THE INFLUENCE OF MARKET TYPE AND DEMOGRAPHICS ON BRAND LOYALTY: A STUDY AMONG URBAN ROMANIAN CONSUMERS

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Abstract: Considering the increasing role and importance of brand loyalty in the context of nowadays fierce competition and the insufficient understanding of this brand equity core dimension by Romanian companies, this paper aims to partially eliminate this knowledge lack by investigating, among urban Romanian consumers, the influence of market type, namely consumable goods and durable goods markets, and of several demographic characteristics like age, income level, education level and gender, on brand loyalty, measured through four indicators: brand repurchase intention in similar buying contexts, brand recommend intention, brand repurchase intention in case of price increase (price elasticity of loyalty) and, respectively, repurchase intention in case of distribution decrease (distribution elasticity of loyalty).

Keywords: brand loyalty, brand equity, buying context, repurchase intention

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Introduction

Considering nowadays dynamic marketing environment and fierce competition, brand loyalty, as core dimension of brand equity, is essential for any company that plans to maintain long term competitive advantages and commercial performance.

The role and importance of brand loyalty as fundamental parameter for establishing marketing strategies has been widely adopted in developed countries, but insufficiently understood by Romanian organizations. Recent studies (BrandTailors, 2008) show that many of the Romanian organizations or of those who are active within the Romanian market don't include in their marketing strategies explicit elements regarding brands or, if they do, they approach brands rudimentary, only considering their product source identification and differentiating from competition roles, without an articulate positioning strategy and/or without strategic objectives regarding long term brand value and brand loyalty growth.

If large sized enterprises or multinationals approach brands and their customers loyalty as core elements of marketing strategies, small and medium sized companies' marketing managers usually don't perceive the importance of having a strong brand loyalty and, even if they do, they lack the necessary information and knowledge in order to reflect branding within correctly underlain marketing strategies. This lack of knowledge and information is due to limited financial resources and/or poor motivation towards conducting specific studies regarding important brand equity aspects such as the impact of market types and demographics on brand loyalty.

The aim of this paper is to analyze and identify, among urban Romanian consumers, the influence of market type, namely consumable goods and durable goods markets, and of several demographic characteristics like age, income, education level and gender, on brand loyalty, measured through five indicators: repurchase intention, recommend intention, price elasticity of loyalty and, respectively, distribution elasticity of loyalty.

Theoretical background

Considering the concept of brand equity, several classical approaches can be identified within the specialized literature. Aaker (1991) conceptualizes brand equity as being a compex system including a set of brand fundamental dimensions as awareness, perceived quality, loyalty and associations. Aaker (1996) suggests a brand equity measuring system suggestively called "brand equity ten" which should consider ten analytical dimensions to be taken into consideration in order to describe brand equity, dimensions of which brand awareness and brand loyalty are fundamental. Kevin Lane Keller (1998:45) considers brand equity from a customer based view as being "the differential effect of brand knowledge on consumer response to the marketing of the brand". Farquhar (1989) considers that three elements are essential in building a strong brand with the consumer – a positive brand evaluation, an accessible brand attitude, and a consistent brand image – these elements being actually the core of brand equity.

Brand loyalty is the core dimension of brand equity, supporting his statement through several advantages of loyalty as (Aaker, 1996): barrier to competition entries, basis for price premiums, generator of time to respond to competitor innovations, and, respectively, means against unhealthy price competition. Brand loyalty can also reduce the costs of doing business through decreasing acquisition and promotion costs (Bennett and Rundle-Thiele, 2005).

Although Ha (1998) considers that brand loyalty should be described and investigated considering cognitive aspects of brand loyalty, researchers often analyze brand loyalty through behavioral aspects like repeat purchases. For example, Fader and Schmittlein (1993) investigated the advantage of high share brands in brand loyalty, measuring brand loyalty only by the behavioral aspect of repeat purchase. According to their research, high share

brands have significantly higher brand loyalty than low share brands. Bayus (1992) also analyzed brand loyalty by a behavioral measurement of probability of repurchasing.

Aaker (1996) suggests that brand loyalty can be assessed using a complex set of elements included into specific customer surveys intended to reveal customer satisfaction (the research instrument should include in this case questions like: "Were you – dissatisfied vs. satisfied vs. delighted – with the product or service during your last use experience?"), buying intentions ("Would you buy the brand on the next opportunity?"), buying habits/usage ("Is the brand the – only vs. one vs. two vs. one of three vs. one of more than three brands – that you buy or use"), while a more intense level of loyalty could be identified through brand recommendation intensions ("Would you recommend the product or service to others?").

Research methodology

The starting point in establishing the research necessary data was the main concept that brand loyalty basically represents the probability that those who have bought a specific brand would chose the same brand within the next buying decision in a similar context (simple repurchase) or a different context (price increase, and respectively, distribution decrease). Brand loyalty significance was extended towards the active involvement of loyal consumers in brand promotion (recommendations). Therefore, the necessary data to be collected regarding the two market types corresponding to durable and consumable product categories, consisted in: intention to repurchase the brand within similar buying context *("Will you repurchase the same brand next time?"),* intention to recommend the brand *("Would you recommend the brand you bought last time to others?"),* intention to repurchase the brand within a changed buying context in the case of price increase – price elasticity of loyalty *("If the brand's price increased in comparison to its competitor brands, would you still buy the same brand?"),* and, respectively, in the case of distribution decrease – distribution elasticity of loyalty *("If the brand were not to be found in the stores you usually buy, would you look for it in other stores in order to buy it again?").* The four brand loyalty measures above mentioned were collected in relation to the last purchased brand within each of the two market types (durables and non-durables). Demographics about the investigated subjects were also collected in order to investigate possible correlations.

In order for the research objectives and instrument to be accurate, two important factors had to be taken into consideration. Firstly, the investigated population comprised heterogeneous individual consumers not only considering their demographical characteristics (age, income, education, sex etc.), but also their vocabulary, intelligence level, technical knowledge and degree of usage regarding existing products and brands. Secondly, the data had to be collected in such a manner so that investigated consumers could describe their behavior and attitude, what they do and what they think about the analyzed product categories and corresponding brands. Therefore, the particular product categories selected to be investigated within the research were chosen so as: to be different considering their usage duration (durable/non-durable), not to be too technical (in order for most of the consumers to be able to evaluate their own behavior and express their attitudes towards those product categories) and to have a large rate of penetration into households usage or consumption. Given the established criteria above mentioned, the particular product categories chosen for the research consisted in tooth-paste, as being representative for the non-durable product category, and television sets (for durables).

As secondary data about the research issue and the target population of the research were missing, the gathered information exclusively consisted in primary data. The data was collected through an ad-hoc survey, due to the fact that statistically representative data had to be obtained, the information needed was basically unavailable otherwise, and the resources and time allocated to the research did not permit conducting a panel survey in order to investigate medium or long term evolutions of the analyzed relations.

Considering the same financial and time restrictions previously mentioned, the investigated population was limited to the urban consumers of Cluj-Napoca, one of the largest cities of Romania, although the intention of the research was to analyze the urban Romanian consumers as a whole. Nevertheless, the research could still be considered, with certain limitations, as being representative for the entire urban Romanian population as Cluj-Napoca is the second largest higher education center of Romania and, excepting the capital of the country (Bucharest), the second largest city of Romania, representing almost 3% of the Romanian urban population (INS, 2007).

The data collection instrument – namely the questionnaire – was designed using a symmetric scale, with six answering options from 1 = "*Definitely no*" to 6 = "*Definitely Yes*", so that to avoid neutral responses and to force a positive/negative attitude.

The questionnaire based interviews were conducted "face-to-face", at the household's residence of the respondents, by a group of 119 marketing specialization students, each student completing a set of five interviews. The sampling method used for the survey consisted in a mixture of classical probabilistic and non-probabilistic methods. Firstly, the population was geographically clustered considering the 474 postal areas of Cluj-Napoca. Afterwards, 119 clusters were extracted through systematic random sampling. The 119 clusters (postal areas) were assigned to the 119 interview operators (one cluster to each operator), and each operator had to complete five questionnaire based interviews on the basis of an itinerary sampling method (5 consumers from different households, located into five consecutive buildings from the assigned cluster – postal area). The data collected was afterwards verified and

validated by contacting (via phone and/or email) a random sample of respondents in order to confirm his/her answers. The interview operators identified as trying to mislead the research through providing non-valid questionnaires were fully verified.

At the end of the data collection process, from the total of 595 assumed completed interviews, only 551 were validated, therefore the research having a statistical error of ±4,2% ($e = 1,96 \cdot \sqrt{0,5 \cdot 0,5/551}$), with a statistical confidence level of 95%.

Results

In order to identify the influence of durables and non-durables market types on brand loyalty dimensions, the following hypothesis were investigated:

H_1: *The intention to repurchase the brand within similar buying context significantly varies between durables and consumables*

H_2: *The intention to recommend the brand significantly varies between durables and consumables*

H_3: *The intention to repurchase the brand in the case of price increase significantly varies between durables and consumables*

H_4: *The intention to repurchase the brand in the case of distribution decrease significantly varies between durables and consumables*

Table 1: **The influence of market type (durable/non-durable) on brand loyalty measures**
(Student – T, Mann-Whitney – Z, contingency coefficient – c)

Intention to repurchase the brand within similar buying context	T=11,960 (p=p=0,000<0,01)	Z=-11,477 (p=p=0,000<0,01)	c=0,328 (p=p=0,000<0,01)
Intention to recommend the brand	T=6,074 (p=p=0,000<0,01)	Z=-6,654 (p=p=0,000<0,01)	c=0,202 (p=p=0,000<0,01)
Intention to repurchase the brand in the case of price increase	T=9,315 (p=p=0,000<0,01)	Z=-9,345 (p=p=0,025<0,05)	c=0,276 (p=p=0,000<0,01)
Intention to repurchase the brand in the case of distribution decrease	T=-2,889 (p=p=0,004<0,01)	Z=-2,234 (p=p=0,000<0,01)	c=0,130 (p=p=0,002<0,01)

According to the statistical parameters (Table 1), all of the four hypothesis were accepted. Therefore, all of the four dimensions of brand loyalty investigated significantly vary between durables and non-durables. Thus, it can be said that the market type has a significant influence on brand loyalty at all levels. The strongest influence of market type occurs in the case of similar buying context repurchase intention and of repurchase intention when price increases. Repurchases, recommendations and price premium acceptance are more probable among non-durables, situation that can be explained by their relatively reduced impact on households' budgets and by the routine-like and low-involvement buying decision process that is specific to consumables. Nevertheless, consumers are more sensitive to distribution decreases in the case of non-durables, their brand loyalty from this point of view being stronger in the case of durables (Table 2).

Table 2: **Brand loyalty dimensions in relation to market type (means)**

	Non-durables	Durables
Intention to repurchase the brand within similar buying context	5,19	4,06
Intention to recommend the brand	4,60	3,68
Intention to repurchase the brand in the case of price increase	3,99	4,32
Intention to repurchase the brand in the case of distribution decrease	5,20	4,65

In order to identify the influences of demographic characteristics (age, education level, income level and gender) on brand loyalty dimensions, the following hypothesis were investigated:

H_1: *The intention to repurchase the brand within similar buying context significantly varies within age / education level / income level / gender categories.*

H_2: *The intention to recommend the brand significantly varies within age / education level / income level / gender categories.*

H_3: *The intention to repurchase the brand in the case of price increase significantly varies within age / education level / income level / gender categories.*

H_4: *The intention to repurchase the brand in the case of distribution decrease significantly varies within age / education level / income level / gender categories.*

Table 3: **The influence of demographics on brand loyalty measures**
(Spearman – Rho, Mann-Whitney – Z)

		Intention to repurchase the brand within similar buying context	Intention to recommend the brand	Intention to repurchase the brand in the case of price increase	Intention to repurchase the brand in the case of distribution decrease
Non-durables	Age	Rho=0,048 (p=0,264>0,05)	Rho=0,083 (p=0,05>0,05)	Rho=-0,054 (p=0,209>0,05)	Rho=0,07 (p=0,098>0,05)
	Education	Rho=-0,051 (p=0,23>0,05)	Rho=-0,065 (p=0,128>0,05)	Rho=0,035 (p=0,407>0,05)	Rho=-0,034 (p=0,432>0,05)
	Income	Rho=0 (p=0,994>0,05)	Rho=0,016 (p=0,711>0,05)	Rho=0,150** (p=0,000<0,05)	Rho=0,046 (p=0,28>0,05)
	Gender	Z=-0,286 (p=0,775>0,05)	Z=-2,398 (p=0,016<0,05)	Z=-0,647 (p=0,518>0,05)	Z=-0,89 (p=0,373>0,05)
Durables	Age	Rho=-0,084* (p=0,049<0,05)	Rho=0,04 (p=0,347>0,05)	Rho=-0,001 (p=0,978>0,05)	Rho=0,022 (p=0,602>0,05)
	Education	Rho=0,084* (p=0,049<0,05)	Rho=-0,028 (p=0,509>0,05)	Rho=0,066 (p=0,122>0,05)	Rho=0,038 (p=0,37>0,05)
	Income	Rho=0,076 (p=0,073>0,05)	Rho=0,059 (p=0,165>0,05)	Rho=0,061 (p=0,151>0,05)	Rho=0,051 (p=0,233>0,05)
	Gender	Z=-0,726 (p=0,468>0,05)	Z=-0,343 (p=0,731>0,05)	Z=-0,466 (p=0,641>0,05)	Z=-0,123 (p=0,902>0,05)

According to the statistical parameters (Table 1), only some of the hypothesis could be accepted. Brand loyalty significantly varies among income and gender categories in the case of non-durables, and among age and education categories in the case of durables.

Analyzing the particular correlation coefficients, some important conclusions can be drawn. Firstly, the higher the income level is, the higher the price premium acceptance lever is, but only in the case of consumables. Secondly, in the case of durables, similar buying context repurchase intention is stronger when age level is lower and education level higher. Thirdly, considering non-durables, there is a significant influence of gender on brand recommendations and, respectively, on repurchase intention in the case of distribution decrease.

Conclusions, research limitations and future research directions

The research results suggest that, in order to create brand loyalty, a high intensity level of distribution should be established and maintained, especially in the case of consumables. In the case of non-durables, brand price increases should be managed carefully as consumers more willing to switch brands than in the case of durables. When establishing brand loyalty based marketing strategies, companies should focus on income and gender driven market segments, in the case of non-durables, while with durables they should be concerned with age and education driven market segments, as these demographics are those which can influence brand repurchase intentions significantly (are correlated with brand loyalty).

Finally, certain research limitations and future research directions can be depicted. Firstly, the results' significance is limited to a certain local area of the urban Romanian market. Even though we could, with certain limitation, extend the results to the overall Romanian urban market level, a more geographical extensive research should be conducted in order to reveal certain local consumer behavior specifics. Secondly, the research method (ad-hoc survey) would have been more relevant if a panel were created and analyzed over time, so as consumer evolutions could be emphasized, as the Romanian market is a developing one. Thirdly, the research could be extended considering not only durables and consumables like those investigated, but also other specific types of tangible products and, of course, services, as significant differences would be expected to appear in that case.

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