

A Study on the Role of Customer Loyalty as a Brand Extension Purchase Indicator

Dr. Charu wadhwa, Assistant Professor

Department of Commerce & Management, Arka Jain University, Jamshedpur, Jharkhand, India

Email Id- dr.charu@arkajainuniversity.ac.in

ABSTRACT: *The article investigates the link between consumer loyalty to a retail brand and the purchasing of non-traditional goods and services (NTPS) provided by grocery stores under their own labeling (i.e. over-the-counter products, photo printing, mobile communication services and travel booking). The behavioral and attitudinal components of customer loyalty to a retail brand are measured. A study of 480 retail consumers was performed by giving a questionnaire to them at two shops belonging to various retail grocers. The purchase of at least one NTPS was then used as the dependent variable (1 14 buy; 0 14 no buy) and attitudinal and behavioral loyalty as the independent factors in a binary logistic regression. The findings indicate that attitudinal loyalty has a major impact as a buying predictor, although this varies depending on the NTPS available. Theoretical and practical implications are drawn from the findings.*

KEYWORDS: *Customer Loyalty; Retail Brand; Non-Traditional Products and Services; Private Label; Grocery Retailing.*

1. INTRODUCTION

The academic literature has acknowledged the benefits that companies can gain by implementing a customer-loyalty oriented strategy. First, such a strategy guarantees lower costs associated with the retention of existing customers as opposed to the costs of constantly seeking new customers, particularly in competitive and mature markets. Second, loyal customers are typically less price sensitive and less reactive to potential negative experiences, to promotional and advertising policies, and to switch to competitors. Third, long-term customers act as communication channels for the brand by informally exchanging opinions and information with their network of friends, relatives, and acquaintances, bringing about beneficial positive word of mouth. Last but not least, brand-loyal customers are inclined to purchase more in terms of value and amount of products, and they have a tendency to purchase new products. Hence, having a solid and loyal customer base can lead to a sustainable and lasting competitive advantage for companies, with potential impacts on profitability[1].

The role played by customer loyalty is particularly crucial in the grocery retail sector. The very competitive environment and the low switching costs that now characterize this market have increased the retailer costs of consumer acquisition; these players are therefore encouraged to enhance and sustain customer loyalty, fostering long-term relationships with their customers. The consolidation of preferences for the retailer brand is pursued through various strategies, and retailer private label plays a central role amongst them, as it is now present in almost every category of consumer goods and displays high penetration rates. Private labels (PLs) or store brands have been defined as brands owned, controlled, and sold exclusively by one retailer under its own brand name. The importance of PLs in the grocery sector has increased enormously over the past two decades, especially within Europe. Brand extension has extended into non-traditional product and service (NTPS) categories.

Non-traditional products and services are here defined as those products and services categories offered by grocery retailers, under their PL brand, in addition to the core products, that is products defined on the basis of the traditional industry classification, for example groceries in this case. Non-traditional products and services examples include: over-the-counter products (e.g., Para pharmacy Carrefour), fuel stations (e.g., Auchanfuel stations), financial services (e.g., Sainsbury's Bank), mobile communication services (e.g., Tesco the advantages of applying a customer-loyalty-oriented strategy have been accepted in scholarly papers. First, in competitor and reach maturity marketplaces, such a strategy ensures lower expenses involved with keeping existing ones as opposed to the prices of constantly seeking new customers. Second, loyal customers are less price sensitive and less likely to switch to competitors due to potential negative experiences, promotional and advertising policies, and price changes. Third, by informally swapping viewpoints with their group of connections, relatives, and

acquaintances, long-term customers act as communication channels for the brand, resulting in beneficial positive word of mouth[2].

Last but not least, brand-loyal customers are more likely to purchase more products in terms of value and quantity, as well as new products. As a result, having a strong and loyal customer base can provide businesses with a long-term competitive advantage, potentially affecting profitability. In the grocery retail sector, customer loyalty plays a particularly important role. Because of the highly competitive environment and low switching costs that now characterize this market, retailers' consumer acquisition costs have increased; as a result, these players are encouraged to improve and maintain customer loyalty, fostering long-term relationships with their customers. Retailer private label, which is now present in almost every category of consumer goods and has high penetration rates, is one of the strategies used to consolidate preferences for the retailer brand. Private labels, also known as store brands, are brands that are owned, controlled, and sold solely by one retail outlet under its own brand name.

Over the last two decades, the importance of PLs in the grocery sector has skyrocketed, particularly in Europe. Non-traditional product and service (NTPS) categories have seen brand extension. Non-traditional products and services are defined as those classifications of products and services offered by grocery retailers under their PL brand in addition to core products, which are products classified according to traditional industry classification, such as groceries in this case. Over-the-counter goods (e.g., Carrefour Parapharmacie), fuel stations (e.g., Auchanfuel stations), financial services, mobile communication services (e.g., Tesco mobile), and so on are examples of non-traditional products and services. This expansion has been observed in Italy's major grocery retailers.

Coop Italia, Conad, Finiper, Carrefour Italia, and Auchan Italia began offering NTPS in the mid-2000s and are increasingly engaged in diversifying their offerings in this manner. Because earlier research on store brands have shown a link between PL proneness and customer loyalty, we believe that grocery retailers' brand expanding offerings will be accepted more favorably by the most loyal consumers, even when it comes to NTPS[3]. Previous research has looked at the connection between customer loyalty and PL proneness in the context of grocery categories; however, understanding of NTPS is limited. The primary research question in this article is if there is a link between those consumers who are more loyal to the store and those who are more likely to buy NTPS. We add to the scholarly knowledge of this issue by demonstrating that store loyalty is also a predictor of NTPS sales.

Furthermore, although it has been shown that cross-buying is a result of behavioral loyalty rather than an antecedent, few research have looked at the causal relationship between cognitive-based types of loyalty, such as attitudinal loyalty, and cross-buying. As a result, our study adds to the existing literature by showing that there is a causal relationship between attitudinal loyalty and cross-buying. This information may have management consequences, as it may assist retail managers and business practitioners in improving the efficacy of their brand expansion efforts by concentrating on consumers who have a particular connection with the store. An in-store study was conducted to accomplish this goal, in which 480 consumers of two supermarket stores in Italy were questioned. Over-the-counter goods, picture printing, mobile communications services, and trip booking were among the extra-core products and services considered. The contribution of the major components of consumer loyalty to the store, namely behavioral and attitudinal loyalty, has been determined using a binary logistic regression. The article develops hypotheses and explains the technique used after emphasizing the context and reasons why supermarket stores provide NTPS. The findings of this study are presented and analyzed, along with its management implications. The paper ends with limits and future research prospects[4].

1.1 PLs and NTPS in grocery store promotions:

Grocery merchants have been bolstered in their efforts to expand their assortments as competition has increased and saturation has emerged in the market. Extension of product and service categories has been a strategic goal for supermarket stores. Grocery stores may benefit from cross-selling additional products/services to current consumers in this context. First, since product category diversity may lead to better sales volumes and profits, we can fairly anticipate the same beneficial impacts on turnover and margin when the offer is based on NTPS. Second, NTPS can improve client loyalty, which is a significant commodity in this industry. Third, since

supermarket assortments are often fairly standardized, the addition of own-labeled NTPS may help grocery stores distinguish their offerings from their rivals.

The function of the PL has changed throughout time, and it now includes not only virtually every Fast Moving Consumer Goods (FMCG) category, but also non-food categories (such as clothing, appliances, and services) (travel booking, broadband communications, etc.). As a result, expanding PLs to include new and unique goods and services has become a key goal for grocery stores. Furthermore, customer views of PL are currently more favorable than they were before. Store brands have traditionally been positioned as low-cost/high-value options in supermarket categories when compared to national brands; nevertheless, they have improved their quality and the manner in which they are regarded. This improved PL image allows grocery stores to be seen as more trustworthy, and therefore more effective in expanding their offering outside their core selection, motivating them to be even more committed to this approach[5].

The sale of NTPS branded with the retailer's PL began in Italy very recently (mid-2000s), considerably later than in other European retail marketplaces. Tesco, for example, began offering its own gasoline stations in the 1970s in the United Kingdom, while Auchan created its own bank in the early 1980s in France. The lateness of the Italian development may be attributed to variables such as supply, demand, and context. Because the retail revolution in Italy happened later than in other major European national settings, and because there were numerous national legal barriers to liberalization, brand offer expansion has only lately piqued the attention of Italian grocery merchants[6]. This was done in order to react to changing consumer shopping patterns, which are more focused on purchasing product and service packages.

Retailers are attempting to better fulfill their customers' needs and desires while also increasing consumer loyalty. As a result, retailers are expanding their value proposition by offering additional goods and services in addition to their main offering. Through store brands, financial services, internet, utilities, vacation booking, and other services are rapidly becoming part of the 'usual' retailer's offering. Nonetheless, Burt wonders to what degree retailers can pursue such a growth plan, while acknowledging that brand expansion 'provides additional evidence of the important position that retail brands now play inside corporate strategy per se.' The favorable impact of brand linkage promotes brand expansion to new product categories. Customers are more likely to trust the whole range of goods under the brand name to which they are loyal, and they buy items from a variety of categories[7].

Furthermore, expanding product ranges is likely to boost product demand. Indeed, it is conceivable to claim that the most devoted consumers, who are the most sensitive to new product offerings, particularly those under their own label, are the most likely to acquire these goods and services. Is this, however, the case? The next part focuses on addressing this research question, beginning with a description of the conceptual framework that underpins our research and a presentation of the key hypotheses that support our findings[8].

1.2 Research assumptions and conceptual framework:

Brand loyalty is a complex multidimensional concept that is determined by several psychological processes and whose measurement necessitates the use of a number of variables. Marketing and customer behavior scholars have long focused their attention on brand loyalty: this is a complex multidimensional concept that is determined by several psychological processes and whose measurement necessitates the use of a number of variables. Despite situational factors and marketing activities having the ability to induce switching behavior, loyalty is defined as "a strongly held commitment to rebuy or repatronize a favored product/service consistently in the future, thus generating repeated same-brand or same-brand set buying." Despite the fact that numerous articles have been published on the subject, no consensus has yet been established on how to conceptualize and operationalize the loyalty construct.

There are two classic theoretical approaches to consumer loyalty research. The first is based on a behavioral perspective, with the goal of conceiving customer loyalty as observable behaviors of loyal consumers who have a repeat purchasing experience with a certain brand[9]. Consumers are said to be behaviorally loyal if they continue to purchase the same product for a long time. As a result, behavioral loyalty has historically been evaluated as the frequency of repeat purchases and/or the proportional volume of purchases of a particular brand.

The attitudinal perspective considers loyalty "as based on a degree of dispositional commitment in terms of some unique value associated with the brand." Attitudinal loyalty has been measured operationally in terms of brand preference commitment, repurchase intentions, and intention to recommend to others.

Using any of these two viewpoints is likely to be prejudiced. In reality, since it is dependent on convenience and switching costs, behavioral loyalty may be fictitious. On the other hand, attitudinal loyalty in and of itself may only provide a partial picture of the loyalty phenomenon, as it ignores behaviors. This is why, more recently, a third perspective, referred to as a synthesis viewpoint, has developed, in which loyalty is thought to include both attitudinal and behavioral components. Following this line of thought, loyalty is defined in this study as a customer's preference for a retail provider (attitudinal dimension) and his or her repeated action to frequent and purchase from that retailer (behavioral dimension). This article looks at how to think about loyalty in terms of a retail brand. While consumer loyalty in retail has traditionally been studied at the store level, current emphasis has focused on retail brand equity, indicating a change in focus to the retailer level. The consumer's repeat purchasing behavior is referred to as the behavioral component of customer loyalty to the merchant. This is especially true in food shopping, where store location and the pricing convenience of the offer are critical factors in deciding which retailer to visit. Consumers in this industry are more likely to make purchasing decisions that reduce cognitive shopping efforts and search expenses. When goods are accessible in the same retail area, and all other factors are equal, customers are more likely to use simplified choice heuristics that drive them to concentrate purchases inside the same shop premises to save time and money. The bulk of retail research has focused on this element of customer loyalty[10].

2. DISCUSSION

The findings show that loyal consumers are more likely to purchase NTPS from the retailer's own-label. As a result, this study backs up the strategic importance of loyalty for retailers: "In today's intense grocery industry (slim profit margins, more private-label brands, etc.), developing, maintaining, and enhancing consumer loyalty seems more vital than ever for marketing managers operating in the grocery market." Our article contributes specifically by showing the presence of a causal connection between consumer loyalty and extra-core offerings, as well as indicating that attitudinal and behavioral loyalty play distinct roles depending on the kind of NTPS provided. In general, studies show that retail consumers who consider themselves to be highly engaged with their retail service provider are more likely to purchase NTPS.

Behavioral loyalty, on the other hand, does not explain the NTPS purchase. The purchasing of NTPS is predicted by the attitudinal component of retail customer loyalty. This is due to the abstraction processes that occur in the mind of the customer, which cause good associations with PLs encountered in core products to be extended to the extra-core offering. This may be utilized by retailers to effectively diversify their activity to non-core businesses: the retailer uses its resources and capabilities to diversify its activity and enter other business sectors, reducing the risk of failure by using retail brand loyalty. The level of attitude loyalty is a predictor of NTPS sales. Retailers that can build a loyalty connection with their consumers based on their perceived superiority over alternatives are more likely to succeed in expanding their offerings into new and distant product/service categories.

However, this is dependent on the NTPS categories available. As the findings on over-the-counter goods showed, the connection between attitudinal loyalty and NPTS is demonstrated for service categories but not for product categories. Our research adds to the findings in this regard. These authors demonstrated that PL purchasing behavior varies among FMCG categories; our research is the first to show that the same is true for NTPS. As a result, customers who frequent the retailer's shops and spend the majority of their share-of-wallet with them have a favorable attitude about the purchase of over-the-counter goods provided by grocery merchants. When it comes to intangible non-core categories, the reverse is true. This may be linked to the way NTPS are purchased. When controlling for different product/service categories, our research shows for the first time that the nature of the non-core offer can influence the source of loyalty: when tangible non-core categories, such as over-the-counter products, are offered, customers tend to buy them in the same way they buy groceries, as this is consistent with their goal of minimizing the cost of ownership.

3. CONCLUSION

This research found that loyal consumers are more likely to cross-buy in 'unusual' product categories provided by grocery stores, but the loyalty components that predict NTPS purchasing are dependent on the NTPS categories examined. Our results, we think, will help academics and managers appreciate the significance of investing in loyal consumers while extending an offer. Despite this contribution, this study has a number of flaws that future research may try to address. First, this study offers some early findings on the various roles that customer loyalty components play in NTPS purchasing; more research should be conducted. Second, additional variables not included in the study, such as consumer satisfaction with this kind of offer and/or intrinsic and extrinsic characteristics linked to these product categories and/or socio-economic factors, may have a role in predicting NTPS purchase. Third, the empirical contribution is restricted to the Italian setting, where NTPS adoption is still in its early stages.

Extending the analysis and comparing different national contexts where this offer is at an advanced stage, such as France and/or the United Kingdom, could be a future research topic, as different levels of maturity in distribution systems and NTPS category offers could result in different roles played by customer loyalty components. Furthermore, further study may be done to determine the effect of NTPS on customer loyalty. Because private labels have been shown to influence shop loyalty, confirming this connection in terms of NTPS may lead to a greater understanding of the potential of overall retail branding initiatives, with returns from both a theoretical and managerial standpoint. Finally, a future study topic may look at the possibility of unpleasant consuming experiences by devoted consumers with a non-core product or service, in order to better understand the consequences for the core offer, as well as the perceived congruency with the retailer's image.

REFERENCES:

- [1] N. K. Upamannu and G. Mathur, "Effect of Brand Trust, Brand Affect and Brand Image on Customer Brand Loyalty and Consumer Brand Extension Attitude in FMCG Sector," *PRiMa Pract. Res. Mark.*, 2012.
- [2] T. Cambodian and M. Journal, "the Relationship Between Brand Affect , Brand Quality , and Customers ' Brand Extension Attitude : Exploring the Mediating Role of Customer Loyalty," *Analysis*, 2009.
- [3] C. S. Dev, "Brand Extensions and Customer Loyalty," in *Hospitality Branding*, 2016.
- [4] W. Jiang, C. S. Dev, and V. R. Rao, "Brand extension and customer loyalty: Evidence from the lodging industry," *Cornell Hotel Restaur. Adm. Q.*, 2002.
- [5] L. A. Tizazu, "The Relationship between Brand Equity and Customers' Attitude towards Brand Extension for High Involvement Consumer Products," *Int. J. Sci. Res.*, 2018.
- [6] T. Yang, S. Lee, E. Seomoon, and S. P. Kim, "Characteristics of human brain activity during the evaluation of service-to-service brand extension," *Front. Hum. Neurosci.*, 2018.
- [7] E. Макринова, E. Makrinova, И. Каплунова, and I. Kaplunova, "A Model of Professional Training in Tourism in the System of Territorial Brand Formation and Promotion (Case Study: the city of Belgorod and the Belgorod region)," *Univ. Tour. Serv. Assoc. Bull.*, 2014.
- [8] A. Koschmann and J. Sheth, "Brand line extensions: creating new loyalties or internal variety-seeking?," *J. Prod. Brand Manag.*, 2018.
- [9] S. Spiggle, H. T. Nguyen, and M. Caravella, "More than fit: Brand extension authenticity," *J. Mark. Res.*, 2012.
- [10] J. Ahn, J. K. Park, and H. Hyun, "Luxury product to service brand extension and brand equity transfer," *J. Retail. Consum. Serv.*, 2018.