Segmentation of Consumers According to Their Attachment to the Brand and Their Propensity to Switch to Competing Brands (Conceptual and Methodological Framework)

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Summary: In the article, a conception of brand segmentation measuring based on the brand loyalty, is presented. A future model is being given just a bold outline. That model should include indicators such as level of satisfaction with the present brand, availability of better brands alternatives, level of the switching costs, involvement with the product category and attitude towards future purchases. By means of that model, the consumers of a specific brand can be classified in accordance with their inclination towards being loyal to that brand or their inclination towards switching to other competitive brands. The competitive brands consumers could also be classified according to the same criteria.

Key words: brand, brand segmentation, brand loyalty, switching attitudes, marketing research.

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Formulation of the issue

Segmentation, the way it is most often conceptualized, measured and studied, rarely occurs at brand level [Ehrenberg&Kennedy, 2000][1]. Brands rarely differ *considerably and meaningfully from a management point of view* on their client base: neither in terms of demographics (gender, age, family status, education), nor in economic terms (job, income, property), nor in terms of psychographics (values, aims, lifestyle).

Where differences in client base are present, we usually have one of the following two situations. The first one – these differences are inessential in practice, in the sense that it is wrong to plan and implement any marketing initiatives (modification of the product, advertising campaign, PR campaign, new packaging design, prices, etc.) following the rule "Our customers are such and such and the customers of our competitors are such and such." The phenomenon of repertoire (polygamous, divided) loyalty testifies that most often "our customers" are someone else's customers as well. In the vast majority of product

[1] Kennedy, R. and A. Ehrenberg (2000), Brand User Profiles Seldom Differ, Research Report 7, R&D Initiative, Ehrenberg-Bass Research Institute.

categories, the customers use with relative stability not one but a few (repertoire) brands, that is, behaviorally, they are not monogamously, but polygamously loyal. The second situation – the differences are considerable in practice, but brands from different product subcategories are compared, which hardly has any management value, but rather peripherally cognitive. It is natural to expect that the owners of luxury, new cars ("Mercedes", "BMW", "Jaguar") will differ in terms of demographics, economics and psychographics from the owners of "Moskvich", "Lada" or "Wartburg". The two groups, however, are just different classes and different generations of automobiles, i.e. we are speaking of incomparable things.

Hence, segmentation in the form of brand segmentation is an exception, not a rule in marketing. But another type of segmentation exists, which is natural and does not need proving – segmentation at product subcategories level. If we take the example of the cars, their owners are segmented on the type of the car engine (petrol, diesel, gas or hybrid), the car class (high, medium, low), the car type (light, SUV, off-road, etc.), sports or standard, etc. Not the brand, but the indicated structure of product categories "produce" segmentation. Sports cars would be owned by younger people, with better financial resources, sports lifestyle, etc. The situation would be different regarding the standard automobiles – there young people would not be so many, sports lifestyle would be less involved, etc.

Still, there is a special type of segmentation at brand level: segmentation by the force of their customers. According to the well established and documented phenomenon "double jeopardy" [Ehrenberg&Goodhardt, 2002][2] the bigger brands not only have more customers, but their customers buy them more often. In other words, small brands suffer doubly – their customers are both fewer and weaker, hence the name of the phenomenon. The translation of the phenomenon in the language of what concerns us in this article lies in the fact that the bigger brands have more numerous and stronger customers. This is so because over time they have attracted customers, who are more intensive buyers from the respective product category and because when the forces in the category shuffle, they continue to have this particular "gravity force" to attract stronger customers.

The big brands differ from the smaller brands mainly in the number of their customers, that is, in the level of their penetration in the market. Often, the difference between the first and the second brand is double, between the first and the third it is a few times, etc. The difference between the big brands and the small ones is less in the level of customer loyalty, measured by frequency of purchase and money gone to the respective product category. Still, the fact that the customers of bigger brands are stronger customers of the product category as a whole, this last fact shows the presence of a slightly noticeable brand segmentation. In stable markets, such which neither grow, nor shrink throughout the years, the slight difference in the customers' base is preserved. If there are more significant changes between the brands, they pertain rather to their penetration – again according to the effect of the double jeopardy. But even in stable markets, internal movements are present: customers add to their repertoire of brands new brands and take out old ones; they become more inclined to use one brand more than another, etc. These slight internal movements even in stable markets might not be of any considerable importance, if we think at market level, but for the *specific brands they are essential*. From the point of view of a specific brand it is important: 1) how many and what

[2] Ehrenberg, A. and G. Goodhardt (2002), Double Jeopardy Revisited, Again, Marketing Learnings, January.

type of customers will flow away from it; 2) how many and what type of customers will flow into it and 3) how many and what type of customers will stay with it.

These thoughts lead us to the idea to carry out segmentation on the axis "prone to stay with the brand – prone to transfer to another brand". The creation of such taxonomy is of great significance for brand management for at least two reasons: firstly, their companies will be able to evaluate roughly what number of customers will leave them and what number will come to them; secondly, they will be able to recognize different users according to their inclination to stay, leave or flow in and to address better their influence on the separate groups. In addition, all this could be carried out earlier, before the things occur. We are speaking, therefore, of a special type of segmentation, whose task is to *identify* the respective segments on the above mentioned axis, to *profile* them, that is, to measure them according to other criteria besides the segmentation criteria, with the idea to *attack* them more specifically and effectively in the whole range of marketing influences on the basis of this information.

Conceptual framework

At the root of the inclination to stay with a specific brand, that is of the customers' loyalty, is *the satisfaction with its use* (consumption, owning). It is empirically proven that people who are satisfied with a given brand are inclined to continue to buy it or use it and recommend it to other customers. And on the contrary, those who are not satisfied with the brand are inclined to transfer to other brands. What's more, they are prone to criticize and renounce the brand before their relatives and acquaintances and this inclination is more expressed than the inclination to recommend the brand in case of satisfaction with it. The satisfaction with the brand depends chiefly on the extent to which its use meets the preliminary expectations. Even for unknown or not well known product categories customers have certain expectations – usually by analogy with other related categories. In case of known categories, the expectations are strongly structured and related to the main benefits, for which the category is used. If the brand meets or exceeds the expectations, as a result a favourable disposition to it appears, together with the inclination to buy it in the future as well. If it does not meet the expectations, an unfavourable disposition and an inclination to seek another brand in the future appear. Satisfaction with the brand is the first prerequisite for loyalty to it and on the basis of this understanding this indicator might be used in a model, meant to measure segmentation by the criterion of loyalty. The realization of the importance of this indicator lead to a strong interest in its measurement, especially in the 1990s [Mosely, 1993][3]. Satisfaction as an indicator underlies the conversional model of Hofmeyr – one of the widely used means for solving the problem, given in the previous paragraph [Hofmeyr, 1990][4]. The conceptual enlightenment and the accrued experience in the empirical study of satisfaction lead to the development of reliable instruments for its measurement.

It is a well known phenomenon in empirical studies when highly satisfied customers leave the brands with which they have been satisfied and transfer to competitor brands. The realization of this phenomenon directed the attention of the researchers to other conditions for loyalty as well. One such condition is that there should

3 Mosely, W., (1993), How toTrack Consumer Satisfaction, Admap, 28\9\.
4 Hofmeyr, J., (1990), The Conversion Model – a New Foundation for Strategic Planning in Marketing, 3rd EMAC/ESOMAR Symposium.

not be brands which are perceived by the customer as *more attractive than their current brand*, that is, brands which embody better the benefits which are expected by the product category. The presence of such brands makes the customer susceptible to external influence, it starts to question his present choice, makes him pay attention to alternatives as well. Hesitation might grow into transfer to alternative brands. And if this choice turns out to be correct, the customer will stay with the new brand

Usually this happens faster when the *cost of transfer* for the customer is low. We are speaking about cost in highly general terms – not only the cash expression of what it would cost (for example when breaking a deposit account in a bank), but also as time, physical effort, psychological energy and others. The cost of transfer to another brand might be used as a third indicator in the segmentation model based on loyalty. If a man is not particularly satisfied with his present brand, but the cost to leave it and transfer to a competing brand is high, he is potentially disloyal, because he is held by external motivation. When the cost for transfer drops or when this cost can be overlooked, then this potential disloyalty might turn into actual disloyalty. Even with the presence of known better alternatives, if the customer is not capable to afford to pay for acquiring them, he would stay with the current brand. Therefore, as an reciprocal category of the indicator cost of transfer the *purchase ability* has to be accepted. Even though the purchase ability has independent significance, in order not to complicate the model too much, I believe that is has to be considered as a compliment to the cost of transfer. The purchase ability does not apply only to expensive products, but also to such of mass, everyday use, like yogurt, cheese, washing powder, liquid detergents and others. There are price differences between individual brands which the customer cannot afford, even if he finds a given brand to be a better alternative to his/her current brand. Such customer can also be considered as potentially disloyal. In case the limitation of "purchase ability" is no longer present, he could promptly reorient to the alternatives he considers better and more desired.

A special indicator for the presence or the absence of real loyalty is the *involvement in the product category* of the respective customer. The involvement in the product category shows to what extent the choice of brand in this category is personally significant to him. If the choice is personally insignificant, then the influence of the other loyalty factors – satisfaction-dissatisfaction, high-low cost of transfer, presence-absence of better alternatives – might be invalidated. Then the customer would buy either according to what is convenient (whatever there is on the stalls of the store nearby) or according to price ("Everything is all the same. Why should I spend my money on more expensive things?"). On the contrary, when there is high level of personal involvement, that is, the choice of a brand in the category is very important ("I have to make the right choice, this is important for me"), it could increase both the centripetal forces (to stay with the current brand in case of satisfaction) and the centrifugal forces (to transfer to an alternative brand in case of dissatisfaction). This loyalty factor appears to be the most complicated to conceptualize and analyze and interpret further.

The factors and loyalty indicators differentiated so far are of mental nature, as much as they show some predisposition to the brand. The satisfaction shows evaluation to what extent the expectations to the brand as a representative of a given product category are met. The presence of better alternatives shows expectation, hope for such state of affairs. The cost of transfer is a supposition, assumption not only regarding its psychological dimensions, but also regarding its monetary dimensions (it is sometimes difficult to calculate precisely what accompanying costs one can have with the transfer to the alternative, for example when buying a new brand car, what would the costs for maintenance comprise). The purchase ability is a mental phenomenon to a great extent as well, because it is also a matter of evaluation. One and the same income might be considered as medium or low by different people depending on their evaluation of what they deserve, what they had before, what they would like to have, what they should have, etc. The model should involve a more decisive indicator, which I see in the *intention for following purchase*. It is not necessary that the stated intention will occur. Actually, it often does not occur at all or within the indicated time frame. The important thing is that it could be used as an indicator for an arising decision.

The Segmentation Process in General

Figure 1 shows in a schematic way the process of segmentation. Before it starts the people are divided in those who are the current customers of a brand (let us call it arbitrarily A) and those who are not current. The current customers might be divided into two categories – those inclined to stay with the brand A and those inclined to transfer to other brands. The current non-customers include those who are inclined to stay with their present brand and those with the disposition to leave it. This second group is important for the brand A, as in it there might be such people who have the disposition to choose it; the rest will include people, who are inclined to orientate to other brands.

Identifying these groups does not present a particular difficulty, when we are concerned with the categories of the long-term products or services. In them most of the customers, for the time of the empirical research, own one brand of each (one washing machine, one dishwasher, one personal car, one personal laptop, one main TV set, one fridge, one oven, one internet provider at home, etc.) In the cases when two and more brands of long-term products or services are used (for example, mobile phones and mobile operators) and especially with the categories of the products with fast turnover, where the repertoire loyalty is typical, their customers should be treated as polygamous – behaviorally loyal to several brands at the same time.

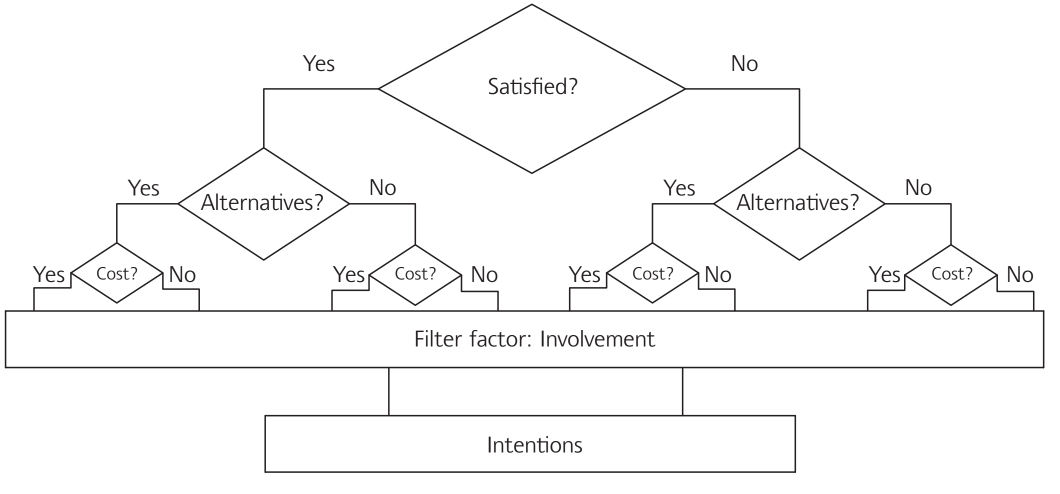

Figure 1. Diagram of the segmentation process

What is important is what happens from here on. Let us begin by defining the two polar segments according to the criterion loyalty to the brand A: the segment of the decisively loyal and the segment of the decisively inclined to transfer to another brand. The decisively loyal include persons who are satisfied (the left arm of the figure), for who no better alternatives exist, the cost of transfer to alternatives is a question irrelevant for them (that is, whether it is high or low is of no importance for them), who are very involved in the product category. To be satisfied, not to see better alternatives and to be involved means to view their choice as important and correctly made, and hence it is natural to expect that their disposition for further purchases will be in favour of brand A. The polar segment (the right arm of the figure) includes current customers of brand A, who are not satisfied with it, they see better alternatives than brand A, for which the cost of making a transfer is low and are strongly involved in the product category of brand A. It should be assumed that in case of lack of satisfaction, realization of better alternatives, lack of high cost of transfer and presence of high involvement, they will fast replace brand A with one of the preferred alternatives. To what extent this decision will be have been shaped, depends on the answer to the question of the decisiveness of the next purchase.

Intermediate category segments are considerably more complex for interpretation.

Let us review the segment with characteristics "Satisfaction – Yes → Presence of alternatives – Yes → Cast of the transfer – Low → Involving – High".

It is very likely that it includes persons, who are looking for variety (satisfied with their current brand,. but also aware that other, not worse, alternatives, are available) and this diversity is important for them, as they are deeply involved in the category. Their answer about the inclination should be expected to be for transition towards alternative brands.

Similar examples could be given with other segments as well, as especially interesting for their convention are those, for which low involvement in the product category exists.

That is why including the indicator for intentions is crucial for the model. Without this question, the interpretation of these contradictory segments would be quite conditional.

Analogical reasoning could be made regarding the non-users of the brand.

Of course, the idea here is to establish from which brands, how many and what kind of users are inclined to come to brand A. After all, two spectra of segments are obtained analytically. The one includes the current users of brand A and consists of the most loyal at the one end to the most inclined for transition to other brands at the other end. The second spectrum is from current non-users of brand A with end segments from the most inclined to transfer to brand A to those, who do not have any intention to the brand.

Methodical considerations

In contrast to the complications from analytical and interpretation character, which I noted above, it seems that special difficulties of methodical character for production of the needed empirical information do not exist. By a cascade of trivial questions within a structured questionnaire for personal or online interview, it can be easily established to which groups the following users belong according to all indicators- satisfaction, presence of alternative better suggestions, sense for the cost of the possible transfer, level of involving in the product category. As for instance satisfaction could be measured with the traditionally used five-grade scale and the question: "To what extent are you satisfied or dissatisfied with brand A? (with the grades of the answers "Entirely satisfied- Rather satisfied-Satisfied as much as dissatisfied – Rather dissatisfied – Entirely dissatisfied"). The reference of the users could be done by the rule of the above two answers (top two box rule), as satisfied are to be considered those, who have chosen the answers "Entirely" or "Rather satisfied", the other categories shall be considered as dissatisfied.

Also, the forced four-grade scale without the evasive intermediate level – "Satisfied as much as dissatisfied" or "Neither satisfied, nor dissatisfied".

For establishing the availability for better alternatives, this question works well "When you compare the product, which you are currently using with the other products within (THE PRODUCT CATEGORY IS SPECIFIED), is there such, which you consider to be better than it?" with answers again in five-grade scale, alike the described beforehand "Definitely Yes", "Rather Yes", "Yes, as much No", "Rather No", "Definitely No".

Regarding the measurement of the perceived cost of transfer to another brand, it could be asked whether the choice to another brand would be worth of money and efforts, with answers again in five-grade scale of the same type. And the measurement of the level of involvement in the product category could be successfully done with the question: "How much important is to make the correct choice, when you buy (THE PRODUCT CATEGORY IS SPECIFIED)?"

The measurement of the inclination to remain with the current brand and for transition to another brand could be done by the help of five-grade scale with possible answers from "I would definitely buy the current brand" to "I would definitely not buy the current brand". The same question should be put to those, who have expressed to buy another brand, as to be clear how categorical their intention is. (The fact that the intention for leaving brand A is categorical, does not necessarily mean that categorical opinion on the question to which brand the user will head exists.)

Yet, I would discuss one more alternative – the Juster scale. It is double-named eleven-point scale. Double, because the possibility for the intention to happen is described, on one hand verbally, and on the other side- with mathematical possibilities, widely used in the every day life. The one end of the scale is "I have no or almost no chance – (Chance 1 of 100)" The other end is "Certainly, almost certainly- (Chance 99 of 100)"[5]. The advantage of this scale in this case in its sensitivity. Of course, it should be understood how it would behave in respect of the property measurement stability, at that particular example.

For validation of the suggested model, panel researches could be used, in which for one and the same sample in different time periods, one and the same measuring tool is applied, and it is sought to what extent the declared intentions have been implemented and how they correlate with the other indicators of the model. This is the way for overcoming the pointed analytical difficulties.

Conclusion

In this article I did my best to present one conception for measuring brand segmentation on the base of loyalty to brands. One future model could include indicators such as satisfaction

[5] Juster, F., (1966), Consumer buying intentions and purchase probability. Occasional Paper 99, National Bureau of Economic Research, Colombia University Press.

with the current brand, presence of the brands which are better alternatives, cost of transfer to an alternative brand, involvement in the product category and inclinations for future purchases.

The segmentation process, the different segments resulting from it, analytical conventions and complications, as well as some methodical considerations were discussed.

In the future research, as most serious tasks, the validation of the model and the extermination of the conventions in the interpretation of the segments have come up.

The real challenge for success in solving these tasks is writing the software for automatical calculation and presentation of the segments. ИА