full and reduced models one can compare the *Root mean square error of approximation* (RMSEA), which is an estimate of discrepancy per degree of freedom in the model.

CFA has strong links to structural equation modelling, a relatively nonstandard area of statistics. It is much more difficult to perform a CFA than it is to perform an EFA. A CFA requires a larger sample size than an EFA, basically because the CFA produces inferential statistics. The exact sample size necessary will vary heavily with the number of measures and factors in the model, but one can expect to require around 200 subjects for a standard model. As in EFA, one should have at least three measures for each factor in your model. Unlike EFA, however, you should choose measures that are strongly associated with the factors in your model (rather than those that would be a random sample" of potential measures). CFA can be performed in SAS using *proc calis*, but cannot be performed in SPSS. However, SPSS did produce another software package called AMOS which performs CFA. CFA are also commonly analysed using LISREL.

#### **4.5.5 Model fit**

This study utilizes RMSEA, Hoelters test and comparative fit index (CFI) to determine the model fit. According to Brown (2006:288), RMSEA is the best way to check for the fit of the model because chi-square value based fit indices are influenced largely by the sample size and the number of parameters in the model. The Hoelter Index is used to judge if the critical sample size (N), thus if the sample size is adequate and CFI is used to address the deficiency of population parameters by using two coefficients.

#### **4.5.6 Structural equation modelling with AMOS program**

In this study, the AMOS 4.0 software package was used to perform the Structural Equation Modelling (SEM), to investigate the interrelationships between the 12 influences. The SEM is a statistical technique that allows assessment of both direct and indirect effects of each variable on the other variables (Maruyama, 1998).

The use of SEM in this study is justified to avoid excessive multi-collinearity that could have resulted if another statistical technique, such as multiple regressions, was used. Multi-collinearity which leads to bias and unstable findings was thought to exist due to the expected inter-correlations among predictors within the model's constructs (Schumacker & Lomax, 1996).

Structural equation modelling, or SEM, is a very general, chiefly linear, chiefly cross-sectional statistical modelling technique. Factor analysis, path analysis and regression all represent special cases of SEM. SEM is a largely confirmatory, rather than exploratory, technique. That is, a researcher is more likely to use SEM to determine whether a certain model is valid, rather than using SEM to "find" a suitable model, although SEM analyses often involve a certain exploratory element (Browne & Cudeck, 1997:235).

In SEM, interest usually focuses on latent constructs – abstract psychological variables like "intelligence" or "attitude toward the brand" – rather than on the manifest variables used to measure these constructs. Measurement is recognised as difficult and error-prone. By explicitly modelling measurement error, SEM users seek to derive unbiased estimates for the relations between latent constructs (Schumacker & Lomax, 1996). To this end, SEM allows multiple measures to be associated with a single latent construct.

A structural equation model implies a structure of the covariance matrix of the measures (hence an alternative name for this field, "analysis of covariance structures"). Once the model's parameters have been estimated, the resulting model-implied covariance matrix can then be compared to an empirical or data-based covariance matrix. If the two matrices are consistent with one another, then the structural equation model can be considered a plausible explanation for relations between the measures.

Compared to regression and factor analysis, SEM is a relatively young field, having its roots in papers that appeared only in the late 1960s. As such, the methodology is still developing, and even fundamental concepts are subject to challenge and revision. This rapid change is a source of excitement for some researchers and a source of frustration for others.

#### **4.6 SUMMARY**

This chapter described the methodology and techniques used during the different phases of the empirical study. Attention was first drawn to the various influences affecting brand loyalty. The process of reducing an initial 26 influences to 12 influences was presented and justified to reflect the nature of brand loyalty in the FMCG sector.

Operationalisation of influences was then conducted and the 12 influences selected for this study were defined and presented in a conceptual model to be tested. Emphasis then shifted to the research study itself where a description of questionnaire development, source of questionnaire items, sampling procedure, data collection and data analysis was made.

The statistical techniques used in the study were then presented and justified. The technique to ensure construct validity was first made followed by the technique to ensure reliability using Cronbach alpha. The method to compare factors was also discussed with emphasis on the use of Pearson correlation coefficient. To ensure that variables were uncorrelated in the population, Bartlett's test of sphericity was selected and described followed by the description of the KMO measure used to ensure appropriateness of factor analysis. Exploratory research, factor analysis and confirmatory factor analysis which formed the principle statistical method for the study was then described in detail. Finally, a description of structural equation modelling for this study using the AMOS program was outlined.

Chapter Five presents the empirical findings of the study by applying the research methodologies and statistical methods described in this chapter to the data obtained.

# CHAPTER 5

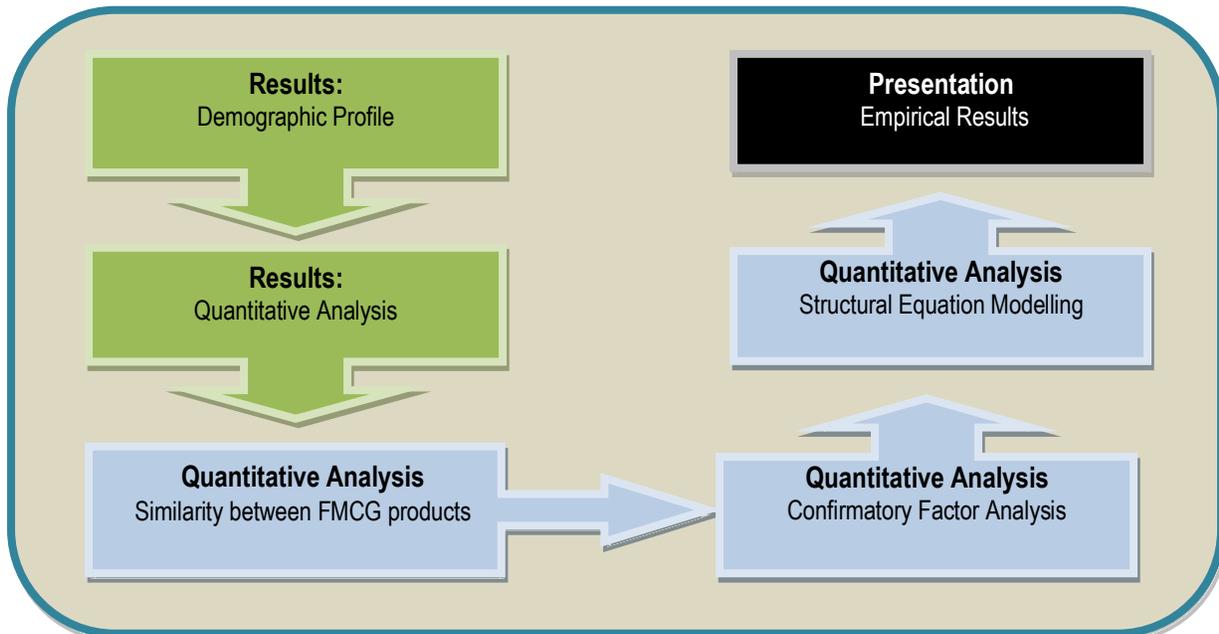
## EMPIRICAL RESULTS

### 5.1 INTRODUCTION

The previous chapter described the statistical methods and analyses to be employed during the empirical phases of this study. The purpose of this chapter is to apply the methodology discussed in Chapter Four to generate the results of the empirical research.

The chapter first generates the results of the demographic profile analysis of respondents followed by the results of quantitative analysis. An analysis to compare the similarities in influences between FMCG is then conducted. The results of quantitative analysis are then confirmed through confirmatory factor analysis after which the conceptual framework is presented through structural equation modelling. The empirical results are then presented. The structure of this chapter is provided in Figure 5.1

**FIGURE 5.1: STRUCTURE OF CHAPTER FIVE**



## 5.2 RESULTS

Two sets of results are provided in this chapter. The demographic profile of respondents is the first set of results provided followed by quantitative analysis of data. Three types of quantitative analysis are conducted namely: similarity between FMCG products, confirmatory factor analysis and structural equation modelling.

### 5.2.1 Demographic profile

The demographic profile of the respondents is shown in Figures 5.2 to 5.6. The respondents were classified according to their gender, income levels, geographic location, race and industry they are working in.

**FIGURE 5.2: GENDER PROFILE**

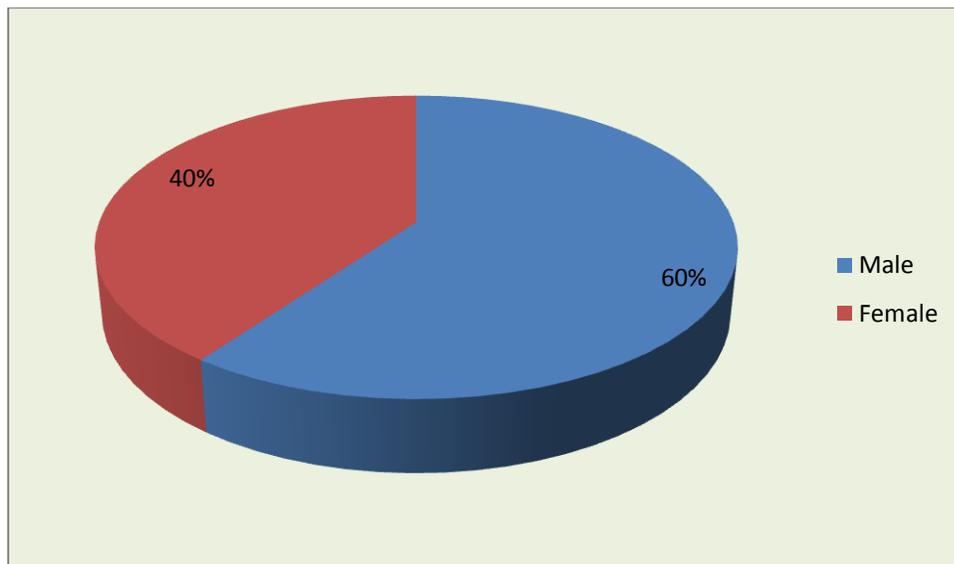


Figure 5.2 simply depicts a split of 60/40 between male and female respondents. Even though the sample is a small segment of the South African population, it indicated good representativity from both gender groups in South Africa in keeping with the South African gender demographic profile of 1.02 male/female (StatsSA, 2010:1).

**FIGURE 5.3: INCOME PER ANNUM**

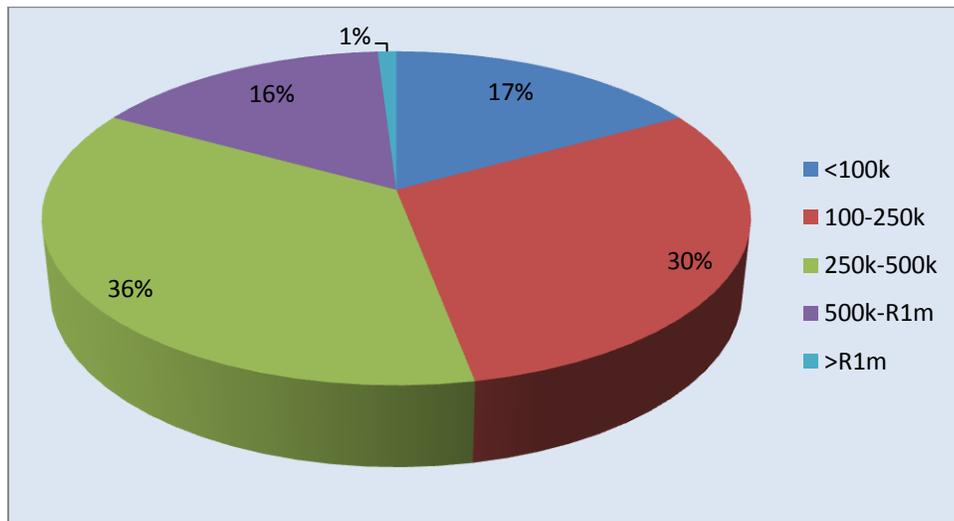
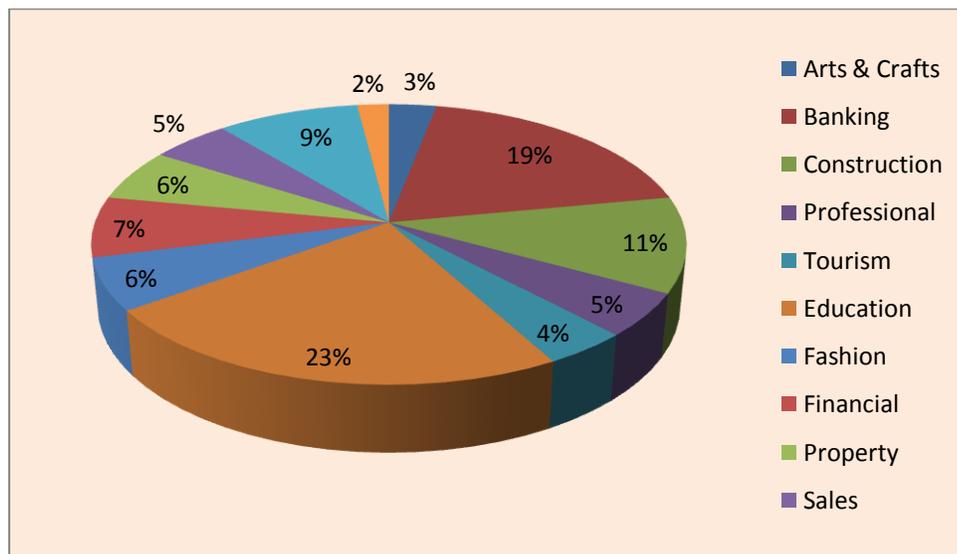


Figure 5.3 shows that just 17% of the respondents earned below R100 000 per annum. The remaining 83% earned from R100 000 to amounts exceeding R1 000 000. This indicated that respondents were financially secured. The profile is also useful in that high earners are minimally effected by economic fluctuations, could access a wide variety of consumer brands and are not usually price sensitive (Kim, Ko & Yang, 2005:295). This analysis also takes into account the research results of Evanschitzky and Wunderlich (2006:341) in that income is positively related to the antecedents of product choice.

**FIGURE 5.4: INDUSTRY OF EMPLOYMENT**



The respondents (as shown in Figure 5.4) emanated from a wide variety of economic industries. This was useful in that it demonstrated representation from the professional, skilled and semi skilled workforce, all of whom display dissimilar buying behavioural patterns towards consumer goods and brands. It also takes into account the research results of Evanschitzky and Wunderlich (2006:341) in that occupation is positively related to the antecedents of product choice.

**FIGURE 5.5: GEOGRAPHIC DISTRIBUTION OF RESPONDENTS**

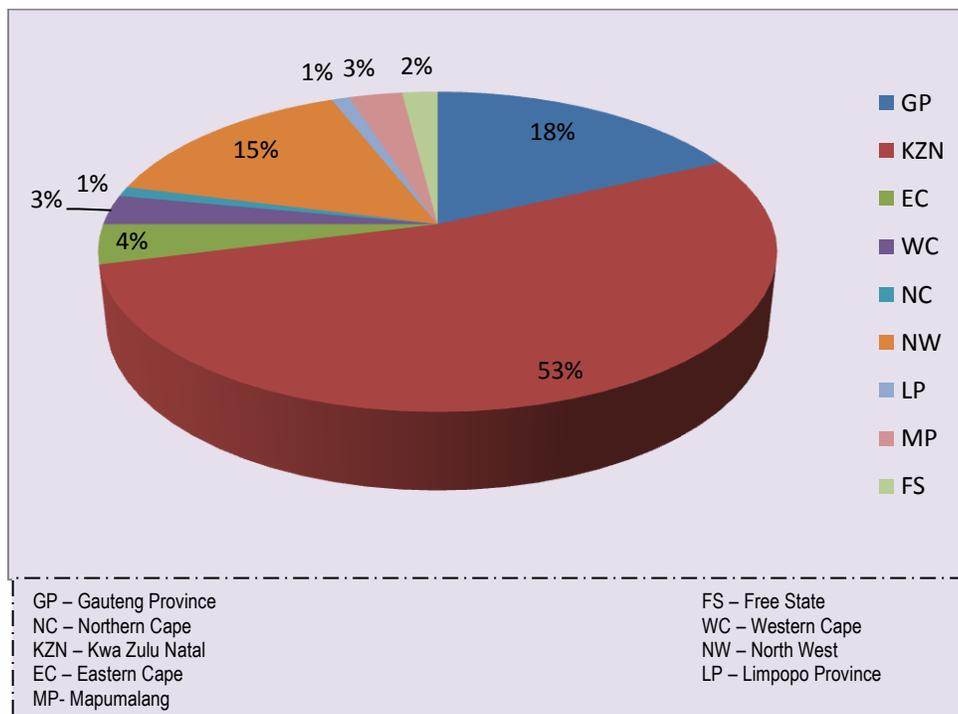
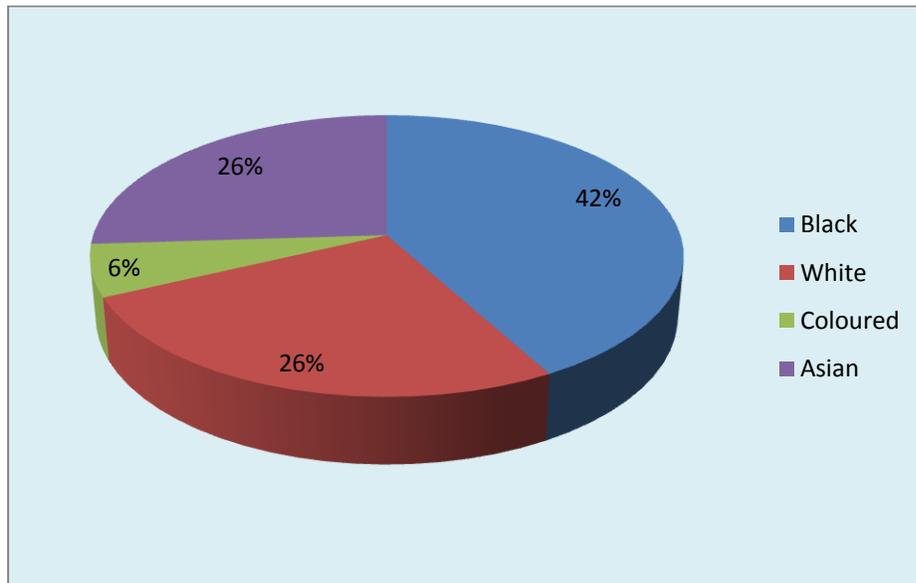


Figure 5.5 indicates good geographic coverage for this research study considering consumers in all nine provinces of South Africa. This consideration added value to the study in that it took into account cultural and cross cultural differences as far as buying behaviour is concerned bearing in mind the diverse cultures that exist in South Africa. Lam (2007:16) confirms that culture has a direct bearing on brand loyalty and the need to consider cultural differences across various regions is an important consideration for a holistic portrayal of brand loyalty.

**FIGURE 5.6: RACE PROFILE**



The race profile of the respondents in this study is in keeping with the overall race demographics of South Africa. Ensuring an equitable representation of all race groups once again certified that the effects of culture in brand loyalty were considered in keeping with the research results by Ha, Janda and Park (2009:211) and Lam (2007:16) that confirm that culture and sub culture have a definite bearing on brand choice.

## **5.2.2 Quantitative analysis**

### **5.2.2.1 Similarities between influences**

Each of the 12 influences was analysed by means of factor analyses to determine if the three different consumer products (toothpaste, coffee and bread) do yield a similar factor or factors. This comparison was conducted to determine whether all three products could be treated and analysed as a single entity. Comparisons per response are represented in Tables 5.1 to 5.12. A three-point test was conducted to determine the similarities between influences. The three-point test examined for similarities in the statistics loaded on the component matrix, the variance explained and the correlation coefficients.

Each table provides a component matrix representing values for each product in each question and explains the percentage variance for each product factor per product category. Each product is then compared with the other by means of Pearson correlation coefficient to determine the similarity between them.

The Kaiser-Meyer-Olkin (KMO) measure is utilized to examine the appropriateness of factor analysis in this study. Judgements are based on the recommendations by Hutcheson and Sofroniou (2009:233) who indicate that a value close to 1 indicates that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors. Values between 0.5 and 0.7 are mediocre and values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb (Field, 2007:66).

The Bartlett test of sphericity is used to determine if each set correlates perfectly with itself ( $r = 1$ ) or has no correlation with the other variables ( $r = 0$ ).

Finally, Cronbach alpha is used to test the reliability of data for subsequent analytical scrutiny where the recommendations of Field (2007:668) is used in that an alpha coefficient of 0.7 is sufficient subsequent analytical scrutiny even though Moss *et al.* (1998:180) suggest that an alpha score of 0.6 is generally acceptable.

Tables 5.1 to 5.12 reveal the component matrix for each FMCG product based on the factors from the questionnaire. The correlation coefficient is also indicated which reveals the nature of similarity between the products. Finally, the tables provide results for adequacy and reliability.

**TABLE 5.1: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR CUSTOMER SATISFACTION**

| <b>Influence 1</b>                 |   |               |              |
|------------------------------------|---|---------------|--------------|
| <b>Customer Satisfaction (CUS)</b> |   |               |              |
|                                    | <b>Component Matrix</b>   |               |              |
| <b>Question</b>                    | <b>Toothpaste</b>   | <b>Coffee</b> | <b>Bread</b> |
| CUS01                              | .748  | .753          | .649         |
| CUS02                              | .769  | .818          | .821         |
| CUS03                              | .598  | .751          | .699         |
| CUS04                              | .406  | .454          | .417         |
| CUS05                              | .761  | .754          | .688         |
| Variance Explained                 | 45%   | 51%           | 45%          |
| Pearson Correlation Coefficients   | $\uparrow \quad \quad \quad 0.916 \quad \quad \quad \uparrow \uparrow \quad \quad \quad 0.966 \quad \quad \quad \uparrow$<br>$\uparrow \quad \uparrow$<br>$\uparrow \quad \uparrow$ |               |              |
| Adequacy: Kaiser-Meyer-Olkin       | .692  | .769          | .627         |
| Sphericity: Bartlett's Test        | .000  | .000          | .000         |
| Reliability: Cronbach Alpha        | .681  | .751          | .675         |

For *Customer Satisfaction*, one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The analyses of the Pearson correlation coefficients show that a very high correlation exists ( $>0.91$ ) between all three the influences identified. All three factors declared almost the same % variance and this suggests that there is no difference between toothpaste, coffee and bread as consumer products with regard to customer satisfaction in brand loyalty. The three products can thus be treated as a single entity.

The Kaiser-Meyer-Olkin (KMO) measure yielded factors from .62 to .75. which falls in the mediocre to good range signifying that factor analysis should yield distinct and reliable factors while the Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets exceeds .670 and is thus sufficient for analytical scrutiny.

**TABLE 5.2: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR SWITCHING COSTS**

| <b>Influence 2</b>               |                         |          |               |          |              |          |
|----------------------------------|-------------------------|----------|---------------|----------|--------------|----------|
| <b>Switching Costs (SCR)</b>     |                         |          |               |          |              |          |
| <b>Question</b>                  | <b>Component Matrix</b> |          |               |          |              |          |
|                                  | <b>Toothpaste</b>       |          | <b>Coffee</b> |          | <b>Bread</b> |          |
|                                  | Factor 1                | Factor 2 | Factor 1      | Factor 2 | Factor 1     | Factor 2 |
| SCR01                            | .870                    |          | .861          |          | .844         |          |
| SCR02                            | .834                    |          | .838          |          | .836         |          |
| SCR03                            | .638                    | .384     | .611          | .443     | .665         | .289     |
| SCR04                            | -.156                   | .865     | -.198         | .827     | -.122        | .891     |
| SCR05                            | -.377                   | .716     | .364          | .702     | .499         | .610     |
| Variance Explained               | 44%                     | 25%      | 43%           | 24%      | 45%          | 23%      |
| Pearson Correlation Coefficients |                         |          |               |          |              |          |
| Adequacy: Kaiser-Meyer-Olkin     | .662                    |          | .656          |          | .671         |          |
| Sphericity: Bartlett's Test      | .000                    |          | .000          |          | .000         |          |
| Reliability: Cronbach Alpha      | .675                    |          | .651          |          | .630         |          |

In influence 2 (*Switching Costs*) two factors were extracted in each consumer product. This signifies that switching costs consists of two sub factors rather than one factor. It is a good fit since the same statements (SCR01, SCR02 and SCR03) load onto factor 1 in the case of toothpaste, coffee and bread while the remaining 2 statements loaded to factor 2 in each product.

The Pearson correlation coefficients show that a very high correlation exist (>0.990) between all three the influences identified. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets exceeds .620 and is thus sufficient for subsequent analytical scrutiny.

**TABLE 5.3: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR BRAND TRUST**

| <b>Influence 3</b>               |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Brand Trust (BTS)</b>         |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| BTS01                            | .845                    | .862          | .850         |
| BTS02                            | .855                    | .891          | .877         |
| BTS03                            | .752                    | .808          | .783         |
| BTS04                            | .582                    | .590          | .625         |
| Variance Explained               | 59%                     | 63%           | 62%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .709                    | .734          | .706         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .742                    | .785          | .783         |

In influence 3 (*Brand Trust*), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.990$ ) between all three the influences identified. All three factors declared a similar % variance and this suggests that there is no difference between toothpaste, coffee and bread as consumer products with regard to brand trust in brand loyalty. The three products can thus be treated as a single entity.

The KMO measure yielded factors above .70 falling in the good range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets exceeds .740 and is thus good for subsequent analytical scrutiny.

**TABLE 5.4: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR RELATIONSHIP PRONENESS**

| <b>Influence 4</b>                  |                         |               |              |
|-------------------------------------|-------------------------|---------------|--------------|
| <b>Relationship Proneness (RPR)</b> |                         |               |              |
|                                     | <b>Component Matrix</b> |               |              |
| <b>Question</b>                     | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| RPR01                               | .728                    | .739          | .732         |
| RPR02                               | .846                    | .837          | .845         |
| RPR03                               | .741                    | .764          | .773         |
| RPR04                               | .795                    | .768          | .800         |
| Variance Explained                  | 61%                     | 61%           | 62%          |
| Pearson Correlation Coefficients    |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin        | .769                    | .772          | .776         |
| Sphericity: Bartlett's Test         | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha         | .782                    | .780          | .796         |

In influence 4 (*Relationship Proneness*), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.920$ ) between all three the influences identified. The coefficients are almost identical for toothpaste, coffee and bread as consumer products with regards to relationship proneness. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above .700 falling in the good range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds .780 and is thus good for subsequent analytical scrutiny.

**TABLE 5.5: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR INVOLVEMENT**

| <b>Influence 5</b>               |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Involvement (INV)</b>         |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| INV01                            | .830                    | .818          | .822         |
| INV02                            | .851                    | .840          | .852         |
| INV03                            | .703                    | .695          | .698         |
| INV04                            | .498                    | .540          | .533         |
| Variance Explained               | 54%                     | 54%           | 54%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .670                    | .675          | .667         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .696                    | .700          | .706         |

In influence 5 (*Involvement*), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.990$ ) between all three the influences identified. The coefficients for toothpaste, coffee and bread as consumer products are identical with regard to involvement. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above .66 falling in the good range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds .690 and is thus sufficient for subsequent analytical scrutiny.

**TABLE 5.6: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR PERCEIVED VALUE**

| Influence 6                      |  |             |             |             |             |             |
|----------------------------------|--|-------------|-------------|-------------|-------------|-------------|
| Perceived Value (PVL)            |  |             |             |             |             |             |
| Question                         | Component Matrix   |             |             |             |             |             |
|                                  | Toothpaste   |             | Coffee      |             | Bread       |             |
|                                  | Factor 1   | Factor 2    | Factor 1    | Factor 2    | Factor 1    | Factor 2    |
| PVL01                            | xxx  | <b>.772</b> | xxx         | <b>.759</b> | xxx         | <b>.831</b> |
| PVL02                            | <b>.873</b>  | xxx         | <b>.877</b> | xxx         | <b>.875</b> | .100        |
| PVL03                            | xxx  | <b>.717</b> | xxx         | <b>.741</b> | .200        | <b>.667</b> |
| PVL04                            | <b>.882</b>  | xxx         | <b>.869</b> | .106        | <b>.886</b> | xxx         |
| Variance Explained               | 40%  | 27%         | 41%         | 26%         | 43%         | 26%         |
| Pearson Correlation Coefficients | <p> <math>\uparrow</math> ————— <math>\uparrow</math> <math>\uparrow</math> ————— <math>\uparrow</math><br/>           0.999 &amp; 0.999      0.993 &amp; 0.990<br/> <math>\uparrow</math> ————— <math>\uparrow</math><br/>           0.987 &amp; 0.985         </p> |             |             |             |             |             |
| Adequacy: Kaiser-Meyer-Olkin     | .510   |             | .524        |             | .546        |             |
| Sphericity: Bartlett's Test      | .000   |             | .000        |             | .000        |             |
| Reliability: Cronbach Alpha      | .451   |             | .492        |             | .543        |             |

In influence 6 (*Perceived Value*) two factors were extracted in each consumer product. The Pearson correlation coefficients show that a very high correlation exists ( $>0.980$ ) between all three the influences identified. There is a good fit since PLV01 and PVL03 loads onto factor 2 and PVL02 and PVL04 loads onto factor 1 in toothpaste, coffee and bread. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above .510 falling in the mediocre range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets is below the recommended 0.7 signifying that the data may be unsuitable for subsequent analytical scrutiny.

**TABLE 5.7: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR COMMITMENT**

| <b>Influence 7</b>               |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Commitment (COM)</b>          |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| COM01                            | .813                    | .815          | .828         |
| COM02                            | .672                    | .643          | .683         |
| COM03                            | .807                    | .801          | .804         |
| COM04                            | .786                    | .794          | .808         |
| COM05                            | .743                    | .747          | .728         |
| Variance Explained               | 59%                     | 58%           | 60%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .808                    | .808          | .822         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .819                    | .815          | .826         |

In influence 7 (*Commitment*), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.950$ ) between all three the influences identified. The variance explained is 59%, 58% and 60% for toothpaste, coffee and bread and this signifies strong similarities between the consumer products with regard to commitment. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above .80 falling in the great range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds .810 and is thus good for subsequent analytical scrutiny.

**TABLE 5.8: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR REPEAT PURCHASE**

| Influence 8                      |                  |             |             |             |             |             |
|----------------------------------|------------------|-------------|-------------|-------------|-------------|-------------|
| Repeat Purchase (RPS)            |                  |             |             |             |             |             |
| Question                         | Component Matrix |             |             |             |             |             |
|                                  | Toothpaste       |             | Coffee      |             | Bread       |             |
| RPS01                            | .129             | <b>.689</b> | .104        | <b>.725</b> | <b>.752</b> | xxx         |
| RPS02                            | <b>.817</b>      | -.207       | <b>.827</b> | -.193       | -.126       | <b>.831</b> |
| RPS03                            | <b>.791</b>      | .225        | <b>.805</b> | .195        | .220        | <b>.787</b> |
| RPS04                            | -.130            | <b>.737</b> | xxx         | <b>.753</b> | <b>.735</b> | -.113       |
| RPS05                            | .516             | <b>.545</b> | <b>.538</b> | .506        | <b>.599</b> | .439        |
| Variance Explained               | 36%              | 24%         | 37%         | 24%         | 37%         | 24%         |
| Pearson Correlation Coefficients |                  |             |             |             |             |             |
| Adequacy: Kaiser-Meyer-Olkin     | .606             |             | .617        |             | .625        |             |
| Sphericity: Bartlett's Test      | .000             |             | .000        |             | .000        |             |
| Reliability: Cronbach Alpha      | .532             |             | .555        |             | .562        |             |

In influence 8 (Repeat Purchase), two factors were extracted in each consumer product. There is a good fit since RPS01 and RPS03 loads onto factor 1 and RPS02 and RPS04 loads onto factor 1 in toothpaste, coffee and bread. RPS05 strongly dually loads onto both factors. In the case of toothpaste, it loads onto factor 2 while with coffee and bread it loads onto factor 1.

The Pearson correlation coefficients show that a very high correlation exists (>0.990) between all three the influences identified. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above .600 falling in the mediocre range signifying that factor analysis should yield distinct and reliable factors. The Bartlett's test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets is below the recommended 0.7 signifying that the data may not be suitable for subsequent analytical scrutiny.

**TABLE 5.9: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR BRAND AFFECT**

| <b>Influence 9</b>               |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Brand Affect (BAF)</b>        |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| BAF01                            | .834                    | .826          | .828         |
| BAF02                            | .883                    | .878          | .882         |
| BAF03                            | .835                    | .827          | .841         |
| Variance Explained               | 72%                     | 71%           | 72%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .700                    | .695          | .699         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .808                    | .796          | .808         |

In influence 9 (Brand Affect), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.970$ ) between all three the influences identified. The variance explained for all three products are almost identical. The three products can certainly be treated as a single entity.

The KMO measure yielded factors above 0.790 falling in the good range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds 0.790 and is thus sufficient for subsequent analytical scrutiny.

**TABLE 5.10: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR BRAND RELEVANCE**

| <b>Influence 10</b>              |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Brand Relevance (BRV)</b>     |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| BRV01                            | .790                    | .767          | .777         |
| BRV02                            | .829                    | .821          | .840         |
| BRV03                            | .843                    | .845          | .837         |
| BRV04                            | .663                    | .684          | .717         |
| Variance Explained               | 62%                     | 61%           | 63%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .775                    | .773          | .790         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .788                    | .785          | .802         |

In influence 10 (Brand Relevance), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.960$ ) between all three the influences identified. The variance explained for all three products amount to 62%, 61% and 63% respectively and this confirms that all three products can be treated as a single entity.

The KMO measure yielded factors above .770 falling in the good range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds .780 and is thus good for subsequent analytical scrutiny.

**TABLE 5.11: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR BRAND PERFORMANCE**

| <b>Influence 11</b>              |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Brand Performance (BPF)</b>   |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| BPF01                            | .728                    | .740          | .740         |
| BPF02                            | .703                    | .716          | .734         |
| BPF03                            | .798                    | .791          | .792         |
| Variance Explained               | 55%                     | 56%           | 57%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .618                    | .631          | .639         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .595                    | .608          | .623         |

In influence 11 (Brand Performance), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.970$ ) between all three the influences identified. The variance explained for all three products amount to 55%, 56% and 57% respectively and this confirms that all three products can be treated as a single entity.

The KMO measure yielded factors above .610 falling in the mediocre range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ).

The Cronbach alpha coefficient for all three data sets exceeds .595 and is thus in the mediocre range for subsequent analytical scrutiny.

**TABLE 5.12: FACTOR ANALYSIS AND CORRELATIONAL ANALYSIS FOR CULTURE**

| <b>Influence 12</b>              |                         |               |              |
|----------------------------------|-------------------------|---------------|--------------|
| <b>Culture (CUL)</b>             |                         |               |              |
|                                  | <b>Component Matrix</b> |               |              |
| <b>Question</b>                  | <b>Toothpaste</b>       | <b>Coffee</b> | <b>Bread</b> |
| CUL01                            | .746                    | .748          | .766         |
| CUL02                            | .814                    | .805          | .807         |
| CUL03                            | .710                    | .709          | .724         |
| CUL04                            | .722                    | .712          | .709         |
| Variance Explained               | 56%                     | 55%           | 57%          |
| Pearson Correlation Coefficients |                         |               |              |
| Adequacy: Kaiser-Meyer-Olkin     | .696                    | .699          | .703         |
| Sphericity: Bartlett's Test      | .000                    | .000          | .000         |
| Reliability: Cronbach Alpha      | .733                    | .727          | .740         |

In influence 12 (Culture), one factor was extracted in each consumer product. Values on the component matrix per question related to each product yielded similar results. The Pearson correlation coefficients show that a very high correlation exists ( $>0.960$ ) between all three the influences identified. The variance explained for all three products amount to 56%, 55% and 57% respectively and this confirms that all three products can be treated as a single entity with regard to culture.

The KMO measure yielded factors above .690 falling in the mediocre range signifying that factor analysis should yield distinct and reliable factors. The Bartlett test of sphericity indicates that each set correlates perfectly with itself ( $r = 1$ ) but has no correlation with the other variables ( $r = 0$ ). The Cronbach alpha coefficient for all three data sets equals and exceeds .725 and is thus good for subsequent analytical scrutiny.

### 5.2.2.2 Summary of similarities between consumer products

The three-point test used to determine the similarity between the consumer products with regard to each influence revealed strong similarities in each category. In 9 out of the 12 cases the influences loaded onto the component matrix extracted one factor. In the three cases that two factors were extracted there was still a good fit between values loading on factor one and factor two. The values loaded for all products in all categories were primarily consistent and similar. There was also a strong correlation between all three products in all categories items as confirmed in Table 5.13. The correlation coefficients also yielded similar values and is also shown in Table 5.13 All three results of the three-point test suggested strong resemblance between consumer products related to influences selected. This suggests all three products used in this study can from this point forward be treated as a single entity.

**TABLE 5.13: SUMMARY OF CORRELATION BETWEEN FMCG PRODUCTS**

| Influence               | Correlation            |                  |                       | Variance    |         |         |
|-------------------------|------------------------|------------------|-----------------------|-------------|---------|---------|
|                         | Tooth-paste and Coffee | Coffee and Bread | Tooth-paste and Bread | Tooth-paste | Coffee  | Bread   |
| Customer Satisfaction   | 0.92                   | 0.97             | 0.93                  | 45%         | 51%     | 45%     |
| Switching Cost          | 0.99                   | 0.99             | 0.99                  | 44% 25%     | 43% 24% | 45% 23% |
| Brand Trust             | 0.99                   | 0.99             | 0.99                  | 59%         | 63%     | 62%     |
| Relationship Proneness  | 0.93                   | 0.97             | 0.94                  | 61%         | 61%     | 62%     |
| Involvement             | 0.99                   | 0.99             | 0.99                  | 54%         | 54%     | 54%     |
| Perceived Value         | 0.99                   | 0.99             | 0.99                  | 40% 27%     | 41% 26% | 43% 26% |
| Commitment              | 0.99                   | 0.98             | 0.96                  | 59%         | 58%     | 60%     |
| Repeat Purchase         | 0.99                   | 0.99             | 0.99                  | 36% 24%     | 37% 24% | 37% 24% |
| Brand Affect            | 0.99                   | 0.98             | 0.98                  | 72%         | 71%     | 72%     |
| Brand Relevance         | 0.98                   | 0.99             | 0.97                  | 62%         | 61%     | 63%     |
| Brand Performance       | 0.99                   | 0.98             | 0.99                  | 55%         | 56%     | 57%     |
| Culture                 | 0.99                   | 0.97             | 0.98                  | 56%         | 55%     | 57%     |
| <b>Mean Coefficient</b> | <b>0.98</b>            | <b>0.98</b>      | <b>0.98</b>           |             |         |         |

### 5.2.2.3 Factor analysis (FA)

In the previous section, it was established that all three products can be treated as a single entity due to the strong similarities between them. FA is the tool now used to confirm the measurement theory. The purpose is to confirm whether the combined data (toothpaste, coffee and bread) do yield the same results on brand loyalty.

Bartlett's test of sphericity is used to test the suitability of the data in each influence. To examine the appropriateness of factor analysis in this research study, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is utilized. These tests per influence are presented in Tables 5.14 to 5. 25.

**TABLE 5.14: FACTOR TABLE: CUSTOMER SATISFACTION**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| CUS_02             | .797      |
| CUS_05             | .754      |
| CUS_01             | .716      |
| CUS_03             | .674      |
| CUS_04             | .426      |
| Variance Explained | 47.02     |
| Cronbach Alpha     | .702      |

The five statements all load onto one factor. This confirms that customer satisfaction is indeed a construct of brand loyalty. The factor explains a variance of 47% and returns a good reliability coefficient of .702.

**TABLE 5.15A: FACTOR TABLE: SWITCHING COSTS**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| SCR_02             | .792      |
| SCR_01             | .772      |
| SCR_03             | .744      |
| SCR_05             | .641      |
| SCR_04             | .204      |
| Variance Explained | 44.56     |
| Cronbach Alpha     | .724      |

Four of the five statements load onto factor 1. SCR\_04 returns a low factor loading of .204. The variance explained amounts to 44.6%. As a result SCR\_04 is removed and the factor is re-confirmed.

**TABLE 5.15B: FACTOR TABLE: SWITCHING COSTS (ADJUSTED)**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| SCR_02             | .813      |
| SCR_01             | .791      |
| SCR_03             | .740      |
| SCR_05             | .608      |
| Variance Explained | 55.15     |
| Cronbach Alpha     | .724      |

After the removal of SCR\_04, there is a substantial improvement in the variance explained from 44.56 to 55.15. There is also NO decrease in reliability after removal of the statement as the Cronbach alpha remained at 0.724. This justifies the removal of this statement. As such the statement is also removed from the questionnaire as well as the brand loyalty framework. The factor returns a good reliability coefficient of .724.

**TABLE 5.16: FACTOR TABLE: BRAND TRUST**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| BTS_02             | .877      |
| BTS_01             | .856      |
| BTS_03             | .784      |
| BTS_04             | .582      |
| Variance Explained | 61.38     |
| Cronbach Alpha     | .763      |

The four statements all load onto one factor. This confirms that brand trust is indeed a construct of brand loyalty. The factor explains a variance of 61% and returns a good reliability coefficient of .763.

**TABLE 5.17: FACTOR TABLE: RELATIONSHIP PRONENESS**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| RPR_02             | .842      |
| RPR_04             | .788      |
| RPR_03             | .773      |
| RPR_01             | .722      |
| Variance Explained | 61.20     |
| Cronbach Alpha     | .786      |

The four statements all load onto one factor. This confirms that relationship proneness is indeed a construct of brand loyalty. The factor explains a variance of 61% and returns a good reliability coefficient of .786.

**TABLE 5.18: FACTOR TABLE: INVOLVEMENT**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| INV_02             | .851      |
| INV_01             | .826      |
| INV_03             | .707      |
| INV_04             | .526      |
| Variance Explained | 54.57     |
| Cronbach Alpha     | .706      |

The four statements all load onto one factor. This confirms that involvement is indeed a construct of brand loyalty. The factor explains a variance of 55% and returns a good reliability coefficient of .763.

**TABLE 5.19: FACTOR TABLE: PERCEIVED VALUE**

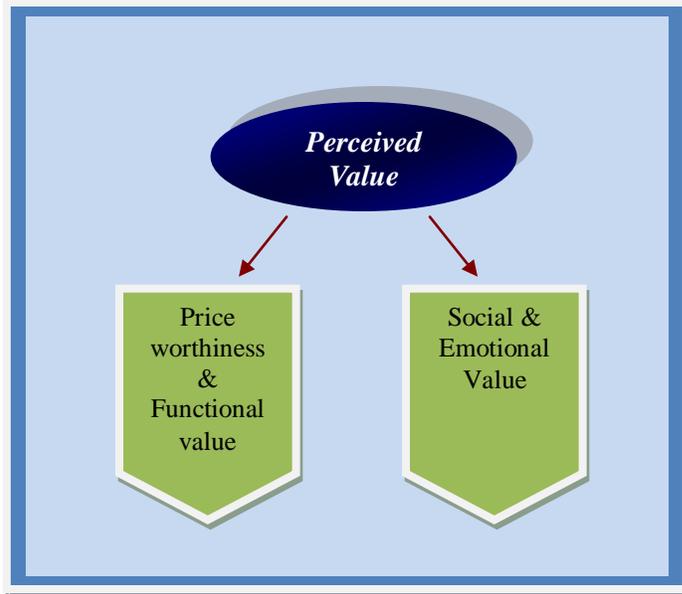
|                    | Component   |             |
|--------------------|-------------|-------------|
|                    | 1           | 2           |
| PLV_04             | <b>.856</b> | -.227       |
| PLV_02             | <b>.851</b> | -.208       |
| PLV_01             | .186        | <b>.794</b> |
| PLV_03             | .385        | <b>.582</b> |
| Variance Explained | 40.99       | 26.62       |
| Cronbach Alpha     | .490        |             |

Two statements were loaded for the perceived value influence. PLV\_04 and PLV\_02 loads onto factor 1 and PLV\_01 and PLV\_03 loads onto factor 2.

Varimax rotation was used in this case. Varimax rotation, according to Abdi (2006:8) is a change of coordinates used in principal component analysis and factor analysis that maximizes the sum of the variances of the squared loadings. This technique was thus used as a basis that most economically represents each individual — so that each individual can be well described by a linear combination of only a few basic functions.

PLV\_01 relates to functional value and PLV\_03 is related to price worthiness. As such, factor 1 is grouped as price worthiness and functional value. PLV\_02 relates to emotional associations and PLV\_04 is related to social associations and as such are labelled as such in later references.

**FIGURE 5.7: SUB-FACTORS WITHIN PERCEIVED VALUE**



**TABLE 5.20: FACTOR TABLE: COMMITMENT**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| COM_01             | .825      |
| COM_03             | .801      |
| COM_04             | .793      |
| COM_05             | .736      |
| COM_02             | .673      |
| Variance Explained | 58.90     |
| Cronbach Alpha     | .822      |

The four statements all load onto one factor. This confirms that commitment is indeed a construct of brand loyalty. The factor explains a variance of 59% and returns an excellent reliability coefficient of .822.

**TABLE 5.21: FACTOR TABLE: REPEAT PURCHASE**

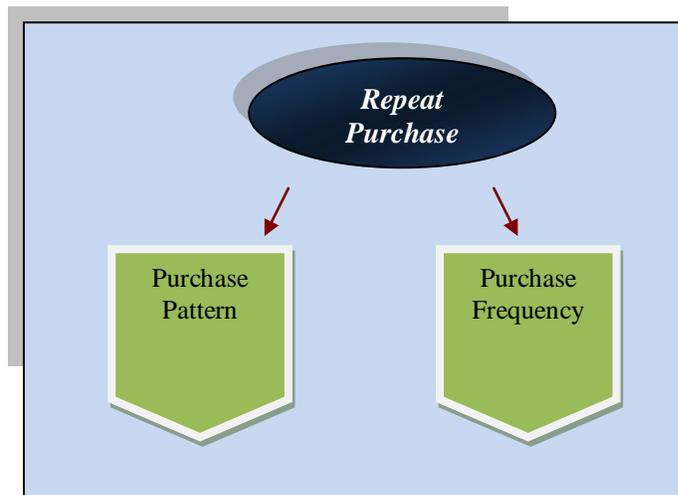
|                    | Component |       |
|--------------------|-----------|-------|
|                    | 1         | 2     |
| RPS_03             | .763      | -.321 |
| RPS_05             | .735      | .102  |
| RPS_01             | .540      | .488  |
| RPS_04             | .399      | .649  |
| RPS_02             | .565      | -.624 |
| Variance Explained | 37.84     | 23.24 |
| Cronbach Alpha     | .576      |       |

Two factors were loaded for the repeat purchase influence. Varimax rotation (discussed earlier) was also used in this case.

RPS\_01, RPS\_03 and RPS\_05 all load onto factor 1 while RPS\_02 and RPS\_04 loads onto factor 2. This indicated that sub factors needed to be established to classify statements into relevant categories.

RPS\_01, RPS\_03 and RPS\_05 all related to purchase pattern and was therefore categorized as such while RPS\_02 and RPS\_04 related to purchase frequency and was classified as such. These are labeled as such in future references and depicted in Figure 5.8 below.

**FIGURE 5.8: SUB-FACTORS WITHIN REPEAT PURCHASE**



**TABLE 5.22: FACTOR TABLE: BRAND AFFECT**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| BA_02              | .888      |
| BA_03              | .837      |
| BA_01              | .836      |
| Variance Explained | 72.99     |
| Cronbach Alpha     | .813      |

All three influences all load onto one factor. This confirms that brand affect is indeed a construct of brand loyalty. The factor explains a variance of 72% and returns an excellent reliability coefficient of .813.

**TABLE 5.23: FACTOR TABLE: BRAND RELEVANCE**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| BRV_03             | .846      |
| BRV_02             | .836      |
| BRV_01             | .772      |
| BRV_04             | .692      |
| Variance Explained | 62.26     |
| Cronbach Alpha     | .794      |

All four influences all load onto one factor. This confirms that brand relevance is indeed a construct of brand loyalty. The factor explains a variance of 62% and returns a good reliability coefficient of .794.

**TABLE 5.24: FACTOR TABLE: BRAND PERFORMANCE**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| BPP_03             | .792      |
| BPP_02             | .737      |
| BPP_01             | .727      |
| Variance Explained | 56.65     |
| Cronbach Alpha     | .615      |

All three influences all load onto one factor. This confirms that brand affect is indeed a construct of brand loyalty. The factor explains a variance of 57% and returns a mediocre reliability coefficient of .615.

**TABLE 5.25: FACTOR TABLE: CULTURE**

|                    | Component |
|--------------------|-----------|
|                    | 1         |
| BPP_03             | .792      |
| BPP_02             | .737      |
| BPP_01             | .727      |
| Variance Explained | 57.15     |
| Cronbach Alpha     | .744      |

All three influences all load onto one factor. This confirms that culture is indeed an influence of brand loyalty. The factor explains a variance of 57% and returns a good reliability coefficient of .744.

#### 5.2.2.4 Summary of findings in factor analysis as confirmation tool

CFA was conducted to test how well the measured variables represent the number of influences. This was done to verify the measurement theory. While the exploratory factor analysis explored the 12 brand loyalty influences, confirmatory factor analysis was undertaken to confirm influences identified and the statements required in the data which measured variable is related to which latent variable. Two factors were loaded in the three instances and the following were the outcomes:

1. In switching costs SCR\_04 returned a low factor loading of .204 as compared to the other factors. SCR\_04 was removed resulting in an improvement in variance without affecting reliability. Switching costs was thus re confirmed without SCR\_04. This ensured that switching costs was reliable enough to be considered as an influence of brand loyalty.

2. In perceived value, two statements were loaded. PLV\_02 and PLV\_04 loaded onto factor 1 and PLV\_01 and PLV\_03 loaded onto factor 2. Using varimax rotation, perceived value was split into two sub influences. PLV\_01 and PLV\_03 were reclassified as Price and Quality and PLV\_02 and PLV\_04 was reclassified as Social and Emotional. From this point forward, perceived was analysed based on the sub influences.
3. Two factors were also loaded for repeat purchase. Varimax rotation was also used to reclassify RPS\_01, RPS\_03 and RPS\_05 into purchase pattern and RPS\_02 and RPS\_04 into purchase frequency. From this point forward, repeat purchase was analysed based on the sub influences.

The remainder of the influences all loaded single factors with acceptable variance and reliability that ranged from mediocre to excellent. The results reveal that the measured variables do represent the number of influences tested. The confirmatory factor analysis conducted thus did confirm all 12 identified influences as true influences of brand loyalty. It also confirmed the statements selected for each influence were indeed valid. Confirmatory factor analysis (CFA) did confirm the measurement theory. Bartlett's test of sphericity also confirmed the suitability of the data in each influence while KMO validated the appropriateness of factor analysis in this study.

#### 5.2.2.5 Structural Equation Modelling

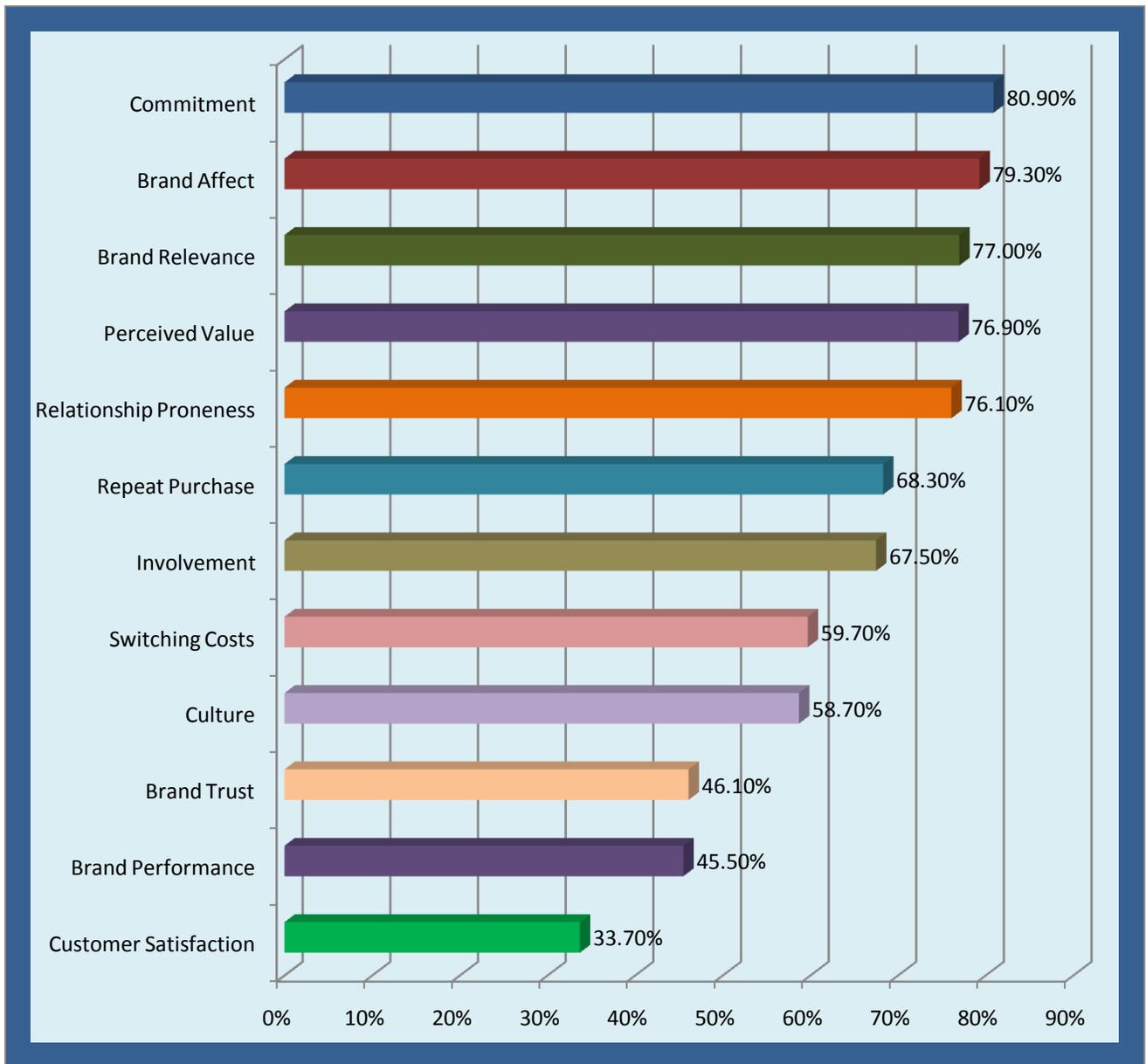
Figure 5.7 depicts the 12 brand loyalty influences with its respective standard regression weight. In Figure 5.7, the influences, as well as their calculated influence on brand loyalty, is shown. Taking the influence *Customer satisfaction* as an example, the figure shows a standard regression weight of .337 assigned to it. All the other influences are interpreted in a similar manner. Since two of the influences (*Perceived Value* and *Repeat Purchase*) loaded two values each, breakdown and categorisation are also represented in Figure 5.7. Once again, by means of example, *Perceived value* consists of *Price and quality* and *Social and emotional* sub-influences. These sub-influences explain a variance of .409 and .266 respectively with regard to *Perceived value*. Repeat purchases and its sub-influences are similarly interpreted.

**FIGURE 5.9: FULL CONCEPTUAL BRAND LOYALTY FRAMEWORK**



The influences are then ranked in order of importance in Figure 5.10. Clearly *Commitment*, *Brand effect*, *Brand relevance*, *Perceived value* and *Relationship proneness* have the greatest effect on brand loyalty (all have coefficients of .76 and higher). *Customer satisfaction*, *Brand performance* and *Brand trust* have the least effect on brand loyalty (with coefficients below .47).

**FIGURE 5.10: IMPORTANCE OF INFLUENCES ON BRAND LOYALTY BASED ON STANDARD REGRESSION WEIGHTS**



**TABLE 5.26: STANDARD REGRESSION WEIGHTS (SRW) OF ITEMS PER INFLUENCE**

| CODE   | ITEMS PER INFLUENCE   | SRW  | CODE   | ITEMS PER INFLUENCE    | SRW  |
|--------|-----------------------|------|--------|------------------------|------|
| CUS_05 | Customer Satisfaction | .674 | INV_04 | Involvement            | .389 |
| CUS_04 | Customer Satisfaction | .297 | INV_03 | Involvement            | .504 |
| CUS_03 | Customer Satisfaction | .536 | INV_02 | Involvement            | .827 |
| CUS_02 | Customer Satisfaction | .708 | INV_01 | Involvement            | .798 |
| CUS_01 | Customer Satisfaction | .656 | BPP_03 | Brand performance      | .709 |
| SCR_05 | Switching costs       | .533 | BPP_02 | Brand performance      | .470 |
| SCR_04 | Switching costs       | .131 | BPP_01 | Brand performance      | .583 |
| SCR_03 | Switching costs       | .636 | RPR_04 | Relationship proneness | .754 |
| SCR_02 | Switching costs       | .695 | RPR_03 | Relationship proneness | .667 |
| SCR_01 | Switching costs       | .689 | RPR_02 | Relationship proneness | .729 |
| BTS_04 | Brand Trust           | .416 | RPR_01 | Relationship proneness | .629 |
| BTS_03 | Brand Trust           | .659 | BRV_04 | Brand Relevance        | .588 |
| BTS_02 | Brand Trust           | .883 | BRV_03 | Brand Relevance        | .727 |
| BTS_01 | Brand Trust           | .830 | BRV_02 | Brand Relevance        | .747 |
| PLV_04 | Perceived Value       | .745 | BRV_01 | Brand Relevance        | .757 |
| PLV_03 | Perceived Value       | .153 | RPS_05 | Repeat Purchase        | .689 |
| PLV_02 | Perceived Value       | .758 | RPS_04 | Repeat Purchase        | .398 |
| PLV_01 | Perceived Value       | .081 | RPS_03 | Repeat Purchase        | .514 |
| COM_05 | Commitment            | .623 | RPS_02 | Repeat Purchase        | .285 |
| COM_04 | Commitment            | .774 | RPS_01 | Repeat Purchase        | .429 |
| COM_03 | Commitment            | .762 | BAF_01 | Brand Affect           | .814 |
| COM_02 | Commitment            | .543 | BAF_02 | Brand Affect           | .806 |
| COM_01 | Commitment            | .753 | BAF_01 | Brand Affect           | .803 |
| CUL_04 | Culture               | .574 |        |                        |      |
| CUL_03 | Culture               | .616 |        |                        |      |
| CUL_02 | Culture               | .699 |        |                        |      |
| CUL_01 | Culture               | .724 |        |                        |      |

In addition to the standard regression weights, these influences are not isolated from one another. The different influences thus have intercorrelations with one another. These intercorrelations are shown in Table 5.29. The intercorrelations show that, for example, *Customer satisfaction* correlates to *Switching cost* with a value of 0.358. Correlation is low as values between -1 and +1 are returned. The other correlations between the influences are interpreted in the same manner.

**TABLE 5.27: INTERCORRELATIONS BETWEEN INFLUENCES**

| INFLUENCES             |                             | CORRELATIONS |
|------------------------|-----------------------------|--------------|
| Customer satisfaction  | <--> Switching costs        | .358         |
| Customer satisfaction  | <--> Culture                | .145         |
| Customer satisfaction  | <--> Involvement            | .302         |
| Customer satisfaction  | <--> Brand performance      | .373         |
| Customer satisfaction  | <--> Brand Relevance        | .412         |
| Customer satisfaction  | <--> Commitment             | .440         |
| Customer satisfaction  | <--> Brand Affect           | .273         |
| Customer satisfaction  | <--> Repeat purchase        | .134         |
| Customer satisfaction  | <--> Perceived Value        | .252         |
| Customer satisfaction  | <--> Relationship proneness | .439         |
| Customer satisfaction  | <--> Brand trust            | .763         |
| Switching costs        | <--> Brand trust            | .356         |
| Brand trust            | <--> Culture                | .154         |
| Brand trust            | <--> Involvement            | .284         |
| Brand trust            | <--> Brand performance      | .285         |
| Brand trust            | <--> Brand Relevance        | .364         |
| Brand trust            | <--> Commitment             | .453         |
| Brand trust            | <--> Brand Affect           | .301         |
| Brand trust            | <--> Relationship proneness | .483         |
| Brand trust            | <--> Perceived Value        | .293         |
| Brand trust            | <--> Repeat purchase        | .092         |
| Switching costs        | <--> Relationship proneness | .623         |
| Culture                | <--> Relationship proneness | .479         |
| Involvement            | <--> Relationship proneness | .798         |
| Brand performance      | <--> Relationship proneness | .525         |
| Relationship proneness | <--> Brand Relevance        | .672         |
| Commitment             | <--> Relationship proneness | .774         |
| Perceived Value        | <--> Relationship proneness | .798         |
| Relationship proneness | <--> Repeat purchase        | .643         |
| Relationship proneness | <--> Brand Affect           | .711         |
| Switching costs        | <--> Perceived Value        | .567         |
| Perceived value        | <--> Culture                | .620         |
| Perceived value        | <--> Involvement            | .691         |

**TABLE 5.27: INTERCORRELATIONS BETWEEN INFLUENCES (CONTINUED)**

| INFLUENCES        |                        | CORRELATIONS |
|-------------------|------------------------|--------------|
| Perceived value   | <--> Brand performance | .541         |
| Perceived value   | <--> Brand Relevance   | .711         |
| Perceived value   | <--> Commitment        | .846         |
| Perceived value   | <--> Repeat purchase   | .753         |
| Perceived value   | <--> Brand Affect      | .846         |
| Switching costs   | <--> Commitment        | .653         |
| Commitment        | <--> Culture           | .578         |
| Commitment        | <--> Involvement       | .664         |
| Commitment        | <--> Brand performance | .469         |
| Commitment        | <--> Brand Relevance   | .758         |
| Commitment        | <--> Brand Affect      | .818         |
| Commitment        | <--> Repeat purchase   | .649         |
| Brand Relevance   | <--> Repeat purchase   | .669         |
| Brand performance | <--> Repeat purchase   | .616         |
| Involvement       | <--> Repeat purchase   | .607         |
| Culture           | <--> Repeat purchase   | .796         |
| Switching costs   | <--> Repeat purchase   | .547         |
| Repeat purchase   | <--> Brand Affect      | .664         |
| Brand Relevance   | <--> Brand Affect      | .889         |
| Brand performance | <--> Brand Affect      | .508         |
| Involvement       | <--> Brand Affect      | .609         |
| Culture           | <--> Brand Affect      | .582         |
| Switching costs   | <--> Brand Affect      | .489         |
| Switching costs   | <--> Culture           | .405         |
| Switching costs   | <--> Involvement       | .445         |
| Switching costs   | <--> Brand performance | .287         |
| Switching costs   | <--> Brand Relevance   | .496         |
| Culture           | <--> Involvement       | .457         |
| Culture           | <--> Brand performance | .510         |
| Culture           | <--> Brand Relevance   | .565         |
| Involvement       | <--> Brand performance | .455         |
| Involvement       | <--> Brand Relevance   | .626         |
| Brand performance | <--> Brand Relevance   | .602         |

### 5.2.2.5.1 Success of model fit

A variety of fit indices are available to measure the goodness of fit pertaining to structural equation models. Fit, according to Kenny (2010), refers to the “ability of a model to reproduce the data (that is, usually the variance-covariance matrix)”. Kenny also points out that it should also be noted that a good-fitting model is not necessarily a valid model, and vice versa.

Both normed and non-normed fit indexes are frequently used to test the goodness of fit of a structural equation model. However, one disadvantage of typical indices is that they are influenced by the population parameters of the research. To address this deficiency, Bentler and Bonnet (in Bentler, 1990) proposed that two coefficients should be used to address the deficiency of population parameters, namely the *Comparative Fit Index* (CFI) for normed and nonnormed *Fit Index* (FI) to determine the fit of the model. Bentler (1990:238-246) continues and points out that the CFI avoids the underestimation of fit often noted in small samples but it also performs well at all sample sizes. In interpretation of the CFI, a value above 0.9 is regarded to be a very good fit (Konovsky & Pugh, 1994:662).

The constructed model on brand loyalty in this study returned a *Comparative Fit Index* (CFI) of 0.815 (See Table 5.28). This index signifies a fair fit as it exceeds 0.80 as index value.

**TABLE 5.28: COMPARATIVE FIT INDEX (CFI)**

| Model              | NFI Delta1 | RFI rho1 | IFI Delta2 | TLI rho2 | CFI         |
|--------------------|------------|----------|------------|----------|-------------|
| Default model      | .800       | .719     | .816       | .741     | <b>.815</b> |
| Saturated model    | 1.000      |          | 1.000      |          | 1.000       |
| Independence model | .000       | .000     | .000       | .000     | .000        |

The *Root Mean Square Error of Approximation* (RMSEA) for this model is relatively high (0.131), indicating a lower level of fit than the CFI. Ideally the RMSEA should be lower than 0.05 and models with a RMSEA of .10 or more have poor fit (Dixon & Dixon, 2010:117). The model has a lower confidence limit of 0.122 and a higher limit of 0.140. These limits indicate a very narrow confidence interval (0.018). Together with the RMSEA value and narrow confidence interval, the model can be considered a good fit of the model to the population (Browne & Cudeck, 1997:232-243). Regarding the *p of Close Fit* (PCLOSE) test, where the *p* value examines the alternative hypothesis when the RMSEA is greater than .05, the model returns a *p*-value of 0.00. Ideally a *p*-value greater than 0.05 signifies that the fit of the model is a close fit (Garson, 2010). Table 5.29 depicts the root mean square error of approximation.

**TABLE 5.29: ROOT MEAN SQUARE ERROR OF APPROXIMATION**

| Model              | RMSEA | LO 90 | HI 90 | PCLOSE |
|--------------------|-------|-------|-------|--------|
| Default model      | .131  | .122  | .140  | .000   |
| Independence model | .257  | .249  | .264  | .000   |

The goodness-of-fit for the model according to the *Hoelter Index* is used to judge the critical sample size (N), thus if the sample size is adequate. A *Hoelter's N* under 75 is considered unacceptably low to accept a model by chi-square (Garson, 2010). The *Hoelter N* returns two values at the following levels of significance: 0.05 and 0.01. The brand loyalty model returns an acceptable value of 77 at the 0.01 levels of significance, but falls below the N=75 level at the 0.05 level of significance (69).

**TABLE 5.30: HOELTER'S INDEX (N)**

| Model              | HOELTER .05 | HOELTER .01 |
|--------------------|-------------|-------------|
| Default model      | 69          | 77          |
| Independence model | 19          | 21          |

However, in defence of the conceptual framework on brand loyalty, the model is an exploratory model and fit is not expected nor deemed as imperative as it would be in a final model.

### 5.3 SUMMARY

This chapter began with the presentation of results. First the results of a demographic analysis were presented reflecting the demographic profile of respondents in the study. This was followed by quantitative analysis in which the similarities between influences were presented by means of a component matrix. The relationship between influences was tested using Pearson correlation coefficients. The results from all 12 influences were presented in the form of tables and a discussion regarding the results was also done. A summary table presented the combined results of correlation and variance where it was evident that the influences were strongly related.

Based on the establishment that all three products could be treated as a single entity, factor analysis was used to confirm the measurement theory. Through another series of tables, the reliability values for each influence were presented and analysed. In cases where more than a single factor loaded, the corrective action was taken by either removing statements that generated unreliable values or separating factors into sub factors.

Confirmatory factor analysis was then conducted and results for each influence were presented along with the measures for validity and reliability. The conceptual brand loyalty framework was then presented together with the standard regression weight. The influences were then ranked in order of importance based on the regression weight. Structural equation modelling was then used to measure the goodness of fit and the results and evaluation outlined.

The empirical results discussed in this chapter were used to construct a conceptual framework for the assessing of brand loyalty in the FMCG sector. The implications of the empirical results will be addressed in the next chapter. Furthermore, Chapter six will provide recommendations about the manner in which brand loyalty in the FMCG sector can be managed.

# **CHAPTER 6**

## **EVALUATION, CONCLUSION AND RECOMMENDATIONS**

### **2.5 INTRODUCTION**

Chapter Five provided insight into the empirical results of the study. Factor analysis was used to explore and confirm the relationships among data where factor analysis yielded information on patterns of responses and not simply data on a single response. The chapter concluded with the presentation of a conceptual framework reflecting the strength of each of the brand loyalty influences. A comparison between all influences to determine the similarity between influences was also conducted where it was ascertained that all influences could be regarded as a single entity as far as brand loyalty for the three consumer products are concerned.

This chapter begins by providing the sequential conclusions of the research study. Recommendations in accordance with the conclusions are then examined. The areas for future/further research are then explored followed by a comparison of results between this research study and other similar studies. The problems encountered in this study are then outlined followed by a summary of empirical results. This chapter concludes by examining the managerial implications of this study.

### **2.6 CONCLUSIONS**

Several conclusions can be drawn from this study which is presented in two parts. The first part concludes on the procedures adopted for this study while the second part concludes on the results of this study.

### **2.6.1 Conclusions on procedures**

In total, nine distinct procedural conclusions can be drawn from this study. These are as follows:

#### **Conclusion 1:**

With the increase in literature on brands, branding and brand loyalty, and the ease of access to literature both physically and electronically, it was possible to clearly articulate the concept of brands and branding. The first literature review covering five decades of branding made it possible to understand the concept of a brand, the evolution of branding and the emergence of brand loyalty. It can be concluded that by first establishing the history and evolution of the branding concept, the elements of brand loyalty become lucid and identifiable and assist in anticipating and forecasting future trends in the field of branding.

#### **Conclusion 2**

A comprehensive review of literature pertaining to brand loyalty ensured that the influences of brand loyalty across different industries were apparent. It was possible to identify an initial set of brand loyalty influences from the contribution of several subject experts. It can be concluded that a thorough literature review is effective in providing the history, the theory and the composition of brand loyalty essential in the identification of brand loyalty influences. It is thus concluded that an exhaustive review of literature provides valuable insight in the process of identifying brand loyalty influences.

#### **Conclusion 3:**

Brand loyalty models used in previous research studies were comprehensively explored to establish the influences evaluated. The rationale of exploring a wide array of brand loyalty models was to ensure that content validity was maintained, determine how other researchers have defined and measured the influences of brand loyalty and identifies the literature and data sources used by other researchers in their studies. It can be concluded that an examination of previously tested models is particularly useful in ascertaining the determinants for a proposed brand loyalty framework.

#### **Conclusion 4:**

The process of reducing the influences of brand loyalty was effective in ensuring that a more parsimonious set of variables was explored without losing the ability to measure the construct of interest. The process of elimination involved exploring brand loyalty models and frameworks previously conducted to determine those influences that received overwhelming support as well as those most supported by literature. The process of selecting the 12 influences involved a comprehensive analysis of brand loyalty studies in terms of frequency and reliability and each influence selected is thus justifiable. It can be concluded that the influences selected were reflective of the key brand loyalty influences.

#### **Conclusion 5:**

The sample and measuring instrument used in this study were highly effective in capturing the data pertaining to each influence. A total of 50 questions on the 12 influences were compiled from which 43 were based on researched literature and previously used brand loyalty models while 7 items were self generated. The compilation of each of the 50 questions done in reference to other research studies ensured that critical considerations of each influence were made in the formulation of questions. It can be concluded that the questionnaire used in this study was appropriately designed and effectively administered.

#### **Conclusion 6:**

A questionnaire return rate of 98% (*541 questionnaires from the 550*) was accomplished by the direct distribution and collection strategy employed in this study. Questionnaires were distributed and collected at each centre with relative ease and convenience. It can be concluded that the direct method employed is the most effective method in terms of response rate and turnaround time.

### **Conclusion 7:**

A number of statistical techniques were applied in this study. Items selected for the constructs were mainly adapted from prior studies to ensure content validity. The data for this study were proven to be reliable using the Cronbach alpha coefficient technique. Since factor analysis was used to validate the questionnaire, reliability of the scale was checked using Cronbach alpha where the preferable coefficient of 0.70 was set as the absolute minimum. Cronbach alpha confirmed that the questionnaire was indeed reflective of the construct it was measuring. It also confirmed internal consistency and validity of the influences and the closeness of items as a group.

The Bartlett's test of sphericity used to measure sampling adequacy confirmed that the variables in this study correlated perfectly with itself ( $r = 1$ ) and had no correlation with other variables ( $r = 0$ ).

In addition, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy yielded values that generally ranged from 0.7 to 0.8. The degree of common variance among the twelve influences was "good". This signified that factor analysis was appropriate for this study as factors to be extracted would account for a good amount of variance.

Factor analysis, essentially the multivariate technique adopted for this study, involved identifying whether the correlations between the set of observed influences stemmed from their relationship to one or more latent variables in the data, each of which took the form of a linear model. A total of 9 out of the 12 influences yielded single values. In one case, a statement was removed and the factor reconfirmed and in the other two cases Varimax rotation was used to redefine the factors separately. Orthogonal rotation was used to maximise the dispersion of factor loadings within factors, thereby loading a smaller number of variables on each factor. Confirmatory factor analysis did confirm that the influences identified and the statements used were related to the latent variable. It is concluded that the questionnaire and the data are reliable and valid.

### **Conclusion 8:**

Data analysis was conducted in three categories. Data analysis on respondent demographic profile related to gender, income, industry, geographic distribution and race revealed an equitable representation of respondents in all categories except geographic distribution where more than half of the respondents were based in the region of the researcher's residence. Quantitative analysis focusing on the similarities between FMCG products confirmed that an extremely strong correlation existed between the three products tested to the extent that they were treated as a single entity from that point on. Quantitative analysis using confirmatory factor analysis did confirm all 12 identified influences as true influences of brand loyalty. It also confirmed the statements selected for each influence were indeed valid. Confirmatory factor analysis (CFA) did confirm the measurement theory.

#### **2.6.2 Conclusions on results**

A total of three distinct conclusions can be drawn from the formulation of the brand loyalty framework. These are as follow:

### **Conclusion 9:**

An analysis of the demographic profile of respondents reveals a sample well suited for a study of this nature. Firstly, the gender profile was in keeping with the overall South African gender profile with the male total slightly exceeding the female total. The income per annum analysis revealed that the majority of the respondents fell within the middle to higher income earners in South Africa. This again suited the study as respondents were financially secure having access to a wide variety of FMCG brands. Analysis of industry of employment reflected respondents emerging from diverse sectors which ensured good representatively should brand buyer behaviour be linked with sector/organisational culture. Finally, the analysis of geographic distribution reflected that respondents from every South African province were represented which ensured cultural sensitivities were considered. It can be concluded that it is vital to consider a wide range of dimensions when selecting a sample so that the research results can be most reflective of the population.

### **Conclusion 10:**

Comparative analysis by means of the Pearson correlation coefficient revealed an extremely strong relationship between all three FMCG per influence. In all cases, the coefficient exceeded 0.91 and the three products generated a mean coefficient of 0.98. It can be concluded that for the three products used in this study, it is possible to treat them as a single entity. This signifies that one common marketing, promotions and branding strategy could be adopted for the three products.

### **Conclusion 11:**

Measuring the strength of each influence based on the 12 categories discovered in the literature chapters provides a clear indication to the most influential brand loyalty factors. While different influences revealed different strengths in other studies, attitudinal influences linked with psychological attributes were proven to be most significant in this study. It can be concluded that the most prominent brand loyalty influences for the three FMCG products in this study are brand commitment, brand affect, brand relevance, perceived value and relationship proneness. It can be also concluded that a pictorial representation of the framework is useful for interpretation and application.

## **6.3 RECOMMENDATIONS**

This section is structured in a similar way as the conclusion section in that it contains two parts. The first part presents recommendations based on the conclusion of procedures discussed in the previous section while the second part presents recommendations based on the conclusions of the results. The recommendations are numbered in accordance to the conclusions drawn above. Therefore, the recommendation numbered 1, for example, refers directly to Conclusion 1 or otherwise stated. In some cases, a conclusion may have more than one recommendation, while in other cases no recommendation may follow a conclusion. Such cases do not influence the numbering of the recommendations.

### **6.3.1 Recommendations related to conclusion of procedures**

From this study and its conclusions in 6.2, the following recommendations are formulated:

#### **Recommendation 1:**

Stemming from conclusions 1 and 2, it is strongly recommended that a thorough examination of literature be conducted in establishing a grounding of the subject matter, understand the evolution of the concept to forecast the future and identify elements and concepts related to the study at hand.

The literature review in this study yielded enlightening brand loyalty literature and served as the initial source of attitudinal and behavioural brand loyalty influences. The history and literature is important in attaining insights, awareness and trends in the branding sector.

#### **Recommendation 2:**

Based on conclusion 3, it is recommended that the examination of a variety of existing brand loyalty models that have been extensively researched by the authors and published in renowned academic journals be undertaken. These validated models provide another valuable departure point to trace and locate the dimensions and influences of brand loyalty. It is strongly recommended that researchers in the field of branding and brand loyalty follow a similar approach so as to form a sound academic base for their research.

#### **Recommendation 3**

Related to conclusion 4, it is clear that it becomes extremely challenging and statistically unmanageable to test all the influences of brand loyalty identified in the literature review and brand loyalty models. In order to attain a more parsimonious set of influences reducing the influences to the most salient ones becomes necessary. It is recommended to brand loyalty researchers that the process of elimination involves a rigorous examination of the regularity of brand loyalty influences in recent brand loyalty studies and the reliability of the influences used.

#### **Recommendation 4:**

As indicated in conclusion 5, the questionnaire used in this study was effective, holistic, valid and reliable. It is recommended that the formulation of questions for the measuring instrument involve an interrogation of literature pertaining to each influence, instruments used in previous research of consumers using the product and discussions with branding practitioners and academicians. It is also recommended that the instrument consider contemporary issues that may not have been investigated previously and be included as self generated items.

#### **Recommendation 5:**

Emanating from conclusion 5, it is highly recommended that the direct method of questionnaire distribution and collection be utilised for a study of this type as the response rate and turnaround time was excellent. The direct method that is recommended ensures that all respondents in all regions complete the questionnaire at the same place at the same time of which the researcher has full control. This also technique reduces the impact of external forces on responses, keeps the respondents focused and presents exactly the same environment.

#### **Recommendation 6**

The statistics used in this study is highly recommended as pointed out in conclusion 7. The statistics provide an appropriate, reliable and valid set of results that can be interpreted proficiently. Factor analysis is particularly recommended for a study of this nature as it explores the interrelationships among influences, reduces attributes and generates distinct activity patterns. The patterns can be analysed and evaluated to clearly portray the scientific, valid and reliable outcome of the study.

#### **Recommendation 7:**

Based on conclusion 8 which outline the data analysis procedure, it is recommended to researchers of similar studies that data analysis be conducted in a similar way. Data analysis was conducted in a structured with sequential progression from respondent demographic profile to quantitative analysis of influences. The results generated were explicit and made it uncomplicated to evaluate.

### **6.3.2 Recommendations related to conclusion of results**

Recommendations based on the conclusions of results presented in 6.22 are as follows:

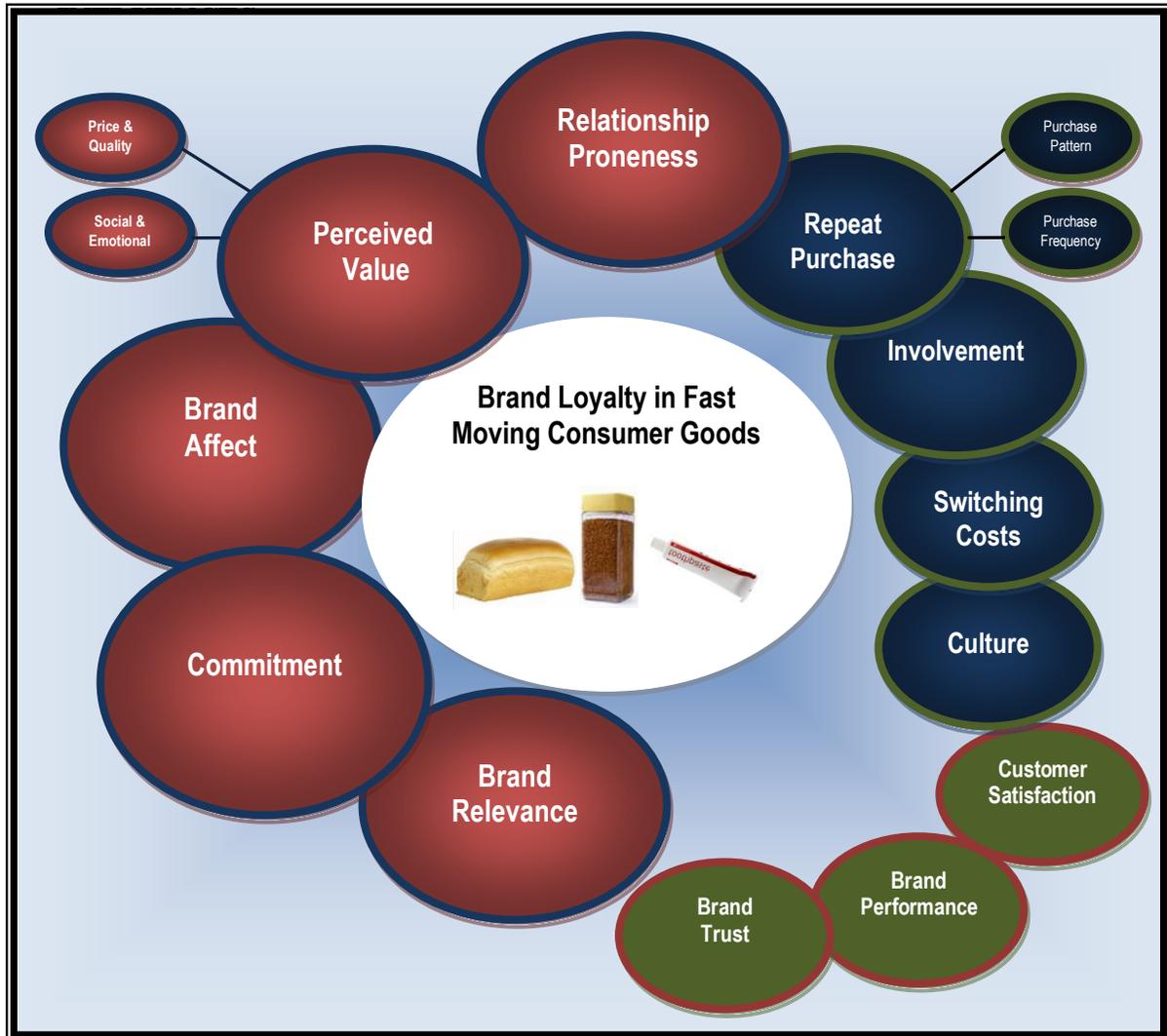
#### **Recommendation 8:**

Extending conclusion 10, it is strongly recommended that studies involving multiple brands, products or services be compared to determine similarities and differences. This is a particularly useful task in that it can provide marketers or brand managers with information as to which products/brands could be grouped and treated as one entity and which product/brands entities need to be treated individually.

#### **Recommendation 9:**

Rating and ranking brand loyalty influences and pictorially representing the conceptual framework is recommended for the benefit it provides to marketers and brand managers at all levels as described in conclusion 11. A ranking system clearly indicates the strength and value of each influence and this study proved that attitudinal factors with psychological associations are the strongest brand loyalty influences in the three FMCG products tested. It is recommended that the framework in figure 6.1 be tested by FMCG marketing and brand managers. Figure 6.1 is a good representation of the outcome of this study where the size of each bubble and the distance from the core brand loyalty bubble represents the effect it has and the overlapping nature of bubbles represents the strong relationship between influences. Sub influences for two core influences are also depicted.

**FIGURE 6.1: COMPLETE CONCEPTUAL FRAMEWORK – BRAND LOYALTY**



#### **6.4 MANAGERIAL IMPLICATIONS**

The primary objective of this study was to develop a framework through which the influences of brand loyalty could be measured and the interrelationships between influences explored. The conceptual framework developed which fulfils the objectives of the study has significant implications for management. Firstly, an understanding of the value of each influence in creating brand loyalty is significant in the formulation of a marketing and promotions strategy.

Secondly, confirming that FMCG products are robustly similar in terms of brand loyalty influences indicates that the selected products can be treated as a single entity when devising the marketing or promotions strategy. An analysis of each influence tested reveals the following:

#### **6.4.1 Customer satisfaction**

While the literature revealed customer satisfaction as one of the most dominant influences of brand loyalty, the results of this study indicated that customer satisfaction was the least dominant force of the 12 influences tested with regard to the three FMCG products (see Figure 5.10). This is a significant finding as investment in customer satisfaction, according to Jeong and Lee (2010:150) has been considerable over the past decade. While many marketers consider customer satisfaction to be the ultimate marketing instrument, the question according to West (2008:1) is, *“Is this belief correct or is the practice of surveying customers one that simply gives companies a false sense of empowerment?”*. The results of customer satisfaction in this study are in keeping with the findings of Bowen and Chen (2001:216) in that a nonlinear relationship between customer satisfaction and brand loyalty exists. This indicates that when customer satisfaction declines to a certain point, loyalty drops dramatically.

Marketers therefore need to measure the return on investment with customer satisfaction regularly or consider using alternative influences in their FMCG branding strategies. High correlation between toothpaste, coffee and bread indicates that customers look for similar attributes in the products to fulfil satisfaction.

#### **6.4.2 Switching costs**

The results of brand loyalty and switching costs in the FMCG sector are in keeping with the literature and the results of previous studies. Switching costs did prove to be a significant mobility barrier. This signifies that an opportunity for marketers and brand managers to raise mobility barriers does exist as a strategy to retain customers rather than seek. Correlation between the three products was also extremely high which implies that mobility barriers could be common for all three products.

### **6.4.3 Brand trust**

Results for brand trust in brand loyalty revealed that it is not as significant as most of the other influences tested with regard to brand loyalty. Brand trust with a coefficient of less than .47 (see figure 5.10) signifies that customers place less emphasis on trust for lower cost frequently used products. This confirms the findings of Elliot and Percy (2007:290) who confirm that trust is less significant when risks are reduced and habitual purchases are involved. The correlation between the three products was extremely high signifying that the concept of trust in relation to brand loyalty is common in FMCGs.

### **6.4.4 Relationship proneness**

The results of relationship proneness in brand loyalty confirms the research results by Reast (2005:11), Olsen (2002:240), Bloemer and Odekerken-Schroder (2002:77), DeWulf *et al.* (2001:44), Bendapudi and Berry (1997:36) and Oliver (1999:41) that indicate that relationship proneness has a significant bearing on brand loyalty. Relationship proneness with a standard regression weight exceeding .75 (see figure 5.10) signifies that consumers prefer to engage in a relationship with a FMCG brand which may be considered as a part of a consumer's personality. The correlation between the products was extremely high indicating that the importance of brand relationship may be common to all FMCG.

### **6.4.5 Involvement**

The results revealed that the impact of brand involvement in brand loyalty is significant to an extent. With an average coefficient of .67, involvement does play a role in brand loyalty as suggested by Park (1996:239) in that a higher level of involvement with a brand, leads to a higher level of brand loyalty. Although involvement is not as dominant as some of the other influences, customers are frequently involved with FMCG and one would have felt that it would play a more significant role. Correlation between the three products was once again extremely high signifying that involvement has a similar impact on all three products.

#### **6.4.6 Perceived value**

This study indicated that perceived value actually consists of two dominant sub influences that should be treated individually. The sub influences are price worthiness and functional value, and social and emotional value. The research results reveal that when grouped, perceived value is a prominent influence in brand loyalty in FMCG. This suggests that the consumer's overall assessment of an FMCG product based on perceptions is significant in maintaining brand loyalty. Once again correlation between the products was extremely high revealing the strength of perceived value as a brand loyalty influence applies the same for all three products.

#### **6.4.7 Commitment**

With a coefficient of over .80, brand commitment emerged as the most dominant influencing factor of brand loyalty among the products tested. The result implies that in the FMCG sector, customers tend to pledge or bind themselves to purchase the brand. It also implies that psychological forces that link the consumer to the product as indicated by Fullerton (2005:101) play a critical role in ensuring brand loyalty in this segment. Marketers and brand managers in the FMCG sector therefore need to focus strategies based on building commitment for the effective capture of brand loyalists. Correlation between the products was high and once again the three products are so closely related that they could be treated as a single entity.

#### **6.4.8 Repeat purchase behaviour**

The results indicate that repeat purchase behaviour is a significant influence in brand loyalty yielding a coefficient of 0.68. It also signifies that once a pattern of purchase behaviour is manifested, it is difficult to change the systematic bias away from the brand. Marketers and brand managers may experience difficulties in setting a strategy to promote repeat purchase behaviour but once perfected, it could be a highly effective strategy of retaining consumers. In this case the correlation for all three products was all 0.99 indicating that the products are insignificant as the same behaviour applies.

#### **6.4.9 Brand affect**

Brand affect emerged as the second most dominant influence in this study. This implies that the positive emotional response received through the usage of a brand is a powerful loyalty influence. Once again it becomes apparent that the attitudinal influences linked to psychological forces play a much more dominant role in attaining brand loyalty in the FMCG sector rather than the physical benefits of products. Although it might once again be challenging for marketers and brand managers to devise an effective strategy that focuses on providing a positive emotional response it can generate tremendous benefits if achieved. All three products were highly correlated implying that brand affect has a very similar effect on all products tested.

#### **6.4.10 Brand relevance**

Brand relevance emerged as the third most dominant influence in brand loyalty in this study. A clear indication is that customers are seeking brands that have meaning amidst a plethora of meaningless brands too many for human cognition. Marketers and brand managers need to carefully consider their brand messages and ensure that they have more meaning and effectively establish brand relevance. All three products showed close similarities in response to brand relevance signifying that it has a similar effect on each product.

#### **6.4.11 Brand performance**

Not as significant as the other influences, brand performance in the FMCG sector appears less important. Brand performance plays a significant role when customers have limited ability to evaluate a product. FMCG, however, can be effortlessly evaluated which could explain its less prominent role in this sector. Once again, correlation between products was high with brand performance having a similar effect on all three products.

#### **6.4.12 Culture**

Culture, like brand performance, featured less prominently as a strong influential factor of brand loyalty in this study. This can be explained by the fact that FMCG brands have a much shorter lifecycle than other product brands. There is also an ever-widening range of goods, growing globalisation and volatility of consumer tastes. As such, the brand usually does not extend beyond a generation for it to be adopted by the next generation of members. Once again strong correlation between products existed.

### **6.5 CONTRIBUTION OF THE PRESENT STUDY**

As far as could be ascertained, the present study is the first in its kind to evaluate and measure the influence of brand loyalty on FMCG in South Africa. Although some studies were identified in which brand loyalty was measured in different sectors, such studies did not progress further to explore the interrelationship between influences. Furthermore, models often appear to focus on a sub-section of the complete model (therefore assessing only a certain criterion). It was therefore found that the marketing literature appears to be fragmented in terms of the way in which brand loyalty should be measured and evaluated.

Given this fragmented body of knowledge, this study is the first to suggest a framework that could be adopted for measuring brand loyalty in the FMCG sector and evaluating the relationship between influences. Furthermore, empirical research on brand loyalty in the South African FMCG industry is very limited. This confirms Cylkowski's (2007:1) statement in that South African FMCG companies are not innovative which is a direct result of the limited research conducted and the reluctance on undertaking research in a sector not usually associated with brand research. Where research is available, it focuses primarily on the impact of external factors on brand loyalty or the impact of changes in product line on brand loyalty.

Through this study, a contribution is made to the body of knowledge regarding brand loyalty in respect of the South African FMCG industry. A further contribution of the present study is the development of a framework that can be used to measure the impact of several influences on brand loyalty. Both the reliability and the validity of the framework were confirmed.

The secondary objectives of the study were met and a valuable contribution was made by identifying a comprehensive set of 12 key influences of brand loyalty in the FMCG sector. These influences could be applied and tested across three consumer products to determine the dominant influences as it applies to different products.

## **6.6 LIMITATIONS OF THE PRESENT STUDY**

In undertaking this study, certain limitations became apparent. These include the following:

- **Product selection**

Even though the FMCG chosen for the study was carefully selected by researching the products used in similar research studies, it became evident that the number of products chosen was limited. Three products represent a very small sample of the FMCG population. The range of FMCG products have also expanded through the years and now include fruits and vegetables. The results generated here may therefore not apply to all FMCG products.

- **Time, budget and data limitations**

Time and budget limitations made it impractical to assess the influences of brand loyalty using multiple data gathering instruments. Interviews and observations could have added further dimensions to the results providing an even more accurate account of brand loyalty influences in the FMCG sector. The data protect act and the scarcity of data relating to the South African FMCG sector made it challenging to reflect the current situation of the market to represent trajectories relating to growth

## **6.7 AREAS FOR FUTURE RESEARCH**

This study provided a new perspective on the influences of brand loyalty in the FMCG sector. However, the study also presents opportunities for further research in a number of ways.

It could be of value to assess the degree to which the findings of this study correlate with those of similar studies in other product driven industries. It can only be assumed that other products might use a different set of influences when assessing key brand loyalty influences. For example, it is expected that influences such as customer satisfaction would feature much more prominently.

The study also presents the opportunity to be replicated on a wider and different range of FMCG products. It can only be assumed that the results would be similar which would present the hypostases that all FMCG products can be treated as a single entity as far as evaluating the influences of brand loyalty is concerned.

Undertaking a comparative study between brand loyalty influences in the product driven segment and brand loyalty influences in the services segment is another possible area for future research. It would be interesting to compare and contrast the influences of the most dominant influences in each sector.

A further possibility is that the present study can be replicated in an international context in order to assess the differences between brand loyalty influences in different countries. The study would be useful in assessing whether brand loyalty influences are universal or unique to different cultures. Although various other areas of research are probable, the hope is expressed that this study serves as a point of departure in skills immigration research and that it whets the appetite of future researchers.

## **6.8 SUMMARY OF RESEARCH STUDY**

While the importance and need for brand loyalty have surfaced, very little research has been dedicated to frequently used consumer products. Furthermore, limited literature and frameworks exist to guide marketers and brand managers devise an effective brand loyalty strategy for the FMCG sector.

This thesis has aimed at achieving the primary objective of presenting a conceptual framework to measure brand loyalty with particular reference to three products in the FMCG segment. To support the primary objective, several secondary objectives had to be first fulfilled. The accomplishment of the primary and secondary objectives was attained through a series of six coherent chapters.

Chapter One reflected the purpose of the study and emphasised the need for such a study. Justification of this study was clarified by accentuating the gaps in knowledge in brand loyalty which merited a closer investigation. Primary and secondary objectives listed directed the study towards the accomplishment of a conceptual framework. This chapter also provided a succinct description of the methodology and structure to be pursued in subsequent chapters.

Chapter Two provided a strong base for the study by highlighting the concepts of brands, branding and brand strategy. The intention of exploring the underpinnings of branding was to provide a detailed understanding of a multifaceted concept much required when exploring brand loyalty evolution, literature and models.

Chapter Three converged on brand loyalty literature and models and presented a concise, coherent account of what is known in the field of brand loyalty, brand loyalty measures and brand loyalty models and what remains to be learned. The chapter identified contributions, controversies and differences of opinion among scholars in brand loyalty and made a case for the validity of this study.

Chapter Four which covered the research methodology presented the research philosophy in relation to other philosophies and expounded on the research strategy adopted for this study. The strategy to reduce the total number of influences was initially explained. The research instruments developed to pursue the goal of devising the conceptual framework was specified followed by a justification of

the statistical method employed (factor analysis) and statistics utilised. Factors were confirmed and structural equation modelling was employed to measure the goodness of fit.

Chapter Five was dedicated to the presentation and analysis the empirical results. An analysis of the demographic profile first confirmed the suitability of the sample for the study. Quantitative analysis by means of factor analysis reflected and confirmed the measurement theory. Factor comparison was accomplished by means of Pearson correlation coefficient while reliability and validity was examined by means of Cronbach alpha and Bartlett's test of sphericity. The appropriateness of factor analysis in this study was examined by Kaiser-Meyer-Olkin. The use of structural equation modelling ensured the generation of a framework which was presented. The chapter concluded when the goodness of model fit reflected a fair fit.

The final chapter, namely Chapter Six, of this thesis presented nine conclusions based on the procedures adopted for the study and three conclusions on the results obtained. Corresponding recommendations ensured that each of the conclusions was addressed. The conceptual model was presented as part of the final recommendation. The managerial implications on each influence and recommended areas for future research were finally expounded.

This study presented a conceptual brand loyalty framework that represents and measures the influences that create brand loyalty in three FMCG. The framework also enables products and influences to be compared for similarities. The conceptual framework can make a significant contribution to brand loyalty in the marketing field as it provides a quick and simple reference for the three products tested as well as a guide to test other products to determine the most dominant brand loyalty influences.

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## APPENDIX A

### Research Questionnaire to determine brand loyalty influences in fast moving consumer goods (FMCG)

This survey is nine pages long and should take only 10-15 minutes to complete

**Please place a cross in the appropriate column**

#### Section 1 – Demographics

| Age Group |  |
|-----------|--|
| 20 – 30   |  |
| 31 – 40   |  |
| 41 – 50   |  |
| 51 – 60   |  |
| 61 +      |  |

| Sex    |  |
|--------|--|
| Male   |  |
| Female |  |

| Income Segment (p.a) |  |
|----------------------|--|
| Less than R100,000   |  |
| R100k – R250k        |  |
| R250k – R500k        |  |
| R500k – R1m          |  |
| More than R1m        |  |

| Province of Residence |  |
|-----------------------|--|
| Gauteng               |  |
| Kwa-Zulu Natal        |  |
| Eastern Cape          |  |
| Western Cape          |  |
| Northern Cape         |  |
| North West            |  |
| Limpopo               |  |
| Mpumalanga            |  |
| Free State            |  |

| Ethnicity |  |
|-----------|--|
| Black     |  |
| White     |  |
| Coloured  |  |
| Asian     |  |

| Industry      |                  |                 |                         |  |
|---------------|------------------|-----------------|-------------------------|--|
| Arts & Crafts | Education        | Health Care     | IT & Telecommunications |  |
| Banking       | Fashion          | Human Resources | Legal                   |  |
| Construction  | Financial        | Insurance       | Marketing               |  |
| Professional  | Property         | Retail          | Safety & Security       |  |
| Tourism       | Other (Specify): |                 |                         |  |

| No | Code  | Question  | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|---|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 1  | CUS01 | I am very satisfied with the listed FMCG brands I purchase                                | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 2  | CUS02 | Distinctive product attributes in FMCG keep me brand loyal                                | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 3  | CUS03 | My loyalty towards a particular FMCG brand increases when I am satisfied about that brand | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 4  | CUS04 | I do not repeat a purchase if I am dissatisfied about a particular FMCG brand             | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 5  | CUS05 | I attain pleasure from the FMCG brands I am loyal towards                                 | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 6  | SCR01 | I do not switch FMCG brands because of the high cost implications                         | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 7  | SCR02 | I do not switch FMCG brands because of the effort required to reach a level of comfort    | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question  | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|---|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 8  | SCR03 | I avoid switching FMCG brands due to the risks involved   | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 9  | SCR04 | I switch FMCG brands according to the prevailing economic conditions                              | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 10 | SCR05 | I prefer not to switch FMCG brands as I stand to lose out on the benefits from loyalty programmes | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 11 | BTS01 | I trust the FMCG brands I am loyal towards  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 12 | BTS02 | I have confidence in the FMCG that I am loyal to  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 13 | BTS03 | The FMCG brands I purchase has consistently high quality  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 14 | BTS04 | The reputation of a FMCG brand is a key factor in me maintaining brand loyalty                    | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question   | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|--|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 15 | RPR01 | I prefer to maintain a long term relationship with a FMCG brand                      | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 16 | RPR02 | I maintain a relationship with a FMCG brand in keeping with my personality           | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 17 | RPR03 | I maintain a relationship with an FMCG brand that focuses and communicates with me   | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 18 | RPR04 | I have a passionate and emotional relationship with the FMCG brands I am loyal to    | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 19 | INV01 | Loyalty towards a FMCG brand increases the more I am involved with it                | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 20 | INV02 | Involvement with a FMCG brand intensifies my arousal and interest towards that brand | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 21 | INV03 | I consider other FMCG brands when my involvement with my FMCG brand diminishes       | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question   | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|--|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 22 | INV04 | My choice of a FMCG brand is influenced by the involvement others have with their FMCG brand | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 23 | PVL1  | My FMCG brand loyalty is based on product quality and expected performance                   | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 24 | PVL02 | I have an emotional attachment with the FMCG brands I am loyal towards                       | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 25 | PVL03 | Price worthiness is a key influence in my loyalty towards FMCG brands                        | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 26 | PVL04 | The FMCG brands that I am loyal to enhances my social self concept                           | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 27 | COM01 | I have pledged my loyalty to particular FMCG brands  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 28 | COM02 | I do not purchase/sample other FMCG brands if my FMCG brand is unavailable                   | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question  | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|---|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 29 | COM03 | I identify with the FMCG brands that I consume and feel as part of the brand community  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 30 | COM04 | The more I become committed to a FMCG brand, the more loyal I become                    | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 31 | COM05 | I remain committed to FMCG brands even through price increases and declining popularity | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 32 | RPS01 | My loyalty towards FMCG brands is purely habitual                                       | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 33 | RPS02 | I do not necessarily purchase the same FMCG brands all the time                         | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 34 | RPS03 | I always sample new FMCG brands as soon as they are available                           | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |
| 35 | RPS04 | I establish a FMCG brand purchasing pattern and seldom deviate from it                  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question   | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|--|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 36 | RPS05 | Loyalty programmes are reason I repeat FMCG brand purchases  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 37 | BAF01 | I attain a positive emotional response through the usage of a FMCG brand                           | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 38 | BAF02 | The FMCG brands that I am loyal towards makes a difference in my life                              | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 39 | BAF03 | I am distressed when I am unable to use/purchase a particular FMCG brand                           | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 40 | BRV01 | The FMCG brands that I am loyal towards stands for issues that actually matters                    | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 41 | BRV02 | The FMCG brands that I am loyal towards has freshness about them and portray positive significance | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 42 | BRV03 | I know that an FMCG brand is relevant through the brand messages communicated.                     | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question   | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|--|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 43 | BRV04 | The FMCG brands that I am loyal towards are constantly updating and improving so as to stay relevant | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 44 | BPF01 | I evaluate a FMCG brand based on perceived performance   | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 45 | BPF02 | I will switch FMCG brand loyalty should a better performing FMCG brand be available                  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 46 | BPF03 | I am loyal only towards the top performing FMCG brand  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 47 | CUL01 | My choice of FMCG brands is in keeping with the choice made by other members in my race group        | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 48 | CUL02 | My loyalty towards an FMCG brand is based on the choice of FMCG brand used by my family              | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |
| 49 | CUL03 | Religion plays a role in my choice and loyalty of FMCG brands  | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |  | Coffee     |                |       |                |           |                   |          |                   |
|    |       |  | Bread      |                |       |                |           |                   |          |                   |

| No | Code  | Question  | FMCG       | Strongly Agree | Agree | Agree somewhat | Undecided | Disagree somewhat | Disagree | Strongly Disagree |
|----|-------|---|------------|----------------|-------|----------------|-----------|-------------------|----------|-------------------|
| 50 | CUL04 | Family used FMCG brands indirectly assure brand security and trust. | Toothpaste |                |       |                |           |                   |          |                   |
|    |       |   | Coffee     |                |       |                |           |                   |          |                   |
|    |       |   | Bread      |                |       |                |           |                   |          |                   |

## APPENDIX B

# Interbrand

### BEST GLOBAL BRANDS – 2009

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------------|------------------------|-----------------------|
| 1         | 1         |    | United States     | Beverages            | 68,734                 | 3%                    |
| 2         | 2         |    | United States     | Computer Services    | 60,211                 | 2%                    |
| 3         | 3         | <b>Microsoft</b>  | United States     | Computer Software    | 56,647                 | -4%                   |
| 4         | 4         |   | United States     | Diversified          | 47,777                 | -10%                  |
| 5         | 5         | <b>NOKIA</b>  | Finland           | Consumer Electronics | 34,864                 | -3%                   |
| 6         | 8         |  | United States     | Restaurants          | 32,275                 | 4%                    |
| 7         | 10        |  | United States     | Internet Services    | 31,980                 | 25%                   |
| 8         | 6         |  | Japan             | Automotive           | 31,330                 | -8%                   |
| 9         | 7         |  | United States     | Computer Hardware    | 30,636                 | -2%                   |
| 10        | 9         |  | United States     | Media                | 28,447                 | -3%                   |
| 11        | 12        |  | United States     | Computer Hardware    | 24,096                 | 2%                    |

| 2009 Rank | 2008 Rank | Brand  | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|--|-------------------|----------------------|------------------------|-----------------------|
| 12        | 11        | <br>Mercedes-Benz | Germany           | Automotive           | 23,867                 | -7%                   |
| 13        | 14        |                   | United States     | Personal Care        | 22,841                 | 4%                    |
| 14        | 17        |                   | United States     | Computer Services    | 22,030                 | 3%                    |
| 15        | 13        |                   | Germany           | Automotive           | 21,671                 | -7%                   |
| 16        | 16        |                   | France            | Luxury               | 21,120                 | -2%                   |
| 17        | 18        |                   | United States     | Tobacco              | 19,010                 | -11%                  |
| 18        | 20        |                  | Japan             | Automotive           | 17,803                 | -7%                   |
| 19        | 21        |                 | Republic of Korea | Consumer Electronics | 17,518                 | -1%                   |
| 20        | 24        |                 | United States     | Computer Hardware    | 15,433                 | 12%                   |
| 21        | 22        |                 | Sweden            | Apparel              | 15,375                 | 11%                   |
| 22        | 15        |                 | United States     | Financial Services   | 14,971                 | -32%                  |
| 23        | 26        |                 | United States     | Beverages            | 13,706                 | 3%                    |
| 24        | 23        |                 | United States     | Computer Software    | 13,699                 | -1%                   |
| 25        | 28        |                 | Switzerland       | Beverages            | 13,317                 | 2%                    |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------------|------------------------|-----------------------|
| 26        | 29        |    | United States     | Sporting Goods       | 13,179                 | 4%                    |
| 27        | 31        |    | Germany           | Computer Software    | 12,106                 | -1%                   |
| 28        | 35        |    | Sweden            | Home Furnishings     | 12,004                 | 10%                   |
| 29        | 25        |    | Japan             | Consumer Electronics | 11,953                 | -12%                  |
| 30        | 33        |    | United States     | Alcohol              | 11,833                 | 3%                    |
| 31        | 30        |    | United States     | Transportation       | 11,594                 | -8%                   |
| 32        | 27        |   | United Kingdom    | Financial Services   | 10,510                 | -20%                  |
| 33        | 36        |  | Japan             | Computer Hardware    | 10,441                 | -4%                   |
| 34        | 39        |  | United States     | Food                 | 10,428                 | 7%                    |
| 35        | 32        |  | United States     | Computer Hardware    | 10,291                 | -12%                  |
| 36        | 19        |  | United States     | Financial Services   | 10,254                 | -49%                  |
| 37        | 37        |  | United States     | Financial Services   | 9,550                  | -11%                  |
| 38        | 38        |  | United States     | Financial Services   | 9,248                  | -10%                  |
| 39        | 40        |  | Japan             | Consumer Electronics | 9,210                  | 5%                    |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector             | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|--------------------|------------------------|-----------------------|
| 40        | 44        |  THOMSON REUTERS | Canada            | Media              | 8,434                  | 1%                    |
| 41        | 45        | GUCCI   | Italy             | Luxury             | 8,182                  | -1%                   |
| 42        | 43        | PHILIPS   | Netherlands       | Diversified        | 8,121                  | -2%                   |
| 43        | 58        | amazon.com  | United States     | Internet Services  | 7,858                  | 22%                   |
| 44        | 51        | L'ORÉAL   | France            | Personal Care      | 7,748                  | 3%                    |
| 45        | 47        | accenture   | United States     | Computer Services  | 7,710                  | -3%                   |
| 46        | 46        | ebay  | United States     | Internet Services  | 7,350                  | -8%                   |
| 47        | 48        | SIEMENS   | Germany           | Diversified        | 7,308                  | -8%                   |
| 48        | 56        | Heinz   | United States     | Food               | 7,244                  | 9%                    |
| 49        | 49        |                | United States     | Automotive         | 7,005                  | -11%                  |
| 50        | 62        | ZARA  | Spain             | Apparel            | 6,789                  | 14%                   |
| 51        | 61        |  WRIGLEY       | United States     | Food               | 6,731                  | 10%                   |
| 52        | 57        | Colgate   | United States     | Personal Care      | 6,550                  | 2%                    |
| 53        | 55        |                | France            | Financial Services | 6,525                  | -7%                   |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------------|------------------------|-----------------------|
| 54        | 52        |    | United States     | Media                | 6,523                  | -9%                   |
| 55        | 53        |    | Germany           | Automotive           | 6,484                  | -8%                   |
| 56        | 59        |    | United States     | Computer Hardware    | 6,431                  | 1%                    |
| 57        | 42        | Morgan Stanley  | United States     | Financial Services   | 6,399                  | -26%                  |
| 58        | 63        |    | Switzerland       | Food                 | 6,319                  | 13%                   |
| 59        | 60        |    | France            | Luxury               | 6,040                  | -5%                   |
| 60        | 66        |   | France            | Food                 | 5,960                  | 10%                   |
| 61        | 64        |  | United States     | Restaurants          | 5,722                  | 3%                    |
| 62        | 70        |  | Germany           | Sporting Goods       | 5,397                  | 6%                    |
| 63        | 73        |  | Canada            | Consumer Electronics | 5,138                  | 7%                    |
| 64        | 65        |  | United States     | Internet Services    | 5,111                  | -7%                   |
| 65        | 67        |  | Germany           | Automotive           | 5,010                  | -7%                   |
| 66        | 68        |  | United States     | Diversified          | 5,004                  | -5%                   |
| 67        | 69        |  | United States     | Personal Care        | 4,917                  | -7%                   |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------------|------------------------|-----------------------|
| 68        | 71        |  ROLEX           | Switzerland       | Luxury               | 4,609                  | -7%                   |
| 69        | 72        |  HYUNDAI         | Republic of Korea | Automotive           | 4,604                  | -5%                   |
| 70        | 76        |  HERMÈS<br>PARIS | France            | Luxury               | 4,598                  | 1%                    |
| 71        | 74        |  Kleenex         | United States     | Personal Care        | 4,404                  | -5%                   |
| 72        | 41        |  UBS             | Switzerland       | Financial Services   | 4,370                  | -50%                  |
| 73        | 50        |  HARLEY-DAVIDSON | United States     | Automotive           | 4,337                  | -43%                  |
| 74        | 75        |                 | Germany           | Automotive           | 4,234                  | -8%                   |
| 75        | 78        | <b>Panasonic</b>  | Japan             | Consumer Electronics | 4,225                  | -1%                   |
| 76        | 80        | TIFFANY & CO.   | United States     | Luxury               | 4,000                  | -5%                   |
| 77        | 79        | <i>Cartier</i>  | Switzerland       | Luxury               | 3,968                  | -6%                   |
| 78        | 77        |  GAP           | United States     | Apparel              | 3,922                  | -10%                  |
| 79        | 81        |                | United States     | Restaurants          | 3,876                  | -5%                   |
| 80        | 92        |                | United States     | Personal Care        | 3,847                  | 7%                    |
| 81        | 82        |  Allianz       | Germany           | Financial Services   | 3,831                  | -5%                   |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector               | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------------|------------------------|-----------------------|
| 82        | 83        |  MOËT & CHANDON<br>Fondé en 1765 | France            | Alcohol              | 3,754                  | -5%                   |
| 83        | 84        |                                  | United Kingdom    | Energy               | 3,716                  | -5%                   |
| 84        | 89        |                                  | United Kingdom    | Alcohol              | 3,698                  | 3%                    |
| 85        | 88        | <b>DURACELL</b>   | United States     | Consumer Electronics | 3,563                  | -3%                   |
| 86        | 98        | <b>NIVEA</b>  | Germany           | Personal Care        | 3,557                  | 5%                    |
| 87        | 91        | <b>PRADA</b>  | Italy             | Luxury               | 3,530                  | -2%                   |
| 88        | 93        | <b>Ferrari</b>  | Italy             | Automotive           | 3,527                  | 0%                    |
| 89        | 94        | GIORGIO ARMANI  | Italy             | Luxury               | 3,303                  | -6%                   |
| 90        | 85        |                                | United States     | Restaurants          | 3,263                  | -16%                  |
| 91        | New       | LANCÔME   | France            | FMCG                 | 3,235                  | New                   |
| 92        | 97        |                                | Netherlands       | Energy               | 3,228                  | -7%                   |
| 93        | New       |                                | United States     | Restaurants          | 3,223                  | New*                  |
| 94        | 100       | <b>VISA</b>   | United States     | Financial Services   | 3,170                  | -5%                   |
| 95        | New       |                                | United States     | Computer Software    | 3,161                  | New                   |

| 2009 Rank | 2008 Rank | Brand   | Country of Origin | Sector         | 2009 Brand Value (\$m) | Change in Brand Value |
|-----------|-----------|---|-------------------|----------------|------------------------|-----------------------|
| 96        | 90        |  LEXUS             | Japan             | Automotive     | 3,158                  | -12%                  |
| 97        | New       |  PUMA              | Germany           | Sporting Goods | 3,154                  | New                   |
| 98        | New       |  BURBERRY          | United Kingdom    | Luxury         | 3,095                  | New*                  |
| 99        | New       |  POLO RALPH LAUREN | United States     | Luxury         | 3,094                  | New*                  |
| 100       | New       |  Campbell's        | United States     | FMCG           | 3,081                  | New                   |