

Determinants of Brand Loyalty among Rural Consumer- A Review Study -2017



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Abstract

The authors have reviewed the determinants of brand loyalty, one of the important area of marketing among various industries and sectors. The rural marketing is gaining importance due to increasing GDP & increase in source of income among rural people. This is a secondary data based descriptive study. The data has been collected from various books, research papers (1999-2016), conference proceedings & E-resources. The authors found that ample amount of literature on Brand Image & Brand Equity while there was limited literature on determinants of brand loyalty. The authors concluded that determinants of brand loyalty are not fixed. These determinants vary from industry to industry & customer to customer.

Keywords: Brand Loyalty, Rural Market, Determinants of Brand Loyalty.

Introduction

A brand is defined as a name, term, sign, symbol or special design or some combination of these elements that is instead to identify or differentiate the goods or services of one seller or a group of sellers. A brand, by definition, is a short hand description of a package of attitudes toward the demand for branded product. In this stage, consumers do not accept substitutes when they decide to purchase a product or service. Philip Kotler states that the brand loyalty occurs when a consumer consistently buys the same brand over a long period and he classified the brand loyalty into four types, namely hard core loyal - who buy same brand all the time; soft core loyal - loyal to two or three brands at the most; shift loyal - moving from one brand to another and switchers - with no loyalty. Oliver (1999) defined brand loyalty as "a deeply held psychological commitment to rebuy or patronize 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 behavior " (p. 34). BNET American Marketing Association (AMA) defines marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Brand loyalty can provide essential benefits for both consumers and companies. For consumers, a brand toward which they feel loyal, can act as a signal of achieved expectation. Because of familiar and favorable signal that a brand sends consumers buy the brand with more comfort believing that the brand will meet their expectations. This comfort would mostly come from the credibility of the brand established from past experiences. For companies, customer loyalty enhances brand equity by lowering vulnerability to competitive marketing actions, increasing margins, increasing marketing communication, effectiveness and possibly generating more brand licensing or extension opportunities (Keller, 1998). Brand loyalty gives sellers some protection from competition and greater control in planning their marketing programs (Kotler, 1994). Brands play essential role in the consumer markets and brands are considered as the interface between consumers and the company, and consumers may develop trust and loyalty to brands. In research paper, we have taken C and D class of towns as rural areas.

Objective of the Study

This secondary data based study has been done to understand industry specific brand determinants so that it will help in for marketer to enter into rural market effectively & efficiently.

Review on Literature

The National Sample Survey Organization (NSSO) defines 'rural' as an area with a population density of up to 400 per square kilometer, Villages with clear surveyed boundaries but no municipal board and minimum of 75% of male working population involved in agriculture and

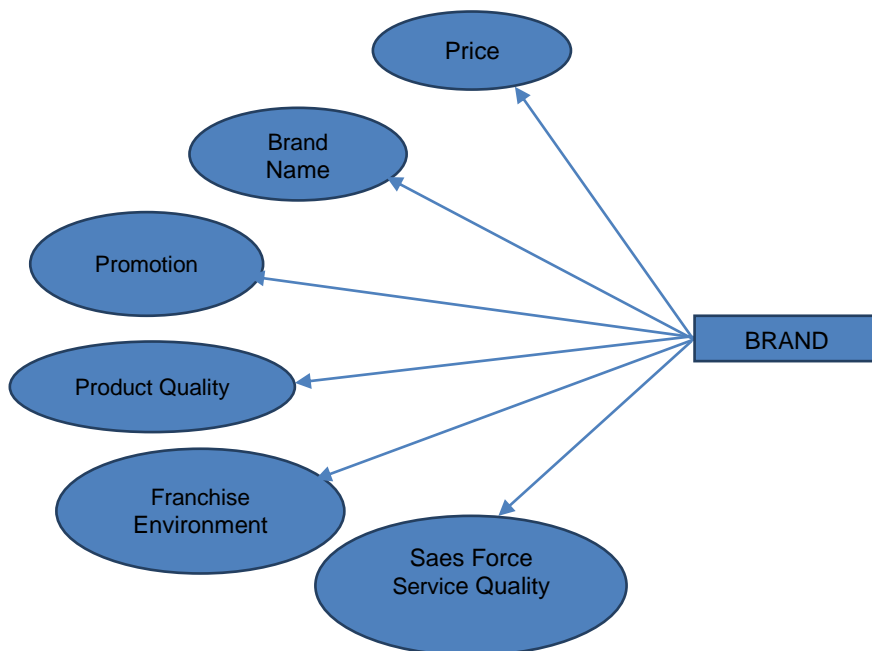
allied activities. RBI defines rural areas as those areas with a population of less than 49,000 (tier-3 to tier-6 cities). The Census of India 2001 defines urban India but rural India is left for guesswork. Urban India is defined as: All statutory places with municipality, corporation, cantonment board or notified town area committee, A place which satisfies the three criteria: Minimum population of 5,000, Density of population of at least 400 per sq. km. (1,000 per sq. mile) and at least 75% of male working population engaged in non-agricultural activities. Planning Commission of India defined rural market as towns up to 15,000 populations are considered as rural market. NABARD defined as all locations with a population up to 10,000 considered as rural area. The Consumer electronics giant LG Electronics defined as all places other than seven metro cities of India. The Sahara group defined as commercial establishments located in areas serving less than 1000 population are rural markets (Kashyap. P and Raut S, Jan, 2008). Various public and private institutions have different definitions of rural India -- most are lopsided and ignore one or the other important criteria. Private companies, such as FMCG majors, have their own way of defining rural markets. All this leads to one clear conclusion that they all follow approaches convenient to themselves. With the rise in consumer market in India in every 20 years' rural Indian market will be larger than the total consumer market in countries such as South Korea and Canada, and four times the size of urban Indian market (McKinsey report, 2007). Today rural retail market is at nascent stage and it seems logical to take early mover's advantage. New technology needs to be developed to make the product relevant to the rural consumer with reduced recurring cost (Seema. D, Nov, 2013). The retailers sector of India is one of the most dynamic and second fastest growing economy (Sudesh, 2013). Retail outlets and its fragmented nature in rural areas is probably the primary form of disguised unemployment / underemployment (Seema D, 2013). Rural retailing offer an opportunity for corporate and entrepreneurs to invest. ITC launched countries first rural mall "Chaupal Sagar", offering a diverse product range from FMCG to Electronics. Indian rural market growth has been estimated to touch US\$ 500 billion by 2020 (McKinsey report, 2007). As per reports Indian retail market grow 20% annually in next two years, this is due to increasing demand from retail consumers, on rapid urbanization and development of rural markets. The industry will reach up to 52000 Crores in next two years (Business Standard, September, 2014). Brimming with confidence after their recent success in China's biggest cities such as Beijing and Shanghai, both foreign and local marketers have expanded into many smaller cities across the country. However, few have taken the bolder step of moving into China's rural hinterland, consisting of 750 million consumers. This market was estimated at around RMB 2.9 trillion (\$426 billion) in 2009 — twice as much as it was in 2000 (Magni. M & Atman Y, HBR, Dec 06, 2010). While urban demand for consumer products remains sluggish worldwide, rural markets are growing faster than ever in some of

the largest emerging economies. Nowhere is this phenomenon more evident than in India. From 2009 to 2012, spending by India's 800+ million rural residents reached \$69 billion, some 25% more than their urban counterparts spent over the same period. According to recent Nielsen estimates, consumption in rural areas is growing at 1.5 times the rate in urban areas, and today's \$12 billion consumer goods market in rural India is expected to hit \$100 billion by 2025 (Kapur M, Dawar S & Ahuja V, HBR, June, 2014). India's per capita GDP has grown at a Compound Annual Growth Rate (CAGR) of 12.3 per cent from 2009-10 to 2015-16 contributed by growth in rural sector. The Fast-Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025@. The Union Budget 2016-17 proposed a slew of measures to improve agriculture and increase farmers' welfare such as 2.85 million hectares to be brought under irrigation, Rs 287,000 crore (US\$ 42.5 billion) grant in aid to be given to gram panchayats and municipalities and 100 per cent village electrification targeted by May 01, 2018. E-commerce players like Flipkart, Snap deal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the government's common service centres (CSCs) being setup in villages as part of the 'Digital India' initiative. Banks are working to set up rural ATMs, which will dispense smaller denomination currency notes (IBEF, July, 2016). Some of the important features or characteristics of Rural Marketing in Indian economy are: upsurge of employment opportunities for the rural people. Untapped potential, the rural market in India is vast & scattered and offers a plethora of opportunities in comparison to the urban sector, maximum number of consumers, low literacy level, government initiative to initiate proper irrigation, infrastructural developments, prevention of flood & grants for fertilizers (A Vinayagamoorthy, August, 2014). Every market has certain strengths and weaknesses. Strength of rural market is large Indian rural population, good government support, availability of products & raw material. If we look into weakness of rural market is lack of good infrastructure, lack of physical distribution structure, low consumption level, less research and development activities in rural market, development of appropriate communication system, required more intensive personal selling efforts (Kotni V, March, 2012). Problems faced in rural market pertaining to rural marketing is Deprived people and deprived markets, Lack of communication facilities, Transportation, Many languages and dialects, Dispersed markets, Low per capita Income, Low levels of literacy, Prevalence of spurious brands and seasonal demand, Different way of thinking, Warehousing problem, Problems in sales force management, Distribution problem. (chand, 2014). Some of the genuine problem associated with rural market is wide and scattered market, problem of designing products, transportation bottleneck, seasonal & regular demand, uncertain and unpredictable market, low living standards, lethargic

life style, language problem, backwardness, high inventory cost, inadequate marketing support and distribution problems (Gupta & Gandhi, Aug, 2016). The concept of branding has been a late entrant in rural markets. Consumers have graduated to branded products with increased affordability as a result of increasing rural incomes in recent years. A brand name in the rural context facilitates easy brand recall and in drawing any colors, visual or numeric association. But some brands are known by their names, for example, Nirma and Baba Zarda. The choice of Samporna as the name for its rural television brand helped LG as it is a Sanskrit word meaning "wholesome" and hence it cuts across all regional linguistics barriers. The challenges in creating a brand identity in rural involve the need to relate the brand with the rural lifestyle, or with appropriate status symbols, or with the rural environment. As most brands are introduced in urban markets and then move to rural, creating a brand identity in rural becomes a tough challenge. Britannia Tiger biscuits created an identity associated with a smart, active and sharp child (Gopalaswamy, 2008). O&M rural marketing cell observed that the rural folks that to effectively tap the rural market, a brand must associate with the same things what rural folk do. Rural communities were, by character, closed communities, and it was important that promotion of the brand does not trespass their lives or customs. Ogilvy rural had divided the country into 56 socio-cultural regions (SCR). Within these SCRs, suitable folk media can be used to communicate the brand message. Performing arts was perhaps the most effective of all rural media and formulating a local skit in the right idioms was an immense opportunity for the brand to make its promise. The performing arts include theatre, songs and ballads, dance, narratives, puppetry, magic shows, acrobatics and martial arts (Ogilvy, 1999). ORCN in their study in selected villages all over India, revealed that it could be perilous to base marketing decisions and brand message on the census. Often as trivial a factor as the distance from a highway may change the emphasis of the brand, giving it a whole new dimension. ORCN found that the behavior pattern of rural consumers was different from region

to region with full of contrasts & and complexities. ORCN's research revealed that often the actual scenario in rural areas was different from the brand's assumption of competition and other such factors (Ogilvy, 1999). Rural sector was the only one which withstood the global economic downturn and continues to grow. For many companies, rural market contributed almost 50 per cent of their total sales revenue. Companies have well realized that if growth is the only option, rural market is the only way to grow ahead. And the organizations who that take initial steps and leaps in the approach will benefit from the first mover advantage, gain brand loyalty and better business growth (Gaikward, 2010). The rural markets are green pastures for companies today, as they are growing faster as compared to the urban markets. With their huge size and demand base, they offer great opportunities to the marketers. More than three-fourths of the country's consumers reside in rural areas and more than half of the national income is generated by them. Stagnant urban demand and relative rural prosperity are attracting companies to the rural markets for selling their products and services. Apart from the traditional agricultural income, government spending and infrastructure, projects have meant a cash flow in these markets, Companies are connecting to this base afresh and are getting their acts together to cater to this market effectively and efficiently. The overall marketing mix framework for rural markets necessarily focuses around delivering the right product, using value for money pricing, using effective means of promotion, selecting the most appropriate method of distribution and building long-term relationships with the customers. Consequently, in case of wall marketing, the marketing mix has changed from the traditional '4 Ps' to the new '4 As', i.e., affordability, awareness, availability and acceptability. In fact, rural markets have unlocked new fronts for the modern marketers (Pallavi, 2011). Figure 1 represents the conceptual framework which clarifies the factors which affect the brand loyalty of Rural consumers in context to cellular telecommunication. In this framework, consideration given to 6 factors which enhance the brand loyalty and in turn help to reduce the customer churn (Ali, 2016)

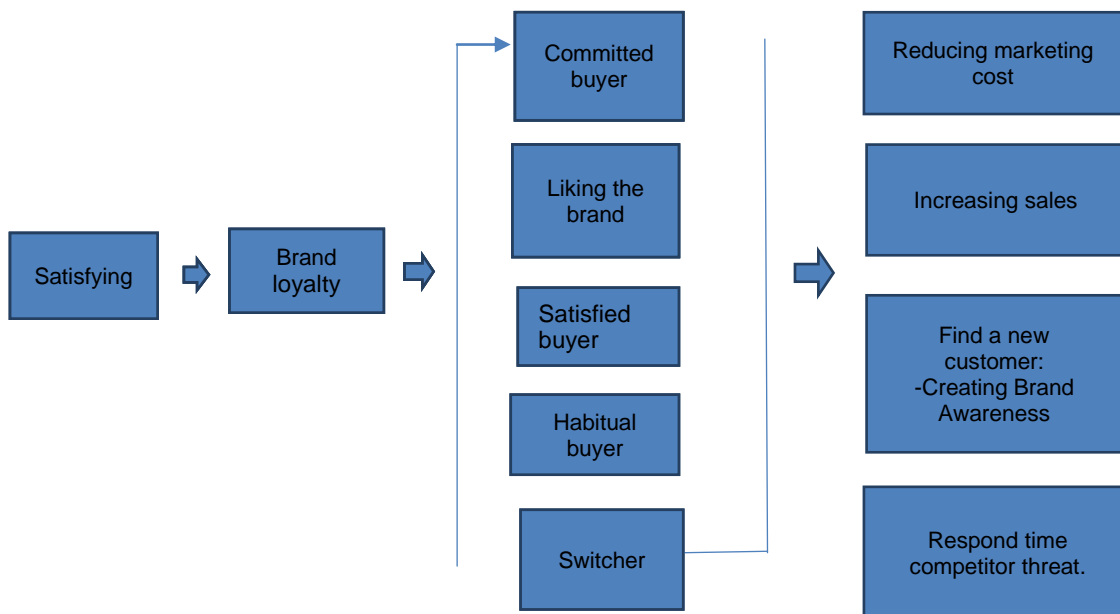
Figure 1: Determinants of Brand Loyalty for Rural Population



loyal customers are assumed to be less price sensitive and the presence of loyal customers provides the firm with valuable time to respond to competitive actions. The elements to achieving higher revenues via customer retention are: (1) base revenue—the longer you retain customers, the more money you make; (2) cost savings—they cost you less to serve; (3) price premium—they pay more for your products, (4) acquisition costs—they cross-sell and up-sell themselves and (5) they generate

referrals(Seybold,1998). Brand loyalty is a scale about the relation of consumer with a brand. This scale describes about the possibility a consumer move into another brand product, especially if in that brand is known any changes, like price and the other attributes. Meanwhile, brand loyalty is a scale from the consumer loyalty to the brand. Brand loyalty is a customer's tendency to have a consistently positive attitude toward a particular brand and to purchase it repeatedly over time (Durianto,2004

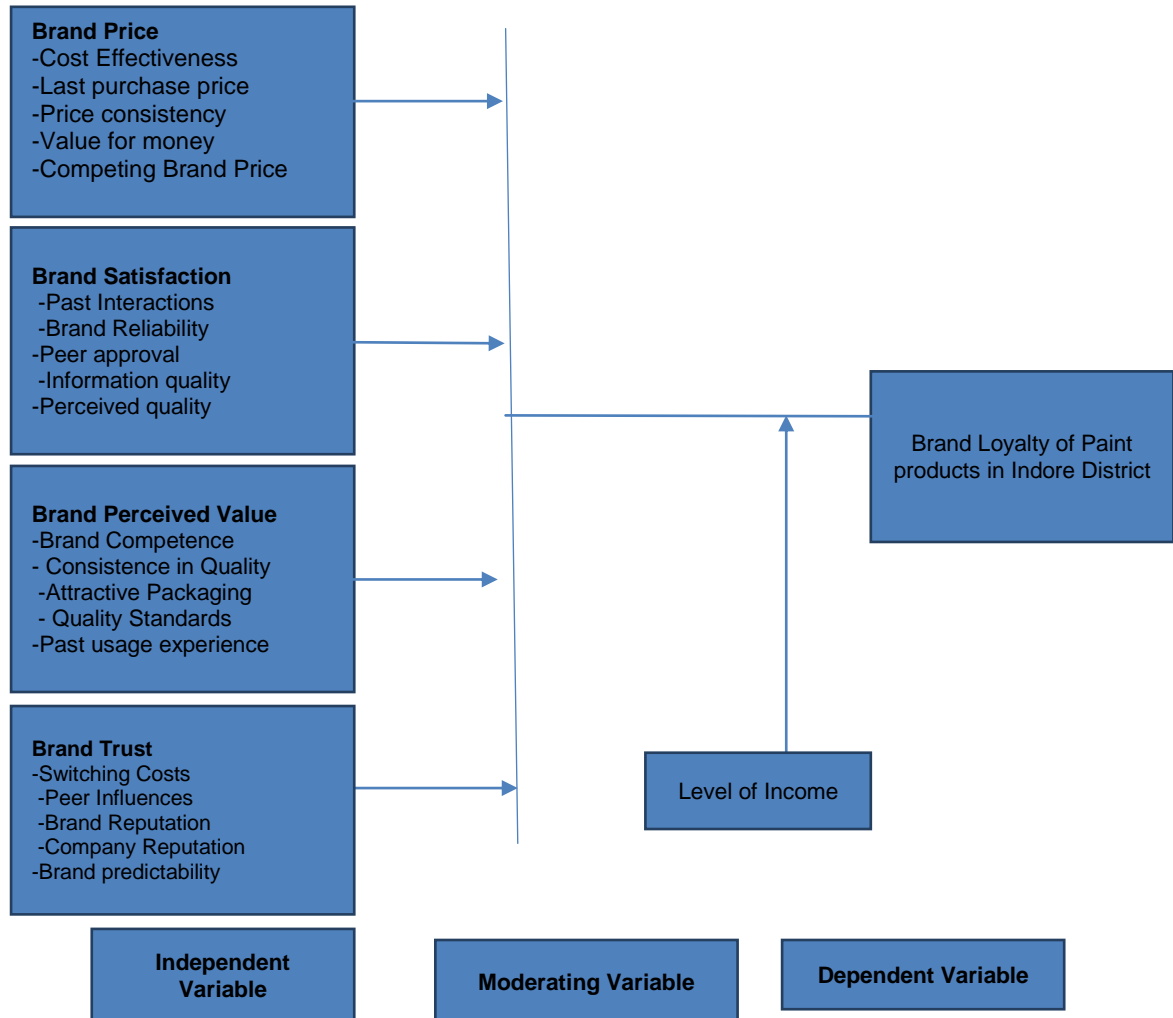
Figure 2: The Effect of Brand Loyalty (Source: Simamora (2001))



Conceptual Framework

A conceptual frame work is when a researcher conceptualizes the relationship between variables in the study and shows the

relationship graphically or diagrammatically. It is a hypothesized representation identifying the concepts under study and their relationship (Mugenda and Mugenda, 2003).



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Observation

Branding as a phenomenon is getting established in the rural market. But the response of consumers towards brands varies from one region to another, from developed to the developing and underdeveloped districts. Different age groups with different socio-economic profile approach the branding phenomenon very differently in the rural market across different product categories. But the basic underline for preference for brands in rural areas is the functional and not psychological benefit.

Brand equity provides value to both the customer and the service provider; the former in terms of brand choice decision and use

satisfaction, and the latter in the form of incremental cash flows and profitability. When undertaking marketing actions and investing organizational resources to build brand equity, prior knowledge of which mix elements are key to the task becomes vital.

Determinants of brand loyalty are industry specific and changes with the industry: brand perceived value and brand satisfaction have the highest rating as determinants of brand loyalty in cosmetic products. The analysis indicated that brand loyalty has a positive influence on the purchasing behavior of the customers and customers are likely to purchase products which they are accustomed to through a strong image and exceeding their expectations. The analysis also indicated that customers were more willing to talk to other customers about the products they have used and were satisfied with their results and thus word of mouth form of spreading positive information and thus creating a good avenue for companies seeking to

market their products. Therefore, companies should account for the importance of providing high quality products at a competitive price if they want their customers remain loyal to their products. The company should make deliberate steps that would that would give extra value to the customers. This would make the customer loyal to the company's products.

Determinants of brand loyalty among apparel consumers in the context of organized retailing in India are: Product specific factors (price, attractiveness, advertisements, Sales promotion and store image), Brand specific factors (style, uniqueness of the brand, size and brand reputation) and other factors (product quality, brand name, store environment and service quality).

Determinants of brand loyalty in telecommunication sector are Brand name, price, promotion, sales force, franchise environment, and product quality. The sales force service quality dimension consists of questions related to franchise salespeople, either they are well trained, willing to help and have a neat appearance. affect the customer perception of service quality. Service quality enhances the competitive position of the company and also consider a very important indicator of customer satisfaction. That's why companies give importance to the training of their employees in order to improve their performance.

Determinants of brand loyalty in case of automobile car sectors are: Accessibility of the brand, Efficiency of the automobile, Advertisement and promotional efforts made, Designing and structure (both internal and external), Economic condition of a country, Purchasing power of customers and Distinctiveness of the brand. Each brand of car needs to improve on these factors so as to improve their image in the eyes of the customers.

Determinants of brand loyalty in case of Restaurant industry are: dining experience, guest satisfaction and restaurant image. Dining experience and restaurant image are major predictors of brand loyalty in full-service restaurants. However, dining experience was found to be the most important determinant of brand loyalty in these restaurants. Generally, these results are important because they provide evidence of the aggregate explanatory power of dining experience and restaurant image on the criterion variable. The findings on the association between dining experience, restaurant image and brand loyalty lead to the conclusion that restaurant brand loyalty can be enhanced through appropriate dining experiences such as food quality experience, service experience, atmospheric experience, and restaurant image. Therefore, dining experience and restaurant image act as an impetus for loyalty in full-service restaurants. Accordingly, the learning point is that dining experience and restaurant image are very fundamental in influencing guest loyalty in this sub-sector of the restaurant trade.

Conclusion

The findings of the study will provide valuable insights to marketing professionals by identifying the significant dimensions of image

attributes and benefits that affect customer satisfaction and consumer intent to repurchase and recommend the brand to others. This study should help marketing managers gain an insight into the important factors that contribute to the formation of brand loyalty. The identification of the brand image attributes and benefits (consumer derived from using the brand) may help companies to develop effective marketing strategies that could increase the brand's appeal, increase customer satisfaction levels and create, maintain and improve customers' loyalty towards brands. This study will help business owners gain a better understanding of the important factors that contribute to the formation of customer loyalty. The findings of this study will add to the body of knowledge and form part of future learning materials. Future researchers with interests in marketing will find the findings useful since it will recommend further areas of study to enhance more knowledge.

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