

Assessing the Concept of Loyalty: A Focused Literature Review

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Abstract: Today's business environment is continuously changing and evolving day by day. This continuously changing environment is characterized by rapidly increasing competition. In the world of rapidly increasing competition, there arises an opportunity for customers to get better and competitive products and services in each and every term. Due to this, customers have a variety of choice to choose a product/ service. Thus there arises a question of loyalty and hence the word loyalty is becoming an extremely valuable and essential entity for any business activity. In business, customer and seller enter into a relationship by interacting with one another. This interaction is repeated time and again over a period of time and thus a relationship develops and in this relationship loyalty does evolve. Hence there arises a need to study this concept of loyalty and finding out the factors responsible for emergence of loyalty in a relationship, Also to study the conditions that are favorable for loyalty. Loyalty has been an intensively researched topic by many scholars and researchers over a period of time. They provide various conceptualizations of loyalty. The current paper reviews various view points, theories and methodologies related to loyalty which are essential for studying different aspects of loyalty. In this paper most relevant scientific approaches regarding study of loyalty have been focused upon.

Keywords: Loyalty, attitudinal loyalty, behavioural loyalty, satisfaction, trust, commitment, brand.

1. INTRODUCTION

Human being is a social animal. Being a social man; one enters into and develop various relationships with many entities over a period of time. There are different types of relationships one enters into; like with family, friends, and employer, colleagues, business relationships, etc. Out of these transactional/ business relationships are also made on a day to day basis. This relationship is commonly known as customer seller relationship. Now the obvious question is how this customer seller relationship starts, evolves and most importantly it runs and last over a period of time. The answer is - there is one essential entity namely loyalty which is required to be present there for long lasting relationships. Same is the case of customer seller relationship. As, there is one common thread in most of the relationships that is loyalty. It is a widely accepted fact that loyalty is a key factor in a relationship. In the business context, a seller enters into a relationship with customer. It is the customer-seller relationship on which any business runs & prospers and customer-seller relationship is based on the loyalty.

2. METHODOLOGY

This paper focuses on literature related to loyalty. Most related, appropriate, significant and scientific studies of the concept of loyalty had been reviewed in this paper. A focused approach has been adopted to review the loyalty literature to concentrate on the most important contributions in the study of loyalty. Also it reviews some of the most important methodologies which are essential for the study of assessing of different aspects of loyalty. This paper conducts an extensive and focused review of the literature of loyalty, to study and specify the most relevant and important contributions for the purpose of assessing of the concept of loyalty.

3. FINDINGS

According to (Jacoby & Kyner, 1973) loyalty is a nonrandom repeat choice of a particular entity (which is intentionally and specifically chosen from an array of available alternatives) over a period of time. (Aaker, 1991) considered and studied loyalty measurements. According to him there are five different levels of brand loyalty. These different levels are famously known as Aaker's brand loyalty pyramid. According to this model, there are five different types of customer groups as: **i) Non Loyals/ Switchers/ Price Sensitive Customers**- these customers are indifferent to brands they do not look at the brand at all; **ii) Satisfied / Habitual / Not Dissatisfied Customers**- they may shift to other brand easily if the current is not available easily/ at ease. In other words, they will not go for an extra mile to buy their regular/ habitual brand/ if it not available; **iii) Satisfied Customers with Perceived Switching Cost**- in the form money, time, feeling of concessions to quality, acquired loyalty advantage with the existing brand or performance risk of new brand; **iv) Brand Likers**- these are having emotional bond with a brand, these are true brand enthusiasts, brand preference associated with symbol, perceived quality, experience, time, etc; **v) Committed Customers**- proud users of a brand, they prefer a brand because of similarity with their personality traits/ personal values, they also tend to recommend a brand to others.

On the basis of perceived differences between different brands and the level of involvement, Assael (1992) identified four types of consumers as: **i) Complex loyals**- high involvement in a purchase and perceiving significant differences between brands a learning process like doing research, developing beliefs & attitudes, finally making a thoughtful purchase choice. **ii) Dissonance loyals**- high involvement & low differences between brands found similar brands in a given price range, they shop around make purchase decision relatively quickly they experience post purchase dissonance if they hear favorable things about other brands or find some disadvantage of the purchased brand. **iii) Habitual Loyals**- low involvement and little difference between brands; they keep on purchasing the same brand out of habit rather than brand loyalty. They make choice of a familiar brand due to low involvement and they are the passive recipients of the advertisements. **iv) Variety seekers**: Low variety and significant perceived differences between brands. They often switch brands only to seek variety and they have some beliefs bout brands then choose and analyze while consumption and go for another one at next purchase.

(Dick & Basu, 1994) studied and conceptualized a model based on repeat patronage behaviour and relative attitude towards an entity (like a brands/service/ store). They proposed and suggested that loyalty is a combination of a positive attitude and a repatronizing behaviour. Authors suggested four types of consumers as: **I) True Loyals/ Sustainable loyalty**- with high attitudinal and behavioural intentions (repatronizing behaviour). **II) Latent loyalty**- high attitude with low behavioural intentions. **III) Spurious loyalty**- low attitude with high behaviour. **IV) No Loyals**- Low repeat patronage and low relative attitude.

(Payne, 1994) provided a step by step progress of a consumer from one stage to another stage which he described as a loyalty ladder or relationship ladder. This ladder gives an idea how customer can be transformed from a prospect to a loyal advocate. The different steps of loyalty ladder are as: **Prospect-Customer-Client-Supporter-Advocate-Partner**. Firstly a prospect becomes a customer who start purchasing a brand then he becomes habitual buyer that is a repeat purchaser known as client at this step he may be neutral or with positive attitude or may be even with negative though but when this neutral or negative thought becomes positive, he becomes a supporter of the brand/ entity; he may be silently loving the brand at this stage and when he starts talking and recommending the brand to others he becomes an advocate of the brand and at last he becomes a partner when a long term relationship is developed & who is having a mutually beneficial relationship with the brand. Author suggests that this type of evolution requires commitment, trust and an increased dialogue between the customer and the brand.

(Baldinger & Rubinson, 1996) proposed an attitude-behaviour composite approach. They investigated the link between behaviour and attitude. They calculated the effect of attitude on the actual behaviour. Their study proposed that a stronger attitudinal commitment would result in a strong behavioural pattern and would finally result into loyal customer behaviour. (Hallowell, 1996) also studied the concept of loyalty. He studies and proposed that satisfaction, loyalty and profitability are interrelated. Author suggested a flow like satisfaction (with the given entity) leading to loyalty (over a period of time) leading to profits for the business. Author measured loyalty on the basis of length and depth of the relationship with a particular brand. Also, this study suggests that an increase in customer loyalty would lead to an improvement in profitability.

(Mellens, Dekimpe, & Steenkamp, 1996) studied brand loyalty measures. They classified loyalty into four groups. They used two types of dimensions such as **i) attitude vs. behaviour measure and ii) brand orientation vs. individual orientation measure**. Categories of brand loyalty measures are as: Attitude and brand orientation, attitude and individual orientation, brand- behavior orientation and behaviour – individual oriented measure.

(Pritchard, Havitz, & Howard, 1999) used the term **Psychological Commitment Instrument (PCI)** for commitment-loyalty measure. Their study was mainly based on loyalty measurement instrument containing items such as: complexity of available information, choice, involvement, resistance to change & loyal behaviour. Further an important extension in the study of loyalty was given by (Gremler & Brown, 1999) as they studied loyalty in the context of intangible goods / services and thus they defined **service loyalty** as “the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”.

(Oliver, 1999) given a definition of loyalty- “a deeply held commitment to repatronize a preferred a product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing despite situational and marketing efforts having the potential to cause switching behaviour”. Thus author suggest that loyalty is inclusive of both attitude and behaviour. He proposed that initially a customer feels cognition then affection and then a conation and at last as a result a loyalty reflects in a behavioural pattern. This sequence is known as “action inertia”. Furthermore he suggested a four stage loyalty model having different stages as given under:

- I) Cognitive Loyalty:** This is the initial stage. At this stage, a preference is developed in comparison to others. This preference is developed on the basis of information and belief for the entity. This consumer loyalty stage is of superficial nature.
- II) Affective Loyalty:** Next stage is known as affective loyalty. Customer starts using the brand for many times due to the satisfaction he gets out of each purchase i.e. repeat purchase takes place. This satisfied repeat purchase results in the development of like and favourable attitude for it and this is known as an affect. This is known as affective loyalty. But at this stage, there is a possibility of switch to other brand.
- III) Conative loyalty:** Third stage is known a conative loyalty. Positive and favourable affect developed in the earlier stage is repeated many times and development of positive commitment takes place here.
- IV) Action Loyalty:** This is the fourth stage. Motivation and positive commitment which is developed in the earlier stage is now reedy to be converted to become action. Thus this action results in repeat purchasing and thus finally in loyalty which is known to be action loyalty.

(Jones, Mothersbaugh, & Beatty, 2000) also studied the idea of loyalty and according to them, there are many studies which emphasize that satisfaction is an inevitable element for the retention of process customers. These satisfaction-retention process elements are not always same but these show a considerable variability. This variability shows that there must be some other factors which may have an impact on retention process such as switching cost. Authors used various loyalty measurement items such as: repurchase indentations, core- service satisfaction, and attractiveness of alternatives and length of patronage. (Knox & Walker, 2001) also studied customer loyalty . They did empirical study of grocery brands and developed practical a measure of customer loyalty. According to their study loyalty depends on commitment and support. The extent of purchase dedicated towards particular product out of larger set of brands is known to be “Support Index”. For the measurement of customer commitment and customer involvement they used various items. Authors emphasized that risk is the main antecedents of consumer involvement. This consumer involvement is closely related to commitment and inturn commitment leads to loyalty. Based on their findings they identified four consumer purchasing styles and according to these styles categorized customer as: **Loyals, Habituals, Variety Seekers and Switchers**.

A loyalty model was developed by (Wulf, Odekerken-Schröder, & Iacobucci, 2001) also. They considered two different industries such as food and apparel industry. Authors studied loyalty behaviour across six different consumer group samples. They investigated loyalty by considering various dimensions of loyalty. These dimensions are: I. Preferential treatment for the regular customers; II Applying tangible reward system for their regular customers to reward

their patronage; III. Regular interpersonal communication with the regular customer to know them better in order to serve them better; IV. Perceived relationship investment for increasing loyalty of customers; V. Satisfaction; VI. Trust; VII. Commitment; VIII. Behavioural loyalty; IX. involvement; and X.. relationship proneness.

(Salegna & Goodwin, 2005) also studied loyalty. They examined it for services. According to them, there are various antecedents of loyalty like satisfaction, trust, involvement and commitment. Out of these antecedents of loyalty, satisfaction is dependent on quality, value and affect i.e. feelings. (Rundle-Thiele, 2005) defined loyalty as “the state or quality of being loyal, where loyal is defined as a customer’s allegiance or adherence towards an object”. He studied loyalty measures for insurance services industry & also taken a sample of wine club members and as a result proposed and tested a simplified loyalty measurement model. Author grouped various loyalty dimensions and termed them as pure measures. These pure measures are: Attitudinal Loyalty (feeling of attachment towards an entity), Resistance to Competing Offers (not going for attractiveness of alternative offers), Behavioural Intention (developing an attitude to purchase), Propensity to be Loyal (less chances taking i.e. tendency to become loyal), Complaining Behaviour (to express dissatisfaction), Behavioural Loyalty (a measurable repeated repurchase behaviour). (Aydin & Özer, 2005) studied loyalty in telecom industry and based on their study suggested various factors responsible for loyalty as: image, trust, perceived quality and switching costs. They suggested that switching cost (because of its indirect effect) and trust are very much vital factors and antecedents for loyalty and effects of which cannot be ignored at all.

(McMullan, 2005) studied loyalty and considered various items of loyalty by grouping them in major factors. These factors are sustainers, vulnerabilities of price, and service loyalty vulnerabilities (competition challenge). (Söderlund, 2006) studied loyalty in services context. He examined loyalty for retail service provider and restaurant. Author agreed that there are various aspects and dimensions of loyalty and examined factors such as satisfaction, repatronage and worth of mouth. Also he emphasized that word of mouth & repatronage should be considered as two separate important factors rather than considering them in combination as a single factor.

Further (Bandyopadhyay & Martell, 2007) extended the work of (Dick & Basu, 1994). They have given the conceptually clear idea of attitudinal loyalty which governs the idea behavioural loyalty. They have given measures of attitudinal loyalty. Also, authors have suggested that behavioural loyalty is influenced by attitudinal loyalty and they introduced a new segment of customers as ‘non-users’. As there are already known categories of customers as ‘single users’ (loyal customers purchasing the same brand every time .i.e. loyalty at its peak/ highest level) and ‘multiple users’ (customers purchasing various brands i.e. an intermediate level of loyal behaviour). A ‘non user’ category has been added by authors due to the reason of potential of a non user to become a customer in future.

(Blunt, Evanschitzky, Vogel, & Ahlert, 2007) also studied loyalty. They extended the work of (Oliver R. L., 1997) of four stage loyalty model by providing moderators in the various phases of the model. Authors suggested moderators such as social benefits, switching costs and the attractiveness of alternatives. (Vyas & Sinha, 2008) also studied loyalty. According to them, loyalty has various facets and it is considered to be attitude. This loyalty attitude is further directed towards a loyal relationship with the brand/store, outcome of this loyalty relationship comes in terms of revealed behavior. and resulting in word of mouth communication behaviour by the customer.

4. CONCLUSIONS

Many scholars, academicians, practitioners and researchers studied the concept of loyalty over a period of time. This paper conducted a rigorous literature review of those studies and concentrated mainly on major and important contributions in the study of loyalty by applying a focused approach and tried to mention it in a chronological order in and a precise manner. From the conducted literature review, it can be surely stated that there are various opinions, view points, theories, conceptualizations, assumptions and models of the concept of loyalty. Some studies postulated uni-dimensional loyalty. Whereas many researchers accepted a multivariate loyalty which incorporates attitudinal and behavioural aspects.

Further it is evident from the literature that there are many antecedents of the concept of loyalty.

Most of the studies underlined the importance of such factors which are found to be responsible for the emergence of loyalty. After reviewing the loyalty literature we come to know some common factors which are satisfaction, commitment, trust, image, price worthiness, emotional value, and switching cost.

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