What are ‘true’ loyal consumers in the food sector? Insights from an empirical study

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What are ‘true’ loyal consumers in the food sector? Insights from an empirical study

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Abstract. Because loyal consumers are less likely to switch to competitors and because they are more tolerant to increases in price than non-loyal consumers, one of the main aims of firms is the “generation” of loyal consumers. But what is consumer loyalty? The marketing literature emphasises that for “true loyalty” it is important to consider both consumers' purchasing pattern (i.e. repurchases) as well as the underlying attitudes of the consumers. Thus, true loyalty includes both a behavioural (purchase) component, which results in repeated purchases, and an attitudinal component, which results in a dispositional commitment to a product, a brand, or a company, and associates a unique value to it. However, considering the characteristics of food products and the sector the question arises whether the above mentioned strict definition of true consumer loyalty is realistic in the food sector. The aim of our paper is to empirically test this question. In order to test our research question we conduct 30 semi-structured in-depth interviews with regular customers of an organic retail shop in March / April 2009. Each interview lasts for roughly thirty minutes.

Keywords: Consumer loyalty, food sector, survey, organic products

1. Introduction

Firms with strong brands spend several hundred million euros annually on marketing. For example, Ferrero had the highest advertising expenditures in the food sector in 2008. They spend 337 million euro in brand advertising (LZ 2009). One of the main aims of these endeavours is to generate consumer loyalty because loyalty goes hand in hand with higher profit and success. As shown by several studies (e.g., Reichheld and Sasser 1990; Kalwani and Narayandas 1995; Reichheld and Teal 1996) loyal consumers are less likely to switch to competitors and they are more tolerant to increases in price than non-loyal consumers. Further, loyal consumers spread positive word-of-mouth advertising, and it has been shown that referrals are a very important source of new consumers. But what is consumer loyalty?

Since the early 1970s the conceptual definition of consumer loyalty is clearly defined in the marketing literature. Most researchers (e.g. Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1997; Oliver 1999; Odin et al. 2001; Rundle-Thiele 2005; Kim et al. 2008) emphasises that for true consumer loyalty it is important to consider both consumers' purchasing pattern, a preference which is manifested in an actual behaviour towards a certain product, brand, service or store out of a larger field of alternatives, as well as an attitudinal component based on a positive attitude as satisfaction or trust for example. Thus, true loyalty is only one source of repeated purchasing behaviour.

Following these both behavioural and attitudinal conditions the decision-making unit develops a degree of commitment to the product, brand, service or store in question. Including commitment provides an essential basis for distinguishing between true consumer loyalty and other forms of repeat purchasing behaviour called spurious loyalty. Whereas true consumer loyalty is a function of psychological (decision-making evaluative) processes which are resulting in commitment, spurious loyalty is a function of inertia (Bloemer and Kasper 1995). Spurious loyalty means that consumers stay with the same product, brand, service or store because they are not prepared to spend effort and time to search for alternatives. However, considering the characteristics of food products and the sector the question arises whether the above mentioned strict definition of true consumer loyalty is realistic in the food sector.
Firms in the food sector face two specific characteristics: (1) Non-durable products like food products typically cost substantially less than durable products and thus entail lower financial risk for consumers, and (2) the purchase of non-durable products is characterized by a buyer purchasing the product at frequent intervals. Furthermore, we can consider many alternatives and a high pace of innovation in the food sector. Because of these specific characteristics of food products and the sector the question arises whether the above mentioned strict definition of true consumer loyalty is realistic in the food sector.

The aim of our paper is to discuss this question. In order to conduct our research aim we will proceed as follows. First we will clarify the term consumer loyalty and distinguish true consumer loyalty from other forms of repeat purchasing behaviour. Thus, in the following chapter 2 we will build the theoretic framework about the construct true consumer loyalty and discuss it concerning the characteristics of food products and the sector. In chapter 3 we present the results of our empirical study of 26 semi-structured in-death interviews with regular customers of an organic retail shop in March / April 2009. Finally, the paper concludes by discussing our results in chapter 4.

2. Conceptual definition of true loyal consumers in the food sector

The term consumer loyalty has long been of interest to academics and practitioners. Since Copeland (1923) discussed the phenomena of "consumer insistence", many researchers have done research in this field. Today it is commonly accepted in the marketing literature that it is far cheaper to retain an existing customer than it is to attract a new customer and that consumer loyalty can be linked to firm growth (e.g., Reichheld and Sasser 1990; Reichheld and Teal 1996; Rundle-Thiele 2005). But what is true consumer loyalty?

In this chapter we will clarify the term "true" consumer loyalty. Therefore we present the commonly accepted conceptual definition of consumer loyalty in the marketing literature and distinguish it from other forms of repeat purchasing behaviour (in 2.1). Further, we present results of several studies which show positive consequences of loyal consumers (in 2.2). at the end of this chapter (in 2.3) we discuss these theoretical remarks concerning food products and the sector.

2.1 True consumer loyalty vs. spurious loyalty

Early research was primarily focused on the operational definition of behavioural aspects of consumer loyalty as, for instance, proportion of purchase (e.g., Copeland 1923), probability of purchase (e.g., Lipstein 1959) or sequence of purchase (e.g., Tucker 1964).

There is no doubt that repurchase behaviour is a necessary condition of consumer loyalty (Jacoby 1971). As Assael (1984) suggests, "Success depends not on the first purchase but on repurchase." But to define true consumer loyalty it is also important to consider underlying attitudes. Day (1969) suggested that loyalty may be more complex than simple repeat purchasing behaviour and consists of both behavioural and attitudinal components. Jacoby and Kyner (1973) also distinguished loyalty from other forms of repeat purchasing behaviour and developed a conceptual definition of loyalty which is based on the premise that loyalty is only one source of repeated purchasing behaviour. In their seminal article, Jacoby and Kyner (1973) defined six necessary and collectively sufficient conditions of true loyalty:

1. biased (i.e., non-random),
2. behavioural response (i.e., purchase),
3. expressed over time,
4. by some decision-making unit,
5. with respect to one or more alternative brands out of a set of such brands, and
6. a function of psychological (decision-making evaluative) processes.

This conceptual definition highlights the importance of both the attitudinal and behavioural component of true consumer loyalty. Many researchers followed this notion of true consumer loyalty (e.g., Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1997; Oliver 1999; Odin et al. 2001; Rundle-Thiele 2005; Kim et al. 2008). Hence, true consumer loyalty describes a preference which is manifested in an actual behaviour towards a certain product, brand, service or store out of a larger field of alternatives. A consumer can be loyal to a product, brand, service or store only if there is a alternative who stands as potential competitor. Thus, loyalty is determined by the presence of competing attentions. The consumer
must have a choice to be disloyal. Therefore, it is necessary that the purchase act occurs at least at two different points in time. Finally, the definition of Jacoby and Kyner (1973) includes with the last condition (6) an attitudinal component based on a function of psychological (decision-making evaluative) processes as satisfaction, trust or identification with a product, brand, service or store for example. A simultaneous appearance of both the behavioural and the attitudinal components are important by defining true consumer loyalty. As aforementioned true consumer loyalty is only one source of repeated purchasing behaviour.

Following both behavioural and attitudinal components the consumer develops a degree of commitment to the product, brand, service or store in question (e.g., Jacoby and Kyner 1973; Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1997; Oliver 1999; Odin et al. 2001; Rundle-Thiele 2005; Kim et al. 2008). Including commitment provides an essential basis for distinguishing between true consumer loyalty and other forms of repeat purchasing behaviour called spurious loyalty. The difference between true consumer loyalty and spurious loyalty is that true consumer loyalty is a function of psychological (decision-making evaluative) processes which are resulting in commitment, whereas spurious loyalty is a function of inertia (Bloemer and Kasper 1995). Hence, spurious loyalty means that consumers stay with the same product, brand, service or store because they are not prepared to spend effort and time to search for alternatives.

Oliver (1997) has presented a conceptual framework of consumer loyalty that based on cognitive, affective, conative (behavioural intent) and action (repeat purchasing behaviour) dimensions. This definition continued the definition of true consumer loyalty above as a “deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.” And he proceeds to describe the consumer who "fervently desires to re-buy a product or service and will have no other." At still another level, he posits a consumer who will pursue this quest "against all odds and at all costs." (Oliver 1997; Oliver 1999)

2.2 Positive consequences of true loyal consumers

Today it is commonly accepted in the marketing literature that it is far cheaper to retain an existing consumer than it is to attract a new consumer and that consumer loyalty can be linked to firm growth (Rundle-Thiele 2005). Several studies (e.g., Reichheld and Sasser 1990; Kalwani and Narayandas 1995; Reichheld and Teal 1996; Zeithaml 2000; Zeithaml et al. 2001) found that loyal consumers cause lower operating costs and are less price sensitive than non-loyal consumers. The lower costs associated with serving repeat purchasers, increased revenues due to the willingness of loyal consumers to pay premium prices, buy more, and provide new referrals through positive word-of-mouth.

As shown by Reichheld and Sasser (1990) and Reichheld and Teal (1996) servicing a new consumer are typically much higher in the first year. Software customers, for instance, call for help more in the first sixty days than they do in the next sixty month. Furthermore, during the first year with any supplier, the consumer defection rate tends to be high. But after that crucial first year, those loyal consumers still remaining have much higher retention rates, and they tend to spend more every year with their chosen supplier. And finally, loyal consumers tend to refer their friends, relatives and business associates more and more as they continue with the same firm. Referrals are a very important source of new consumers. As shown by Reichheld and Sasser (1990) up to 60 percent of increased sales to new consumers could be attributed to consumer recommendations. One further empirical study found that loyal consumers are much less susceptible to negative information about a product, brand, service or company than non-loyal consumers (Ahluwalia et al. 1999).

All of these aspects lead to enhanced profitability, and for example, Reichheld and Sasser (1990) suggested that a 5 percent increase in consumer loyalty could produce a profit increase of 25-80 percent. But these findings above relates to durable goods or services as bank, brokerage firms, automobile services, or department stores. Thus, following we have to test these findings concerning non-durable goods as food products and the food sector.

2.3 True loyal consumers in the food sector

According to the previous sections we can summarize that true loyal consumers:

- include both a behavioural component as well as an attitudinal component, which results in commitment to the product, brand, service or store in question;
• re-buy the preferred product, brand, service or at the same store consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour;
• is characterised as someone who fervently desires to re-buy a product or service and will have no other., and he will pursue this quest against all odds and at all costs. (see section 2.1)

Following these characteristics true loyal consumers cause lower operating costs and are less price sensitive than non-loyal consumers, and they tend to refer their friends, relatives and business associates (see section 2.2). However, considering the characteristics of food products and the sector the question arises whether this strict definition of true consumer loyalty is realistic. Hence, following we will show the specific characteristics of food products and the sector to realize the conceptual definition of true consumer loyalty above.

In the food sector the firms compete with their products, brands or services in an almost saturated market. Thus, there are a wide variety of alternative products, brands, services or stores. Due to such saturated markets it is more and more important to commit consumers to the own products, brands, services or stores. But such saturated markets also provide an opportunity to be disloyal: an important condition of true consumer loyalty.

Further, concerning the food sector the companies deal with non-durable goods, and those costs typically substantially less than durable products as cars or refrigerators for example. Thus, there is a lower financial risk for consumers, and the purchase of non-durable products is characterized by a buyer purchasing the product at frequent intervals. Hence, it is much easier to test other products, brands, services or stores than it is by durable goods, especially if there is a high pace of innovation as in the food sector. In this context we can not expect that consumer loyalty takes a whole life or for decades as we expect by interpersonal relationships or durable goods. But, what is the minimum duration to speak of a loyal behaviour concerning food products? To answer this question we conducted a survey of 19 practitioners in food retailing during the "European Food Talk," Düsseldorf in October 2008, and these experts consider a repurchase period of six months as the minimum duration to speak of a loyal behaviour.

However, true consumer loyalty is more than a repeat purchasing behaviour for at least six month by given alternative products, brands, services or stores. True consumer loyalty includes also an attitudinal component, which results in a dispositional commitment to the product, brand, service or store in question, and associates a unique value to it. Therefore it is important to consider both the behavioural component and the underlying attitudes (e.g., Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1997; Oliver 1999; Odin et al. 2001; Rundle-Thiele 2005; Kim et al. 2008). Otherwise it just covers what the consumer eventually does neglecting the psychological meaning of loyalty. For example, such a definition of loyalty does not discriminate between a consumer who always buys the same product, brand, service or in the same store because it is the cheapest and a consumer who buys the same product, brand, service or in the same store because he prefers it. It also does not take into account consumer buys this product or brand because it has the most favourable shelf space (Day 1969). All these consumers buy repeatedly the same brand but the reasons of the repeated purchase are different. Thus, one can assume that not all of these behaviours represent a true loyal behaviour. True consumer loyalty based on a positive attitude as satisfaction or trust, which results in commitment to the product, brand, service or store in question.

3. Empirical study

To examine our research question whether the above mentioned strict definition of true consumer loyalty is realistic in the food sector, we conduct 26 semi-structured in-death interviews with regular customers of a regional supplier of organic food in Germany.

After introducing the data (in 3.1), we discuss our results (in 3.2).
3.1 Data

We conduct 26 semi-structured in-depth interviews with regular customers of a regional supplier of organic food in March and April 2009 lasting between 20 to 45 minutes. The interviews have taken place in Halle (Saale), Germany. In order to minimize the interviewer bias all interviews were conducted by the same interviewer. Besides being an organic supplier this firm also is a retailer of organic produce offering a wide variety of organic food. Furthermore, it has an own (internet) delivery service, and in addition they offer organic fruits and vegetables at the local farmer market.

Each interview lasts for roughly thirty minutes. In these interviews we focus on the reasons of the regular consumers to re-buy food of this regional supplier of organic food. Therefore, we select those consumers who bought regularly in the last six month at last in one of the three channels of distribution: in the retail shop, on the market or at the delivery service, and intent to re-buy consistently in the future. Thus, the conditions of the behavioural component of consumer loyalty are implemented (Jacoby and Kyner 1973) by using the findings of a survey of 19 practitioners in food retailing, which we conducted during the "European Food Talk," Düsseldorf in October 2008.

The 26 interviews are distributed over all household types: 8 singles, 11 couples without children and 7 couples with children. As demonstrates in figure 1 all these household types use all channels of distribution.

Because organic food is typically more expensive than conventional food, it is not surprisingly that 22 of 26 participants (84.6 per cent) in the sample earn more than the median earning in Germany, and 18 of 25 participants (72.0 per cent) spend more than the average in Germany spends for food products. Also 84.6 per cent state that they look for diversity and variety, whereas only 7 of 26 participants (26.9 per cent) in the sample said that they look out for bargains when they purchase food products.

3.2 Results and discussion

It is not very surprisingly that regular consumers of organic food have higher expenditures for food products than the average in Germany. Given that organic food is generally more costly, some researchers have found that organic food demand is linked with higher income (e.g., Tregear et al. 1994; Davies et al. 1995; Wilier and Yussefi 2004). Further, several researchers found that concerns about personal health, the environment, and animal welfare are associated with organic food purchases (e.g., Tregear et al. 1994; Davies et al. 1995). But all these attributes which are associated with organic food are so called credence attributes (Nelson 1970; Darby and Karni 1973). Thus, it is very probably that regular consumers of organic food have positive attributes to those products and to their supplier. Following we will present the results of our survey regarding the reasons why they re-buy organic food of the regional supplier in question.

1 In this context we want to thank Kathrin Krückemeier who conducted all 26 interviews.
In figure 2 we present the reasons why the participants in our sample are regular consumers of organic food of this regional supplier and have the intent to re-buy their organic food there in the future.

![Figure 2: Reasons to rebuy or repatronize organic food of a regional supplier](image)

The central reason to re-buy at this regional supplier is that the food is organic. Only one participant in our sample said that its repeat purchasing behaviour is independent from the offering of organic food.

The further three reasons: service, provide financial aid and meet people with the same attitude are all linked with a positive attitude to the regional supplier and its sale assistants. They attached value to their endeavours to make the customers satisfied, for instance their willingness to respond to the customers’ wishes. Thus, besides an attractive offering of food products the supplier was able to create a trustful environment for their customers. Most of them have a personal relationship to the owner of the shop or the sale assistants and they can identify themselves with their lifestyle. Thus, their food purchase at the supplier in question is more than a repeat purchasing. The owners of the organic retail shop and their sale assistants were able to generate a positive attitude towards their products, shop and themselves. The result is a dispositional commitment to them. Moreover, the customers associate a unique value to them. Overall, we can say, that they have been able to generate true loyal consumers. But we also found spurious loyalty. Four out of 26 participants (11.5 per cent) mentioned inertia as a reason to re-buy their food at this regional supplier. However, there is no relation to the channels of distribution.

Even though we were able to distinguish clearly between true loyal and spurious loyal customers we were not able to derive to such a clear picture regarding the positive consequences of the true loyal consumers. True loyal (22 of 26 (84.62 per cent) as well as spurious loyal consumers are telling about and hence recommending this organic firm to their friends, relatives and business associates. Further, 21 respondents (95.5 per cent) told us that they would buy a product, which they had bought before in another retail shop, in the future at this store if they would offer it. But also three of the four participants who called inertia as the reason of re-buying would behave in the same way. However, whereas 50 per cent of the true loyal consumers in our sample would switch to another retail shop who offer a product to a lower price, 75 per cent of the spurious customers would do so.

4. Conclusion and Outlook

Firms in the food sector spend a lot of endeavours annually in their marketing, and one of the main aims of these endeavours is to generate consumer loyalty because true loyalty goes hand in hand with higher profit and success. However, considering the characteristics of food products and the sector the question arises whether the strict definition of true consumer loyalty in the marketing literature is realistic in the food sector.

In order to examine our research question, we conduct 26 semi-structured in-death interviews with regular customers of a regional supplier of organic retail products in March/April 2009.
In sum we can conclude that it is possible to generate true loyal consumers in the food sector. In our sample are 84.6 per cent regular consumers for at least six month with a positive attitude towards the regional supplier of organic food in question. And they all tend to re-buy their organic food products there consistently in the future.

Regarding to the positive consequences of loyal consumers we can conclude that in our sample we can not see such a clear result. True loyal consumers as well as spurious loyal consumers tend to refer their friends, relatives and business associates through positive word-of-mouth. Further we can consider that 21 of our 22 true loyal consumers in the sample (95.5 per cent) tend to buy a product, which they have bought in another retail shop in the past, in the future at the regional supplier of organic products. But also three of the four participants in our sample who called inertia as the reason of re-buying at the regional organic supplier tend to buy those products there in the future. And also 50 per cent of the true loyal consumers in our sample tend to switch to other retail shops who offer a product to a lower price.

We can conclude that it is possible to commit consumers in the food sector and generate true loyal consumers in the sense of the strict definition in the marketing literature. But the positive consequences of loyal consumers can not be confirmed by our empirical study. However we have to point out that we only considered regular consumers because in this paper we were interested in the question whether the strict definition of true consumer loyalty in the marketing literature is realistic in the food sector. For further research we have to extent this sample because not all loyal consumers have to be regular consumers, so that the sample could be biased.
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