

# A study Impact of brand awareness and customer loyalty in FMCG sector

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## Abstract

In the present competitive scenario, and the rise in the number of brands has increased the availability of choice for the consumers, as a result of which organizations need to find ways in which to attract new customers and more important to maintain their loyal customers to products and services. Customer loyalty schemes can help companies to achieve competitive advantage by having a base of loyal customers which can let companies capitalize on strategies such as brand extension and market penetration. Therefore so as to understand brand loyalty and the ways to achieve it, the relationship between loyalty and satisfaction needs to well scrutinize.

The basic purpose of this research paper is to critically examine the consumer awareness by analyzing the relationship among brand awareness and variables like customer loyalty, brand image and quality of services. Brand awareness is the lowest level of brand recall. This is where the brand recall continuum begins, extending from simple brand recognition to having complex cognitive structures constructed on the basis of detailed information concerning the brand. The set of associations and facts about a brand is the direct result of a company's marketing activity, but also of other factors beyond the company's direct control, e.g. recommendations by other product users. The process of building brand image among customers or consumers should be methodically performed and monitored by the company's marketing department.

This paper finds the existence of important relationship between customer loyalty, trust, satisfaction and quality of services that affects brand awareness between Indian consumers. Customer loyalty is found to have the highest impact on brand awareness. Findings of this paper assist FMCG companies in boosting their brand image, improves customer loyalty.

Keywords: brand awareness, image, customer loyalty, FMCG

## INTRODUCTION

The brand awareness has turned into an important variable that impacts customer's perceptions of a brand. Achievement in brand management arises from understanding and overseeing brand image and loyalty correctly to create strong characteristics that will impact consumers when making on their decisions. This study concentrates on the importance of these dimensions (brand awareness, brand loyalty, brand image and consumer behavior of customer built brand equity in light of consumer's perceptions of a brand. This is focused around the assumption that all these dimensions of customer based-brand image and loyalty will have

impact on consumer's perceptions of brand. However, this study aims to discover which among these three dimensions (brand image, brand loyalty and consumer behavior) seem to have the slightest brand equity in restaurants and to find out whether customer based-brand equity differ between fast food with respect to each characteristic of brand awareness, brand image, consumer behavior and brand loyalty. Brand awareness was treated with independently from different dimensions because of the difference in scale, and moreover media and sorts of media affecting on consumer behavior.

## RESEARCH OBJECTIVE

- The study aimed to explore the relationship between brand awareness and customer loyalty.
- The study also tried to analyze the basic activities and identify the marketing strategies implemented by major FMCG and consumer durable companies in India in promoting their brand to its potential customers.
- To study the effect of brand awareness and its importance in decision making
- To analyze critically the effect of special customer oriented schemes and assess the results in terms of loyalty sales rise.

## HYPOTHESIS

H1: There is a significant relationship between brand awareness and customer loyalty.

H2: There is a positive relationship between customer loyalty and perceived value.

H3: Perception mediates the impact of awareness on brand loyalty.

H4: Brand awareness as defined by brand recall, is significantly related to "Intention to buy"

## LITERATURE REVIEW

Brands are also more powerful in terms of forging relationship with customer which is sustainable and profitable compared to regular unbranded products (De Chernatony, L., et al.,2010). Through the literature ascertained, it has been derived that brand awareness can be created through the presentation of brands to the customers which in turn develop a stimuli like response from them where they are able to relate, recognize, recall and be on the whole aware of brands. Existing brand tend to use brand reinforcement techniques to build on their brand awareness programs. The new products on the other hand make use of advertising and promotion to increase the awareness of product amongst the existing and potential consumers of the product. Strategies that can be employed by businesses to increase awareness of brands include making us of attitude advertising and management of the brand image, (Percy et al.,2016).

It was revealed from the study that media which is traditional media and new media (social media) positively influence the brand awareness. Parameters' appreciation for the model was measured at significance levels. The results of this study are consistent with previous studies. Positive impact of brand image was proved and confirmed by (Arslan&Altuna,2010)

Amit Mookerji (2009) in this scenario, a latest survey of over eight hundred consumer across various retail outlets located within the NCR region reveals that the customers in metro areas such as New Delhi, on an average, shop for between one and two hours on most shopping occasions. The survey confined attitudes and habits of the consumers across income, education, and shopping location preferences, also focusing at typical shopping spends, categories, and shopping activity characteristics. The reported intention and readiness to change the current shopping behaviors and habits, was evident for some aspects which supported the typical large formats such as hyper markets – the readiness to travel longer distances to shop for greater price oriented value, the readiness to stock up for a week or month rather than shop daily or when needed, to explore newer options, and shop for all things at one place. However to drive this intention to sufficient scale among customers and actually changing their habits may need specific values from the loyalty programs that miles and points rewards programs may not enable, as was also brought out in the survey results, discussed ahead. In a similar fashion, surveys have revealed many interesting facets of shopping behaviour that may not be amenable to change using the rewards that are commonly used. It would be necessary to develop and use a research based framework for rewards and shaping mechanisms unique to India to create and manage loyalty programs in the country, successfully.

**Mittal and Mittal (2014)** identified two set of attributes such as shopping experience enhancers (reputation, temperature, ambient conditions, temperature) and loyalty drivers including sales promotion, price, recommendation/relationships as an important factor that needs to be considered during marketing. In addition, while designing retail operations Dalwadi et al., (2017) emphasized on the following factors that includes proximity, comfort and elegance, free gifts and discounts, customer attention, courteous staff members, speedy service and assurance.

Inamullah (2012) cited that customer loyalty is the readiness of a customer to buy the particular brands and items and remain the same profitable relationship with a particular firm. In other words, it the continuous buying of a consumer for a particular company brand and suggesting to other friends and family. There must be something attractive in a brand which keep a customer to buy that product over period of time without preferring ant other competitor brand. Consumer loyalty is a multidimensional construct but most of the theorists have concentrated on the behavioural and attitudinal aspects of it. Andres Kuusik (2007) reckons that till 1970, the major focus of the researchers were on the behavioural manifestation of loyalty gauged mainly through customers' share of wallet and repurchase frequency. He observes that Day for the first time stressed on the need for two dimensional aspects of loyalty study in 1969 which embraced attitudinal loyalty along

with behavioural loyalty. Subsequent research in the area of customer retention concludes that attitudinal loyalty builds stronger psychological bonding with a brand or a store and has a far long term loyalty impact on customers rather than the objectively measurable behavioural loyalty variables. Jones and Sasser called these two types of loyalty as 'true loyalty' and 'false loyalty'. For emotional loyalty to develop in a commercial setting, the quality of relationship shared between the two parties is of surmount importance. Authors like Gummesson (1998); Hoffmeyr et al (2000) have drawn an analogy between loyalty and marriage. Just as successful marriages stands on the bedrock of involvement, trust and commitment, similarly true loyalty can stem only if supported by mutual involvement and commitment

**Helena Nemeč Rudez (2010)** who illustrated that 'loyalty is much more present among very satisfied than only satisfied customers.' These findings strongly indicate that loyalty even though relates positively to the level of satisfaction, nevertheless is governed by other factors as well. Although companies and retail firms are making huge outlays on rewards and loyalty programmes, statistics fail to reveal very bright perspective on their impact. It has also been commented that loyalty schemes add to customer liabilities than customer assets.

**Aseem Rastogi (2011)** found that Shoppers Stop and Reliance Retail along with many others are encouraging their loyal and privileged customers to shop at particular times of the day and month. Probably they could be informed about special offers, discounts and this way the retailers could study their buying patterns. Customization on the basis of their demographics and psychographics is becoming the name of the game as all these retailers have databases of loyal customers. But then the number of loyalty program members in India is still very low at around 20 million. With the advance of the retail industry, this is surely expected to go further up. But the question remains on whether loyalty programs are the only answer to retailers differentiating themselves.

**Sachdeva.P (2010)**, explains that the consumers preferences targeting the higher segments among the superior luxury sector however, this segments have seen an utmost interest of the people adding towards the brand personality with elite and class matters a lot for the youth. The maximum potential gained under the luxury segment with affordable prices helps creating a market for the same.

**According to Rahman (2013)** managers should pay attention on strategies and programs to acquire as many consumers as possible without any focus on retaining them. But, businesses have now realized that their success lies in customer retention and building customer loyalty. Research findings have also supported this realization that it costs up to five times more to acquire a new customer than to retain an existing customer and a 5% reduction in the customer defection rate can increase profits by 25% to 85% depending on the industry. All these factors have forced retail managers to think of some program to develop long term value-laden relationship with their existing customers and retain them with an ultimate aim of achieving organizational goals. The result was the launch of 'loyalty programs' which is defined as "structured

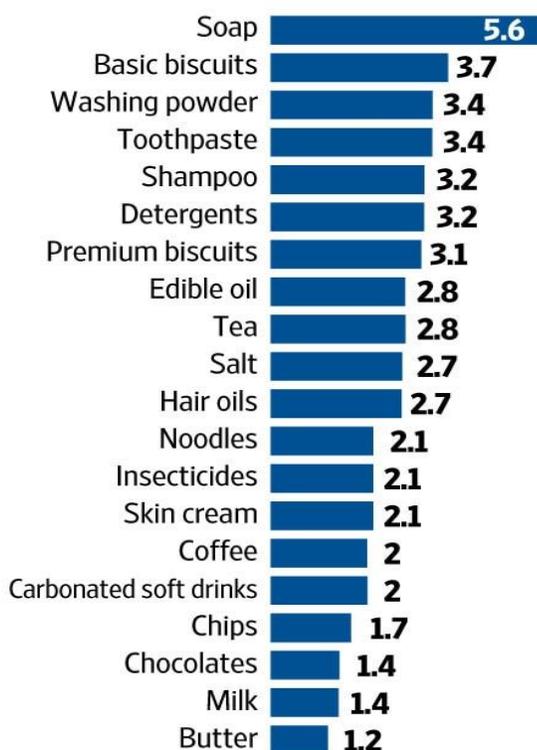
marketing efforts that reward, and therefore encourage, loyal buying behavior — behavior which is potentially of benefit to the firm.” Members of these programs get loyalty card that identifies the card holder as a member in a loyalty program. These members receive a combination of attractive tangible rewards (gifts, discounts, reward points etc.) and intangible rewards (invitation to special events like fashion shows, exclusive preview of new items etc.) to invoke customer loyalty

**Michael Levy & Donald R. Lehmann (2004)** found that the impact that a retailer’s perceived value has on customer loyalty. Four aspects that can help increase the perceived of the retailer which are service and quality that a positive impact on the perceived value of the retailer, thus the higher they are the higher will be the perceived value. There are 2 other components which are time and effort and price which have a negative impact on perceived value, thus the higher they are the lower will be the perceived value. The very first point in perceived value that needs to be evaluated is price. It is assumed that the lower the price is the greater will be the value. This is a dangerous tactic because the general competitive environment is becoming harder to make high margins because of increased competition and therefore engaging in price wars is not suitable. The overall relationship between price and quality is low. Price is the last important off all attributed that consumers associate with quality.

## ANALYSIS

### KEY INSIGHTS

Shoppers buy a repertoire of brands  
Average number of brands purchased in 2015



Brand penetration is subject to constant customer churn

Penetration change for a biscuit company

Penetration in 2013 22%

Leavers in 2013 -7%

Newcomers in 2013 11%

Penetration in 2014 25%

Leavers in 2014 -8%

Newcomers in 2014 10%

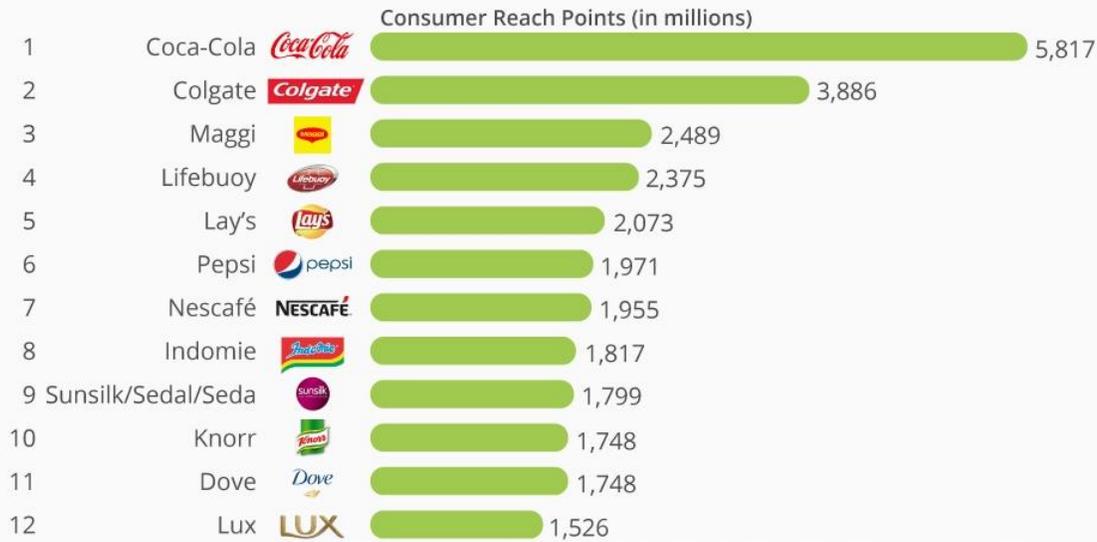
Penetration in 2015 27%

Notes: Data for the June 2013-May 2015 period; penetration data may not add up due to rounding

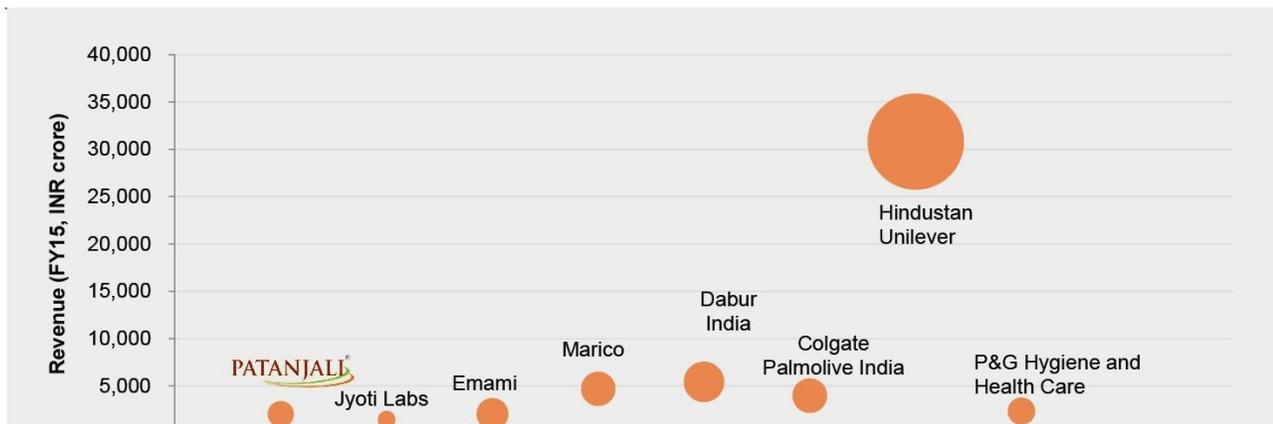
Source: Kantar Worldpanel; Bain analysis

## The World's Most Chosen Consumer Brands

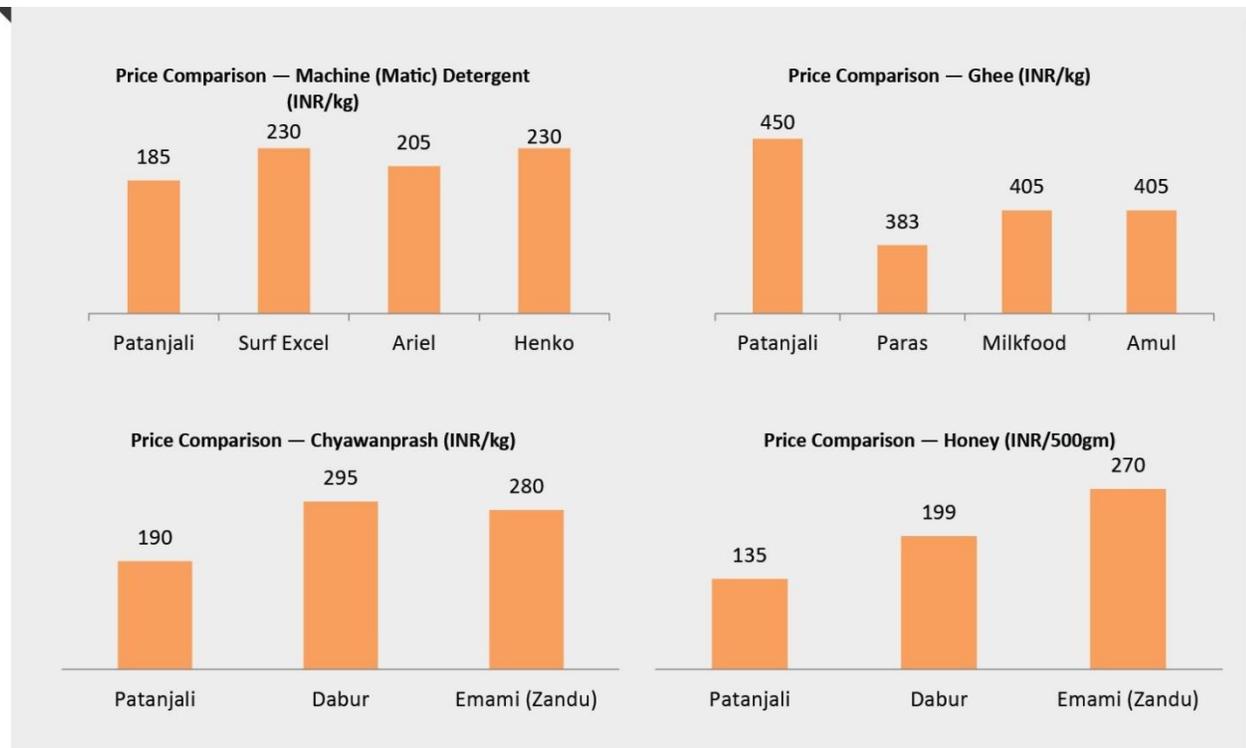
Consumer Reach Points for the world's most popular FMCG brands in 2017\*



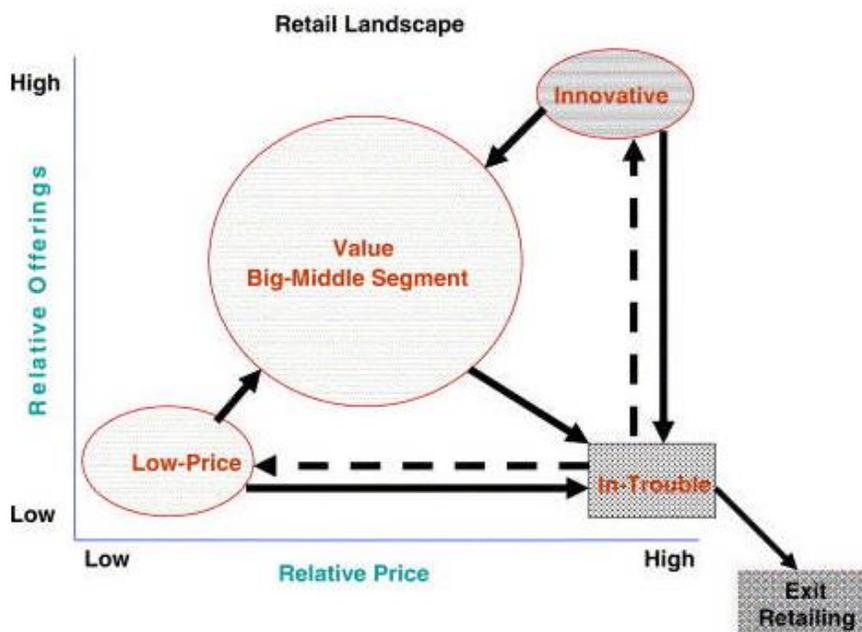
## India's Biggest FMCG Players — Net Profit Growth (%)



### Competition

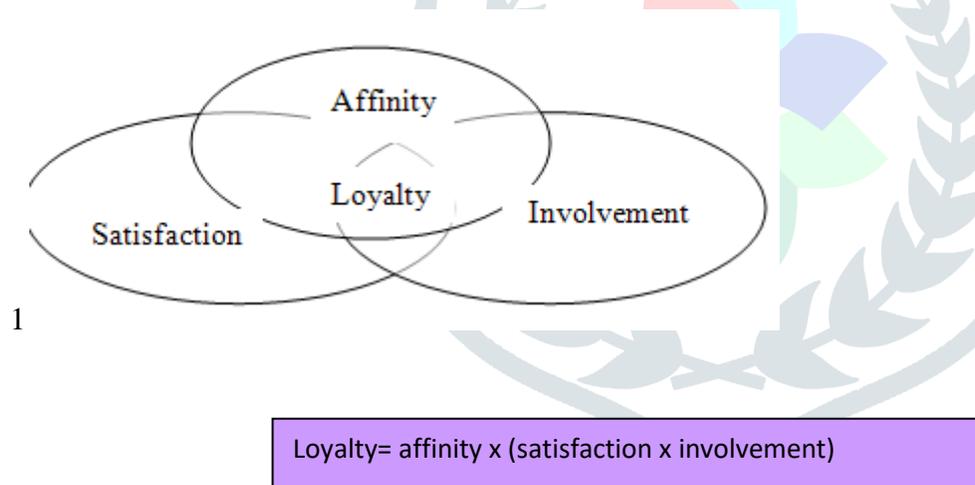


Retailers charge low prices so as to gain access and control over consumers to have a proper customer base. Prices set by retailers are depended upon factors like the volume of sales, profits, mark up percentage, competitor’s price. Another factor that affects pricing is the concept of big- middle set.



Four types of retail which are the low price, the innovative, the big middle or those retailers in trouble. They said that the majority of the retailers enter the big middle segment because they are able to thrive on their value offerings to customers since they are able to have a leverage their strength, of wither initially being low-price retailers or innovative retailers, and cannot concert niche appeal into a mass market appeal. Its been identified that the retailers in the big middle offer innovative merchandise at low prices because they appeal to a larger customer base and give great value for a broader array of merchandise. The levels of perceived value will lead to satisfaction among the customers. It is when the level of satisfaction among the customers have risen, it is then the retailers find it affordable to spend time in stores because the customers have developed some sort of link with the retailer (Grewal et al, 2010).

Ganiyu (2012) illustrated that the concept that ‘customer satisfaction is the key to securing customer loyalty’, remains largely unsubstantiated in previous literature. Customer satisfaction leads to retention and loyalty. The relation between satisfaction and loyalty and he also laid that when satisfaction increases it does not mean that loyalty for all consumers increase. This shows that the relation is neither straight nor linear. The main objective of all firms it to attain customer satisfaction, but when there aren’t any consumers who are satisfied then the question of loyalty does not arise. Satisfaction and loyalty are two different things. There are 3 elements of true loyalty which are shown in the figure below-



True involvement is a must, this includes customers perception and their decision making process. Affinity comes when involvement and satisfaction are fulfilled. Affinity is developed through emotional bond developed between consumers and the organisation. The loyalty is not a result of store satisfaction alone. Jones & Sasser (1995) believe that “breakaway customers may not have been dissatisfied with the service provided from their primary store; it is simply that it did not insulate them sufficiently from switching”. It was thus found that loyalty has been influenced by factors like reward schemes, travel distance, prices, sales levels and store signage.

Kumar J. & Malabika Purkayastha (2013) Loyalty programs and loyalty cards are a regular feature in contemporary retailing. This trend has become remarkably prominent with the arrival of the organised multi store chain based retailing system. Retailers across the industry have been widely using this tool in their endeavour to develop long term customer loyalty. However, the disquieting fact is that empirical data do not project a very optimistic picture on the success of these reward schemes. In the absence of membership fees, the majority of these loyalty cards can albeit find their way to customers' wallet, but the litmus test of these membership cards hinges not on the number of cards issued but on the frequency at which these cards are swiped at the point-of-sale enthusiastically. The ubiquitous membership cards should not simply be a 'me too' marketing appendage in the hands of a retailer but a strategic instrument that supplements the firm's overall initiative towards building customer evangelists.

### **FUTURE SCOPE**

The present level of empirical research done on retail in the Indian context is miniscule. This study is concentrated on customer loyalty programmes of food and grocery stores and seeks to build on the very little research done in retailing in general, and data mining in retailing in particular. In the future, researchers can seek other relevant research problems from the industry and from existing literature.

In terms of future scope, a variety of data mining techniques can be used by researchers to simplify customer buying behaviour and attitudes. In terms of managerial and technical approach, researchers can research certain niche customer segments such as the elderly, only students, only male professionals etc. Even within grocery retailing, specific formats such as supermarkets, hypermarkets, convenience stores and traditional open markets etc. are very relevant areas of research for future.

### **EXPECTED OUTCOME OF STUDY**

Customer loyalty has long been a topic of high interest in both academia and practice, and a loyal customer base has been found to be beneficial to the firm. Most companies strive for customer loyalty as the competition in most sectors grows tighter, both the importance of, and the challenge in, keeping customer loyalty increases. Indeed, customer satisfaction has for many years been considered as key factor in determining why customers leave or stay with an organization. Therefore, organizations need to know how to keep their customers, even if they appear satisfied. Every organization has come to realize that in order for it to survive, let alone grow, it has to acquire and then retain profitable customers. And it is loyal customers that generate increasing profits for each additional year they are retained. Customer satisfaction is not a guarantee of repeat patronage. Satisfied customers jump ship every day, and the reasons are not always due to customer dissatisfaction, some customers are lost due to indifference which arises from pure neglect.

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