

## BRAND LOYALTY MADE EASY: A PREFERENCE-BEHAVIOR MODEL

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### ABSTRACT

It is widely accepted that brand loyalty is critical to success due to the high costs of gaining new customers and the strategic advantage of the brand equity associated with high loyalty. This paper presents a new model of brand loyalty that combines simplicity with useful insights into competitive position.

The model is based on the same assumptions and mathematical calculations developed by Colombo and Morrison (1989, *Marketing Science*). Their work assumed that consumers can be classified as either hard core loyal (HCL) or potential switchers (PS). Thus, after any given purchase, a consumer will either be sufficiently satisfied that he will consider no other brands and automatically repurchase the last brand purchased (HCL), or he will consider alternatives and have some probability of buying each (PS). Hard core loyals do not switch; potential switchers may or may not switch. The proposed model differs by using attitudinal and behavior data rather than two behavior points.

In a 2 x 2 matrix of "last brand purchased" and "most preferred brand," the diagonal entries would represent the number of consumers who last bought the brand they preferred, which would consist of the hard core loyals and those potential switchers with a weaker preference for the brand who decided to stay with the brand one more

time. The off-diagonal entries represent those consumers who last bought something other than their preferred brand.

The preference-behavior model presents some important advantages over the two-behavior model of Colombo and Morrison (1989) while retaining its principle advantages. The output can be easily illustrated in two dimensions. Data collection is reduced still further. Both preference and last purchase data can be collected in a single survey. The preference measure, "What is your favorite brand of \_\_\_\_\_" is simple and clear (unlike some multi-item attitude scales). Data can be collected by mail or telephone.

Important advantages over Colombo and Morrison result from the substitution of preference for a second behavioral measure. Because it is based on purchase only, the Colombo and Morrison model does not differentiate between loyalty and repeat purchase. Also, because it can be used with panel data, it may inflate error from multiple purchasers.

Strategic diagnoses include examination of the proportion of sales to hard core loyals (a measure referred to as "focus") versus sales to consumers who prefer some other brand (a measure referred to as "gravity"). Brands with high focus have high equity and very strong loyalty--consumers buy it because they like it. Brands with high gravity "steal" sales from other brands, largely through price or temporary promotions.