

A Study of Brand Loyalty among Rural and Urban Consumers

Abstract

Brand loyal consumers are asset for the company as they reduce the marketing costs of the firm. With changing life style and increasing discretionary income, now a day's rural consumers are also using branded products. The gap between rural and urban marketing environment is decreasing day by day, but still a significant difference exists between them. This study compares brand loyalty between rural and urban consumers for selected FMCG brands. A significant difference in brand loyalty was observed for nine brands out of sixteen FMCG brands.

Keywords: Brand loyalty, FMCG, Rural and Urban Consumer.

Introduction

A brand is an offering from a known source. A brand name carries many associations in people's mind that make up the brand image. All companies strive to build a strong, favorable, and unique brand image¹. Brand helps companies in this competitive world by giving more preference over other products. A brand is a name that has the power to influence a buyer². Brand characteristics are more important in developing trust in consumers' mind which will result in positive brand loyalty³. It reduces price sensitivity and helps in generating loyal customers. Price sensitivity is positively related to perceived brand parity and negatively related to involvement, innovativeness, and loyalty⁴. A loyal customer is an asset for the company because attracting a new customer costs at least times 5 times more than serving the existing one⁵. From several decades, researchers and practitioners have acknowledged the importance of brand loyalty in the marketing literature⁶. The success of any branding strategy depends on the amount of loyalty it develops among its target customers. Brand loyalty also provides the firm with trade leverage and valuable time to respond to competitors. It enables long term standing in the market place and reduces the cost of acquiring new customers as well the cost of serving for the existing customers. Brand loyalty enables the marketer to sail through tough times and also in estimating the demand⁷. Consumer loyalty is a key factor in the study of brand choice, and its influence on the perception and employment of reference prices and on reactions to losses and gains⁸. In sum, brand loyalty represents a strategic asset which has been identified as a major source of the brands' equity.

Review of Literature

Brand loyalty can be defined as the extent of consumer faithfulness towards a specific brand and this faithfulness is expressed through repeat purchases and other positive behaviours such as word of mouth advocacy, irrespective of the marketing pressures generated by the other competing brands⁹. According to Keller, brand loyalty can be defined as - the repeated purchase behavior presented over a period of time driven by a favorable attitude towards the subject. It reduces vulnerability to competitive marketing actions¹⁰. Aaker defines brand loyalty as the measure of attachment that a consumer has towards a brand. According to him brand loyalty reflects how likely a consumer is willing to switch brand with change in either price or product features. Brand equity is a set of fundamental dimensions such as brand awareness, brand perceived quality, brand loyalty and brand associations¹¹.

Jacoby and Chestnut have identified more than 50 operational definitions of brand loyalty, which can be classified as behavioral, attitudinal and the composite approach in the literature. Generally, more than 60% (33) of the 53 loyalty measures are behavioral terms found in Jacoby and Chestnut's work. Behavioral loyalty has been considered as repeat purchase frequency or proportion of purchase, whereas attitudinal brand loyalty included stated preferences, commitment or purchase



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intentions of the customers¹². The attitudinal definition of loyalty implies that the loyalty of a customer is in his/her state of mind. Attitudinal measures are related to consumers' overall feelings about the brand, and their purchase intentions. It is closely related to customer satisfaction, and any company willing to increase loyalty in attitudinal terms, will concentrate on improving its product, its overall image, its service, or other elements of the customer experience, relative to its competitors. The behavioral definition of loyalty, however, relies on customer's actual conduct, regardless of the attitudes or preferences that underlie that intention. By this definition, a customer should be considered loyal simply because they buy same brand repeatedly. Behavioral loyalty is concerned with re-purchase activity rather than attitudes or preferences. Attitudinal loyalty without behavioral loyalty has no financial benefit for a firm, but behavioral loyalty without attitudinal loyalty is unsustainable¹³. The precise definition of brand loyalty comprising of both the behavioral and attitudinal concept, was initially proposed by Jacoby and Chestnut (1978) and later by Oliver (1997). Brand loyalty is (1) the biased (i.e. nonrandom), (2) Behavioral response (i.e. purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision making, evaluative) processes¹⁴.

Sometimes the loyalty is circumstantial; repeat buying comes from absence of sufficient alternatives. Circumstantial loyalty includes what are called a proprietary asset (e.g. patents, copyrights, trademarks, control of an airport) that gives a firm at least a temporary monopoly position. In other situations, loyalty reflects an efficiency motive: the brand is good, so we automatically select it to minimize effort.¹⁵ The brand loyalty found in rural areas is not only this kind of commitment; it can be brand stickiness¹⁶. This is because in rural region 4 A's are more important i.e. affordability, acceptability, availability and awareness¹⁷. Sometimes pioneer brands create a lasting impression in the market which creates entry barriers for new brands resulting in brand stickiness. Also, it is due to the complex buying behavior of rural consumers which involves collective decision making process.

Customers generally have high brand loyalty in product categories like cosmetics and personal care. Today because of high sales promotional activities there is considerable erosion of brand loyalty, even in those categories which traditionally have been supported by brand loyal customers¹⁸.

According to Schiffman and Kaunk, consumer loyalty is function of three groups of influences such as Consumer drivers (person a degree of risk aversion or variety seeking), Brand drivers (the brand's reputation and availability of substitute brands) and Social drivers (social group influences and peers' recommendations)¹⁹. These influences produce four types of loyalty: No loyalty -no purchase at all and no cognitive attachment to the brand; Covetous loyalty - no purchase but strong attachment and predisposition towards the brand;

Inertia loyalty- purchasing the brand because of habit and convenience but without any emotional attachment to the brand; and Premium loyalty- high attachment to the brand and high repeat purchase. Kotler also classified loyalty to include switchers, soft-core, hard-core loyal and shifting loyal. David Aaker explained five levels of loyalty as (i) Nonloyal: Whatever is on sale or convenient is preferred. This buyer might be termed a switcher or price buyer. (ii) Habitual buyers: Buyers who are satisfied with the product or at least not dissatisfied, vulnerable segment that can create a visible benefit to switching. (iii) Switching cost loyal: Buyers who are also satisfied and, in addition, having switching costs- costs in time, money, or performance risk associated with switching. (iv) Brand likes: On the fourth level we find those that truly like the brand. Their preference may be based upon an association such as symbol, a set of use experiences, or a high perceived quality. (v) Committed buyers: These buyers have pride of discovering and/ or being users of a brand. The brand is very important to them either functionally or as an expression of who they are. Their confidence is such that they will recommend the brand to others.

Objectives of the Study

1. To study rural and urban consumer brand preference
2. To compare brand loyalty among rural and urban consumers

Hypothesis Testing

H0

There is no significant difference between Rural and Urban consumers' Brand Loyalty

H1

There is significant difference between Rural and Urban consumers' Brand Loyalty

Research Methodology

This study of brand loyalty was conducted in both rural and urban part of Latur district. Sixteen FMCG brands from eight different product categories (which are easily available in both regions) were selected after conducting a pilot study. Both exploratory and descriptive research design was used. The sample size for the survey was 938. The sampling unit was rural and urban consumers of Latur district. Multi stage sampling technique was used for selection of sampling units. In first-stage, Latur district was divided into 10 clusters i.e. talukas such as Latur, Udgir, Ausa, Nilanga, Renapur, Chakur, Devani, Shirur anantpal, Jalkot and Ahmadpur. For selecting a sampling unit from urban part, systematic sampling method was used. The mall intercepts survey method was used for this. Also, surveys were conducted at the public places. For villages selection (Villages at least 4 km away from city and population below 5,000), simple random sampling method was used. Respondents were selected by systematic random sampling method at the retail outlet and public places. For measuring brand loyalty behavioral method (repeat purchase) was adopted. After 6 months another survey of same sampling units for same brands was conducted for studying brand preference.

Findings and Discussion**LUX Soap**

There was marginal difference in percentage of loyalty among rural and urban consumers for Lux brand.

Santoor Soap

The percentage of loyal consumers for

Santoor soap in rural and urban region was 87.63 and 88.32 respectively.

Wheel Flake

Brand loyalty for Wheel soap was very high for both rural and urban consumers. 90.21 % of urban consumers were loyal with this brand whereas this percentage was 86.44 for the rural region.

Table no. 1**Loyalty among Rural and Urban Consumers for Different Brands**

| Brand | Rural | | | Urban | | | Z- test | | | Chi-square test |
|-----------------|-------------|-------|-------|-------------|-------|-------|--------------|-------|----------|-----------------|
| | No. of User | Loyal | (%) | No. of User | Loyal | (%) | Z calculated | H0 \$ | Result * | Result # |
| Lux | 124 | 76 | 61.3 | 144 | 101 | 70.13 | -4.6559 | A | NSD | NR |
| Santoor | 283 | 248 | 87.63 | 197 | 174 | 88.32 | -0.2433 | A | NSD | NR |
| Wheel Flake | 354 | 306 | 86.44 | 184 | 166 | 90.21 | -1.3499 | A | NSD | NR |
| Rin | 120 | 70 | 58.34 | 208 | 139 | 66.82 | -1.9274 | A | NSD | NR |
| Nirma | 271 | 169 | 62.36 | 152 | 112 | 73.68 | -2.9023 | R | SD | Depend |
| Wheel Powder | 161 | 70 | 43.47 | 174 | 111 | 63.79 | -5.0724 | R | SD | Depend |
| Parachute | 434 | 408 | 94. | 313 | 282 | 90.09 | 2.0664 | R | SD | NR |
| Navratna | 26 | 18 | 62.06 | 72 | 12 | 16.66 | 7.7814 | R | SD | Depend |
| Fair & Lovely | 394 | 358 | 90.86 | 298 | 286 | 95.97 | -2.7156 | R | SD | Depend |
| Fair & Handsome | 52 | 22 | 42.30 | 84 | 42 | 50 | -1.2744 | A | NSD | NR |
| Colgate | 375 | 321 | 85.6 | 296 | 256 | 86.48 | -0.3516 | A | NSD | NR |
| Close up | 53 | 27 | 50.94 | 92 | 41 | 44.56 | 1.0825 | A | NSD | NR |
| Parle | 389 | 312 | 80.20 | 237 | 216 | 91.13 | -3.9746 | R | SD | Depend |
| Good day | 94 | 40 | 42.55 | 164 | 87 | 53.04 | -2.3117 | R | SD | Depend |
| Brooke Bond | 97 | 35 | 36.08 | 89 | 53 | 59.55 | -4.6559 | R | SD | Depend |
| Tata | 180 | 97 | 53.88 | 197 | 135 | 68.52 | -3.7203 | R | SD | Depend |

Note: \$ A- Null hypothesis accepted & R- H0 Null hypothesis rejected

* SD- Significant difference & NSD- No Significant difference

Depend- Locality and loyalty dependent on each other & NR- No relation between locality and loyalty

Rin Soap

The repeat purchase for Rin soap was slightly more among urban consumers (66.82 %) than rural (58.34 %).

Nirma detergent powder

The percentage of loyal consumers of Nirma brand was more in urban area (73.68%) than rural (62.36%).

Wheel detergent powder

43.47 % of rural and 63.79% of urban consumers was found loyal for wheel detergent brand.

Parachute hair oil

Rural consumers were found more loyal (94%) than urban (90%)

Navratna Hair oil

62 % of rural and 16.6% of urban users of Navratna hair oil was loyal to the brand. Rural consumers were more loyal to the brand.

Fair & Lovely fairness cream

90.86% of rural consumers 95.57% of urban consumers of Fair & Lovely brand were loyal.

Fair & Handsome

Only 42.3% of rural and 50% of urban

consumers was loyal.

Colgate

85.6% of rural consumers of Colgate brand were loyal where as 86.48% of urban consumers of the same brand were loyal.

Close up

Only 50.94% of rural consumers and 44.56% of urban consumers were loyal.

Parle

80.2% of rural consumers and 91.13% of urban consumers of Parle brand were loyal.

Good day

The brand loyalty for Good day was less than Parle brand. Only 42.55 % of rural and 53.04% of urban consumers of Good day brand were loyal.

Brooke Bond

Urban consumers were more loyal than rural for Brooke Bond tea. 59.55% of urban and 36% of rural consumers are loyal towards Brooke Bond brand.

Tata tea

68.52% of urban and 53.88% of rural consumers was loyal for Tata tea brand.

Conclusion

A significant difference in brand loyalty among rural and urban consumers is observed for brands such as Nirma, Wheel powder, Parachute, Navratna, Fair & Lovely, Parle, Good day and Tata tea. Out of these eight brands, rural consumers were more loyal than urban for Parachute and Navratna brand; whereas for remaining six brands, urban consumers were more loyal than rural. Also, a significant relationship was found between locality and brand loyalty for Nirma, Wheel powder, Parachute, Navratna, Fair & Lovely, Parle, Good day and Tata tea brands. There was no significant difference in brand loyalty among rural and urban consumers for remaining seven brands. Thus, we can conclude that brand loyalty among rural and urban consumers was not same; for nine brands there was a significant difference and for seven brands there was minor difference. Also, loyalty varies from brand to brand and not as per the market (rural vs urban); out of nine brands with a significant difference, loyalty was more among rural consumers for two brands whereas it was more among urban consumers for remaining seven brands.

Endnotes

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