Brand loyalty: does it really exist?

Roderick White explores the issues that surround a highly desirable, if elusive, marketing objective

EVERY BRAND MARKETER has a notion of an ideal customer: someone who buys the brand in large quantities, very regularly, and, if asked, both disses the competition and recommends the brand passionately to everyone within earshot. In other words, the high-value, loyal, influential customer.

It is less easy, by the length of several streets, to devise strategies for creating and keeping these mythical creatures than to define them. Or, even, to find them. As Andrew Ehrenberg has pointed out, and no-one has successfully disproved what he has to say, in any competitive market there are very few hardline brand-loyal consumers, and those who do buy only one brand in the market (and are, therefore, on most behaviour-based definitions, genuinely brand-loyal) are, by and large, merely light or occasional users of the category, who have no reason to develop the repertoires that most consumers, in most such markets, actually buy from.

Double jeopardy

Yes, to be sure, thanks to double jeopardy, bigger brands have more apparently loyal users than smaller brands, so that the market leaders appear, at least, to be leaders by virtue of having a higher proportion of'loyal' users. But close inspection of real purchasing data tends to show just how skin-deep such loyalty often is.

But, you will naturally ask, surely every marketer is aiming to drive, develop and preserve brand loyalty? To which the answer is, equally naturally, 'of course'. Assuming a repertoire market - or any competitive market, in practice - it is a perfectly valid strategy to aim to keep as many customers as possible as loyal as possible. That way, you reduce churn and maintain your business at a viable level. But, as sure as anything, you will, over time, lose customers, or people will reduce your brand's role in their repertoires: the 'leaky bucket' is in effect a law of nature.

So while it may be perfectly realistic to do analyses that say it's far more profitable to retain a customer than to acquire several new ones; and that it costs five to twenty-five times as much to get a new customer as to retain one, the erosion of your customer base over time is as certain as death or taxes - and so, therefore, is the imperative of acquiring new customers, on an on-going basis, to replenish the diminished supply.

A tough objective

The most convincing recent light to be shed on this issue comes from the UK IPA's Datamine project. Peter Field and Les Binet have been analysing award-winning cases from the 25 years or so of the IPA Effectiveness Awards (1), and one of their most striking findings is that, although many brands' objectives include developing loyalty, few succeed in demonstrably achieving this objective - but those that target loyalty are in fact rather good at recruiting new brand users, and this is clearly a core element in their evident marketplace success.

From this phenomenon, we can begin to speculate about what, generically, drives loyalty, however we choose to define it. But, first, we ought to at least look at the issue of definition. There's a school of marketers who define loyalty simply in terms of behaviour: a loyal customer buys the brand regularly, and (eg) buys it on more than half of all category purchase occasions. This is fine, as an operational definition, but it has the weakness that it tells us nothing about the parameters of loyalty: is this simply habit, or inertia? Or does it reflect a genuine commitment to the brand and a deep belief that it is, if not actually the best in the field, the best affordable value available?

In other words, attitudinal loyalty, if not actually the defining feature of the genuinely brand-loyal, looks to be a vital component of true loyalty. And, indeed, there have been numerous attempts to develop suitable attitudinal measures to allow marketers to pin down just how loyal their users are, how this compares with the competition, and hence to put in place strategies that might build or cement loyalty in the face of competitive challenges.

Obvious examples include, for example, the well-established Conversion theory, with its scale of commitment to brands; and the Millward Brown Brand Dynamics pyramid, where the top segment consists of people who can be shown to have, in some sense, 'bonded' with the brand (2).

The N PS

As several of the articles that follow point out, the candidate du jour for election as the key loyalty metric is Frederick Reichheld's Net Promoter Score, based on the balance of strong positive recommendations over strong negatives. Apart from being an apparently good measure of an individual's loyalty to a brand, it is, it is claimed, a highly effective guide to the overall prosperity, growth and profitability of the brand and its owners. As will become clear from Tim Keiningham's article, this claim to predict growth and profits is being challenged - in spite of work by Paul Marsden in the UK, which seems to support the core findings.

What's more, in spite of its evident appeal to marketers who want to be able to give a single-number indicator of success to their CEOs, the NPS clearly dissatisfies many who are trying to help marketers articulate loyalty-related strategies and campaigns: while it may be a useful diagnostic of a positive attitude to the brand, it is essentially uninformative, and does nothing very helpful to guide policy.

Given these uncertainties, it is hardly surprising that so-called 'loyalty marketing' is not a universally accepted panacea for marketing ills. Indeed, although there are some well-accepted methods of trying to lock customers into a brand, it is often questioned whether they are doing much more than acting as a quite low-key form of on going price promotion.

Classic loyalty schemes involve collecting 'points' of some kind in return for regular purchasing. Arguably the oldest of these is the British Co-op 'divi', which dates back to the l9th century, and is the precursor of both the allegedly highly-successful Tesco Clubcard operation and, in a totally different sector, the almost ubiquitous airline frequent-flier scheme. And, yes, there is some survey evidence to suggest that these schemes have some effect.

Is there a viable loyalty strategy?

This all invites the key question: what can marketers actually do to foster loyalty to their brands?

The answer, I believe, is distressingly simple. It goes right back to the heart of marketing. Get the product right. Communicate effectively about it. Service the hell out of it, in whatever way is appropriate or feasible. Keep innovating to ensure that the brand continues to deliver competitive value. Live the brand, and make sure all your people do, especially (but not exclusively) those in any direct contact with customers.

If you then want - or need - to bolt on some form of 'loyalty' scheme, make sure it offers real value to those customers you particularly want to keep. But the true loyals won't actually need it, because they will be whole-heartedly with you already - and they may well have the wit to see that you are trying to bribe them, and resent it.

Loyalty, in other words, depends on consistent, valued customer experiences. Everything else is, frankly, candyfloss. And too much candyfloss rots your teeth. •

1. *In press, to be published by WARC in June 2007. See also P Field: dataMINE 2: Marketing in the Era of Accountability, Admap Measuring Advertising Performance conference, February 2007; a version of this will appear in next month's Admap.*
2. *A Farr: Soft measures, hard cash. Admap 477, November 2006; T Richards: Measuring the true value of brands. Admap, March 1997.*

Fonte: ADMAP, vol 43, n. 5, p. 12-13, may. 2007.