

# The modeling of Brand Loyalty in the Brewing Market in Poland

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**Abstract**—Brand loyalty is a strategic asset of the company. In the era of competition to have loyal customers decides on the market superiority of enterprises. Creating the loyalty of buyers, however, is a lengthy process and requires the appropriate business strategy, preceded by the proper market research. The purpose of the paper is to present the concept of brand loyalty, the creation of loyalty of customers, the benefits and determinants of loyalty on the example of brewery market in Poland.

**Keywords**—brand, brand loyalty, brewery market

## I. INTRODUCTION

TODAY, any business owner or manager doesn't need to be convinced on the need to use financial ratios. Until 44% of the surveyed firms attributed them the highest importance to the functioning of the enterprise. Unfortunately, despite the great importance for the development of market activities of companies, are undervalued indicators of customer behavior [1]. Meanwhile, more and more it is stressed that a basic condition for the success of companies is long-term orientation of buyers. Customers who tend to maintain long-term relationship with the supplier, doesn't concentrate exclusively on current versions and the results, but focus on the achievement of future goals. Their expectations far outweigh ordinary needs in the delivery of particular interest. In this relationship the special importance is trust. It's particularly important, because not only helps reduce the risk perceived by the buyer, which is related to the behavior of suppliers, but also increases its belief that the long-term interests are submitted to the partner's efforts to achieve short-term profits.

## II. THE CONCEPT OF BRAND LOYALTY

The concept of brand loyalty has many definitions. G.R. Foxall and R.E. Goldsmith defines brand loyalty as an attachment to the species, namely the phenomenon of buying the same brand every time you purchased the product [2]. These authors, however, do not explain the reasons for the attachment, thus presenting a broad definition of loyalty, including among others loyalty occurring in a monopoly situation it is usually associated with a low degree of brand loyalty.

J. O'Shaughnessy defining the concept of brand loyalty indicates that this is based on personal ties faithful adherence to the "good and bad" for a particular brand [3].

Under this approach, an inherent attribute of loyalty is, therefore, persistence and personal motive for a positive attitude towards the brand.

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TABLE I  
TYPES OF LOYALTY

Type of loyalty	Example	The degree of attachment
Loyalty in a monopoly situation	The electricity market, gas market, rail transport;	Low
Loyalty resulting from the high cost of changing suppliers	Relationships in the B2B market, the market for computer software, the market for banking services	Medium
Loyalty induced of incentive scheme	Programs such as frequent business flyers, loyalty programs used by supermarkets	Low or medium
Loyalty resulting from a habit	Petrol stations, mobile operators	Low
Loyalty resulting from a fidelity	Football clubs	High

Source: own study based on: N. Hill, J. Alexander, *Pomiar satysfakcji i lojalności klientów*, Oficyna Ekonomiczna Ed., Cracow 2003, p. 27.

Slightly different definition of loyalty is given by G. Urbanek, according to which it's defined, not accidental, resulting in long-term behavior of the decision-making body in relation to one or more brands, which are a function of psychological decision-making process. Treating loyalty as a measure of customer loyalty to a particular brand believes that it reflects the likelihood of customer switching to another brand, especially if it's different in terms of price or other parameters [4]

Yet another concept of brand loyalty is defined by J. Altkorn, that it not only the propensity of consumers to purchase sustainable products of the brand, but also the willingness to pay a higher price for it, the repetition of their purchases and to refrain from buying competing products [5].

Loyalty, therefore, is a conscious, deliberate and sustained brand loyalty manifested in the significant involvement buyer relationship with the supplier and the lack of sensitivity to the actions of competitors.

Brand loyalty may be due to several factors [5]:

- 1) persuade of consumer about the merits of purchasing the products of the brand (e.g. reliability, modernity),
- 2) habits (e.g. to certain cosmetics, cigarettes),
- 3) treatment of the brand as a distinguishing feature of social position.

The primary task of brand managers is to distinguish the brand loyalty from buying out of habit. Elections habitual are choices based on customs. They may, indeed, in extreme cases turn into brand loyalty, but the buying from habit is a process in which the pre-selection - which is the basis for future elections - is accomplished without great effort. This means ultimately that consumers are open to offers from other suppliers.

Clarifying the definition is appropriate to add that brand loyalty is arising from the experience, mental attitude of consumers, reflecting their tendency to repeat purchase. It's clear from:

– learn by the consumer, that the brand best meets their needs and provide him exceptional, desired by him benefits;

- formation of a consumer's emotional bond with the brand, resulting from the emotional impact of brands on the consumer;

- consistency of brand image, its personality, with the image and the personality of the consumer.

### III. TYPES OF BRAND LOYALTY AND THE PROCESS OF ITS FORMATION

Analyzing the degree of customer loyalty to the brand should be noted that it varies among different consumers. Furthermore, the product can be divided into categories for which consumers show a greater commitment and categories for which consumers clearly do not show such devotion.

Products which have social, symbolic or emotional significance (eg, beer, cigarettes) or those that meet the specific needs of hedonistic nature (eg coffee), gain greater commitment of consumers than the articles of daily use (eg, salt, breakfast paper). Brand loyalty depends on the situation in which the purchase is carried out. Consumers in a particular situation may prefer a type of product that does not would choose some other time[2].

According to the Encyclopedia of Advertising and Promotion the loyal consumers divided into three groups. They are [6]:

- 1) consumers are loyal because of the benefits of the chosen brand, this means buyers who buy the brand, because believe, that it's the best on the market, even when they have to pay for it a higher price; they believe that the chosen brand provides them quite unique advantages,

- 2) consumers are loyal because of the economic value of purchase; that is those, who attach themselves to the brand because it is cheaper than the brand rivals, but this doesn't mean that the consumers are not pay attention to product quality - quality must be at least satisfactory,

- 3) loyal customers with a sort of "inertness" to the brand, that is those, who buy the brand from generation to generation; in this case the success of brands can be seen in its almost guaranteed a long life in the market.

A similar classification is presented by N. Hill and J. Alexander, who distinguished five types of loyalty, namely [7]:

- loyalty in a monopoly situation,
- loyalty resulting from the high cost of changing suppliers,
- loyalty induced of incentive scheme,
- loyalty resulting from a habit,
- loyalty resulting from a fidelity (Table 1).

The lowest level of attachment occurs in a situation where the customer uses the services of a company because he has no other alternatives or make purchases of habit. The first of these situation takes place among others in the electricity or gas market and rail transport services. Change of supplier in these cases is simply impossible. In this case, however, the emergence of any company offering certain products or services at a level slightly higher than the current suppliers could result in his immediate replacing. In the second situation, offers knowledge and previous experience makes a routine repetition of early election. However, in this case a better offer is likely to affect to change the supplier.

The average level of customer loyalty exists among others when there is high switching costs of change of supplier, which more often characterized relations between the companies than the relations on the B2C market. This is because any change of supplier involves incurring additional costs such as changes in logistics system, checking the quality of products or services, the introduction of new accounting data, factoring the risk of a new delivery delays and problems with reserves, agree on new complaints procedures, etc. Companies with generally more profitable, therefore, to solve problems with the existing supplier than to look new. A similar level of attachment is characterized by customers who use loyalty programs such as "frequent business flyers", offered by many airlines and programs used by supermarkets and chain of stores. The degree of affection in this case depends on the amount of benefits offered by the supplier. The are higher, the higher the likelihood of repeat business [8].

The highest level of loyalty is characterized by customers who have already been indicated as - generate a strong personal bond with the product, that is bought with real affection, expressing the emotional reaction caused by the product.

Confirmation of such a division seems to be a customer rating buyers presented by D. Aaker, who, like N. Hill and J. Alexander identifies five levels of brand loyalty [9]:

1. Buyer disloyal - sensitive to price, which is driven only by the availability or price of the products, all the brands satisfy him.

2. Buyer habitual - as happy with the brand, if there is a level of dissatisfaction, it is not high enough to stimulate change of brand, especially if it requires effort; it's a segment susceptible to the action of the competition, especially if the present offer greatly exceeds the benefits of previously offered by the choosed brand.

3. Buyer happy with the brand, which costs change it to another, such as time, money and the risks associated with the purchase, considered as very high; based on brand loyalty in this case is the relative satisfaction with the purchased product and the high perceived costs of switching brands.

4. Buyer fond of the brand, treating her as a friend; brand preferences are based on associations connected with the brand, the experiences of the use or high perceived quality; the purchaser of this segment is called a "friend of the brand", because it's emotionally attached with the brand.

5. Consumers 'involved', who are proud of being a user of the brand; brand is important to them, both from a functional point of view, and in terms of expressing their personality; their confidence is so large that they recommending the brand to others.

The company strives to maximize the effect of customer retention should focus not on their loyalty, but fidelity. Multiple purchases may be the result of habit, with very little effort. These seemingly "loyal" customers can easily become a prey to competition. Many of them evaluate their existing suppliers as high as other companies in the industry. Meanwhile, faithful customers, this are customers who truly committed to the supplier, whose attitude is manifested in a specific behavior in the market. Their resistance to treatment of competition due to from a deep conviction, that the current supplier to meet their long-term needs better than any other.

The task of enterprise, therefore, is transformation the likely buyer in so-called client-advocate, that's means a client who has for the company's full confidence and is unconditionally attached to it. Such a person with a high frequency purchases across a range of products the company and communicates their positive feelings and experiences with company for friends and family. The process of formation of customer loyalty requires a considerable commitment of businesses and a relatively long time. Through the identification of each stage and to meet specific customer needs, the company has a great chance to "offset" their buyers on the higher rungs of their loyalty, simultaneously transforming their in the company's advocate.

The company not only needs to identify its potential buyers, but to gain their trust and build relationships with their customers. Customers are increasingly not in fact focus on the current options and results, but rather focused on achieving long term goals. Their expectations far exceed their satisfaction in the delivery of particular interest.

The purpose of business should therefore be to build sustainable, based on trust and mutual satisfaction relationship with the customer. Client-advocate is not a suppliant, but a partner who takes an active part in designing the company's offerings - the assortment, prices, methods of communication with customers and deliver products. The condition of gain of fidelity of buyers is providing them with unique benefits, which constitutes the essential difference between the total value of the product and the cost which the customer has to pay in connection with its acquisition [10].

#### IV. BENEFITS OF CUSTOMER LOYALTY

The results of researches show that in many cases no more than 10% of customers are completely faithful to suppliers, even those with an excellent reputation. The value of these fidelity, however, is enormous. In addition, their clients will stay with the same supplier longer, they buy more frequently and tend to buy a wider range of goods, also spent more than others.

The researches of satisfaction and loyalty of customers in discount stores, supermarkets and hypermarkets, conducted by GfK Polonia in 2010 (the survey covered eight leading networks in Poland) have shown, that the average loyal customer is shopping 45 times a disloyal only 3 times. In addition, the value of the basket of loyal customer's is 222% of the average, a disloyal customer basket only 78%, which means that the loyalty customer at the establishment covered one third of its demand for food and other FMCG and disloyal customers only 1,5 percent.

The amazing is, however, the value of turnover generated by the loyal and disloyal customers. In six stores of one of chain 180 thousand of disloyal customers did purchases of 12.2 million zlotys per year and 224 thousand of loyal customers generate 310.8 million zlotys rotation. In another case, 390 thousand of disloyal customers bought for 20.5 million zlotys, and almost four times smaller number of loyal customers - 98 thousand of people undertook the seven higher value purchases and generated a turnover of 151.7 million zlotys per year.

Loyalty to the brand or supplier, regardless of whether the type or base which implies is undoubtedly one of the strategic assets of the company. Properly used can be a potential source of additional value for the company, and consequently an essential element competitive advantage. Customers who longer remain with the company are showing higher profits [11]. This dependence is apparent for four reasons:

1. Regular customers, if they are very happy, buy more and more - a customer who establishes the relationship once the seller buys him constantly (partly because of their own inertia, but a considerable proportion of the actual attachment), and where their needs as they grow, they buy more and more.

2. Cost of service of regular customer is becoming less – the transactions with a regular customer become a routine nature, which saves time and money.

3. Very satisfied customer, often recommend for the seller other potential clients. What's more, research shows that a satisfied customer shall deliver its opinion about the product to 5 people. Buyer dissatisfied, meanwhile, shares his insights all the way from 15 individuals.

4. Regular customers are not price sensitive and often, calmly, take the message even with substantial increases made by the seller.

Having a loyal customer gives the company a lot of benefits, which could include, among others [9], [12]:

1. Possibility of reducing of marketing costs - costs of maintaining the satisfaction of existing - loyal customers are less than the cost to acquire new ones. Potential consumer needs motivation to change their existing brand, even if the notes alternative of purchase. The manufacturer must provide him compelling reasons to buy and use a different brand. It is estimated that the cost of maintaining an existing customer is six times lower than the cost of finding a new one [13].

2. Increasing the efficiency of commercial activities, for example, by maintaining a high level of sales, the possibility of achieving higher prices, to gain a strong bargaining position against the brokers, or better places in the shop (this benefit is particularly important when introducing new forms / varieties of the product).

3. Attracting new customers - satisfied customers and committed to the brand is a guarantee for a new customer, especially when he considered the purchase involves some risk; make recommendations, they influence the buying decisions.

4. Increasing awareness of the brand - by the fact that existing customers have and use of the brand, they increase its brand awareness.

5. The creation of significant barriers to entry for competitors - loyal customers are not price sensitive and easier to accept price increases for their preferred brand, they also give the time to react by the company for share rivals, do not resign immediately from the brand but give it time to make improvements, even those that have already applied the competitors (Figure 1).

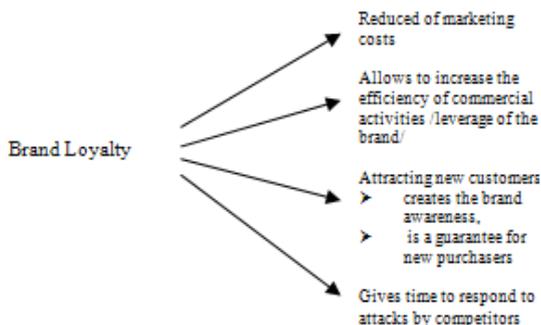


Fig. 1 The value of brand loyalty [9]

V. THE ROLE OF THE FACTORS INFLUENCING TO BRAND LOYALTY IN BREWING INDUSTRY

Analyzing the purchasing process assumes that the source of loyalty may be the external factors determining the choice of product, such as:

- 1) high quality of product marked with the brand,
- 2) low price,
- 3) high brand image,
- 4) content and form of advertising,
- 5) the value represented by the brand,
- 6) attractive packaging,
- 7) an efficient distribution system,
- 8) long-standing tradition,
- 9) frequent promotions,
- 10) goodwill,
- 11) regional proximity brand.

Respondents could select five of the twelve replies (add a category "other"<sup>1</sup>) and sort them by assigning them ratings from 1 – for the most important, to 5 – for the least important. Surveys conducted in two groups of respondents. The subject of the first part of the study were undertaking the brewing industry, the second – the standard of 500 randomly selected consumers in the province of Silesia<sup>2</sup>.

The studies found that both groups corresponding to the most important factor which helps build brand loyalty and recognize the high quality of product – 70% of the responses of entrepreneurs (the results of the sum of the responses) and 92% of consumers surveyed indicated.

Differences occurred on the following sites. The second, most important, according to the study group of managers, is a high brand image - almost 68% of responses. On the following locations are the reputation of the company with 56% of responses, the values represented by the brand – 52%, low price and the content and form of advertising – at 48% of responses. Meanwhile, according to the responses of consumers followed as to the validity for the development of loyalty occupied: the reputation of the company - 61%, low price - 57%, long-standing tradition - 52%, an efficient system of distribution - 44% and the value represented by the brand - 44% of responses (Figure 2).

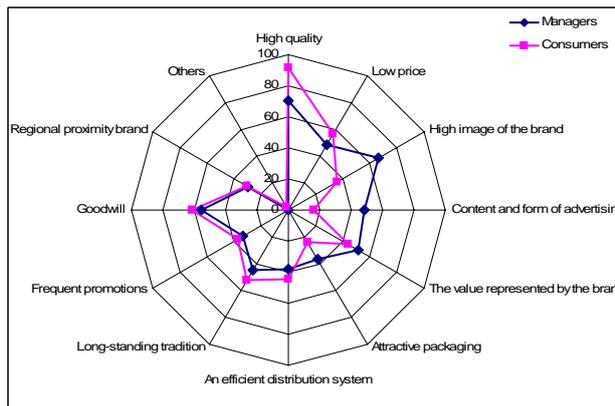


Fig. 2 Factors of customer loyalty - the sum of the individual factors indicated assigning ratings from 1 to 5

Analyzing only the number of evaluation factor attributed the greatest role in creating brand loyalty, in the first place according to entrepreneurs and managers, as well as in the case of the sum of all indications, was ranked the quality of the product – 40%. Second place was taken by: low price, high brand image, the values represented by the brand and the brewery's long-standing tradition – at 11%. Slightly fewer indications received goodwill - 7%. The responses of consumers the largest number of indications assessment of 1 also received a high quality product - 66% of respondents. In second place was the low price – 15% of responses. And only 7% of respondents identified goodwill as a major factor in the development of brand loyalty (Figure 3).

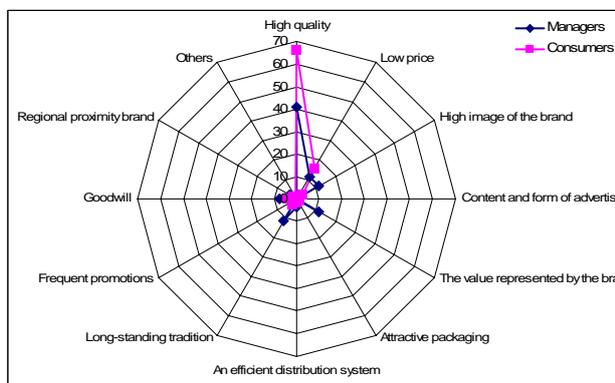


Fig. 3 Factors of customer loyalty - the sum of ascribing to the factors indicated 1

As these figures show, for consumers the most important factor which causes the attachment to the brand is high quality product. Respondents also point to such factors as the reputation of a company or a low price, but the number 1 is assigned to assessments in these cases substantially lower. Factors such as high brand image and values represented by the brand is also assigned a significant role. The validity of these factors in the development of brand loyalty points in the first instance - 36%, in the second - 44% of respondents. These results are reflected particularly in the answers given by managers, who like customers, for the most important factors

<sup>1</sup> The category "other" did not constitute a basis for statistical analysis due to the residual response.

<sup>2</sup> After the rejection of invalid responses, the basis for the calculation were: 27 questionnaires of businesses and 433 questionnaires of consumers.

consider a high quality product, the elements associated with the brand and reputation of the company. The responses of both groups, there are fundamental differences between the sum of the indications for a given factor, and the percentage of indications attributed the assessment of a given factor, which is tantamount to recognition as a major factor in shaping the brand loyalty (Figures 4 and 5).

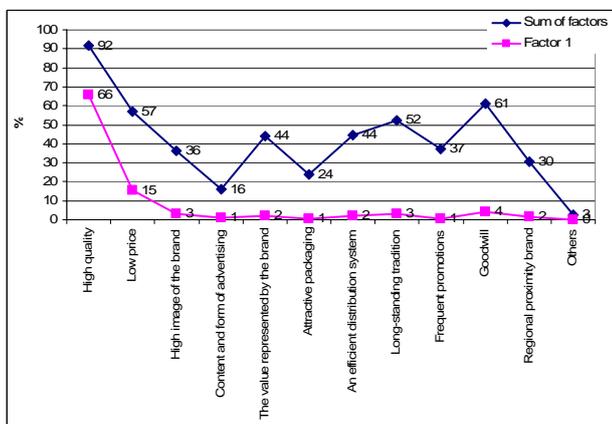


Fig. 4 Factors influencing to the brand loyalty - the consumer replies

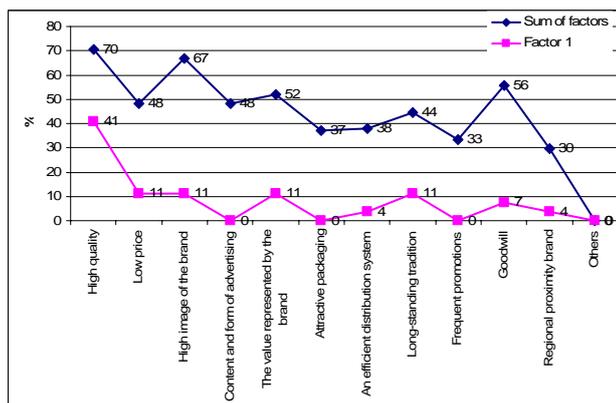


Fig. 5 Factors influencing to the brand loyalty - replies managers

To determine the hierarchy in the degree of influence of individual factors on brand loyalty used repeatedly Kruskal-Wallis test.

As a null hypothesis assumes that all vectors have the same response distribution. The hypothesis was tested at a significance level  $\alpha = 0.05$ . Estimated from the sample the significance level  $p = 0.05$  point to reject the null hypothesis, and thus the existence of factors that are dominant over others.

After ranked descending rank sum analyzed whether the differences between the results are statistically significant. Investigated whether individual vectors have the same distribution against the alternative hypothesis that it is not. In the first stage of comparison of these two vectors, where the sum of ranks was the lowest (content and form of advertising and packaging). Rejection of the null hypothesis and comparison of the rank sum for these two vectors indicates that the packaging (factor 6) with a large sum of ranks is more important to consumers than content and form of advertising

(factor 4). In the next step compared only the factor of higher rank to the next total factor according to the list, etc.

Based on the results obtained established ranking of factors according to their importance in the development of brand loyalty in consumers' opinion. This ranking is as follows (order of importance):

- I place: high quality of product,
- II place: low price,
- III place: long-standing tradition, goodwill,
- IV place: high brand image, the values represented by the mark, an efficient distribution system, frequent promotions,
- V place: regional proximity of the brand,
- VI place: attractive packaging,
- VII place: content and form of advertising.

Thus, a factor particularly important in the development of brand loyalty in opinion of consumers is high quality of product. In second place – a low price. In third place, the respondents put the tradition and reputation of the brewery. In the corresponding decidedly little impact on brand loyalty have advertising of product or attractive packaging. The relatively low influence on brand loyalty according to the respondents is also proximity of regional brand.

When the same analysis of the responses provided by businesses estimated from the level of significance also pointed to the rejection of the null hypothesis.

Determined based on the results of researches of entrepreneurs and managers rank of factors according to their impact on brand loyalty take into account only the two subgroups and are as follows (order of importance):

- I place: high quality of product and high brand image,
- II place: frequent promotions, attractive packaging, the regional proximity of brand, an efficient distribution system ensures the availability of the brand, content and form of advertising, long-standing tradition, low price, the value represented by the brand and goodwill

Factors particularly important in the development of brand loyalty, according managers are so high product quality and brand image. The remaining factors respondents attributed secondary importance. Differences in perception of the role of the factors influencing to brand loyalty in the assessment of managers and consumers are shown in Figure 6.

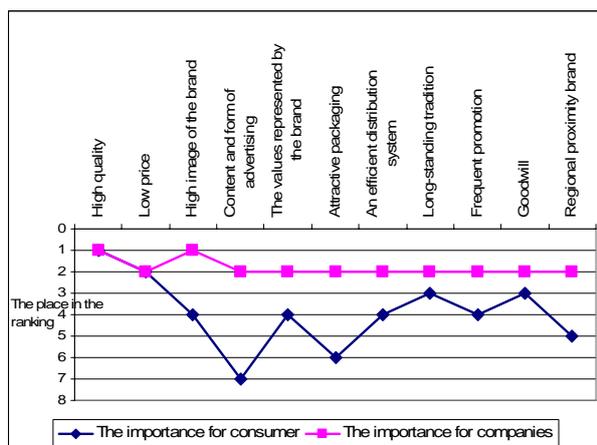


Fig. 6 The importance of factors affecting on brand loyalty - the difference between responses of consumers and managers

## VI. CONCLUSION

Brand loyalty, regardless of the type or base which implies undoubtedly constitute one of the company's assets. Retain customers and build good relations with them is the goal of today's businesses. Companies are aware the vast difference between the value of customers purchasing habitual, and the value conscious customer, involved in a relationship with the supplier. The first of these make repeat purchases, but are still susceptible to attacks of competitors. Meanwhile a second group of customers - advocates. Not only repeat their choices, but the purchase with great care. They are partners for the enterprise. This group is for the market success of the company. As shown, the value of purchases made by the so-called loyal customers often exceeds the revenue generated by other groups, and increase the loyalty of buyers have a significant impact on the obtained financial results.

Studies suggest, that some companies have problems in defining the factors whose creation will effectively convince customers to stay with the brand or company. The two treatment groups indicated the priority given to product quality as a factor, which determines brand loyalty. Companies seem to still underestimate the role of prices and factors such as tradition and reputation of the company, which in the opinion of consumers in the beer market are essential. Noteworthy is the fact that consumers do not choose beer brands due to the regional proximity of brand.

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