

# CONSUMER LOYALTY AND ITS FORMATION PROCESS

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## Abstract

Consumer loyalty represents one of the most important research directions of the psychology of a consumer behavior. Modern authors, whose study subject is a consumer loyalty, pay great attention to the formation of the main psychological mechanisms of the loyalty formation.

Consumer loyalty is being formed gradually by going through all stages of dealing with the goods. The most important stages of shaping a customer loyalty is consumption and feedback. When considering psychological characteristics of a consumer at these stages, it is important to consider the problem of the satisfaction/intensity on which is based the preconditions of the consumer loyalty formation.

Loyalty arises in the moment when a good becomes important because of its functional characteristics and the emotional connection is born between a consumer and a good. Satisfaction, price, consumer's emotion, expectations and the results of a consumption may be distinguished as the main factors, while the repetitive consumption of the same goods – as the loyalty signs.

The formation of consumer loyalty is not spontaneous. It goes through certain stages of interaction between consumer and goods and the attention is paid to the situational factors, goods characteristics and on the personal and the social-psychological characteristics of a consumer.

Therefore, the behavior of a consumer is presented as the process of making decisions about purchase, which is mostly descriptive process and is not expressed at the systematic level. From our viewpoint, one of the main reasons is an inadequate approach to the processing the results of internal and external conditions of a consumption.

**Key words:** consumer, loyalty, formation, social-psychological characteristics

## 1. Introduction

Consumer loyalty is one of the most important topical areas of research in the psychology of consumer behavior. The phenomenon of consumer loyalty is revealed in the inclusion of goods or services defined in sustainability. Such consumer behavior is because a certain proportion of consumers have a regular propensity to purchase certain goods. Typically, such behavior relates to personal and situational factors, positive experiences and consumer attitudes towards these goods.

Therefore, loyalty is one of the most important aspects of consumer behavior and the subject of active study for domestic and foreign authors, but in the economic literature today, there is no unified approach to defining this concept. The first attempt to define „consumer loyalty“ took place in 1923. Loyal customer means „the person who buys the brand one hundred percent“(6). Loyalty is also defined as „one brand preference scheme for each product purchase“ (1). Therefore, the definition of loyalty scheme is directly related to the quantitative rate of purchase of products of a certain brand.

## 2. Presentation of the main research material

F. Reichheld makes the greatest contribution to the study of customer loyalty. He developed a marketing research algorithm that companies use to determine the degree of customer satisfaction during marketing research. F. Reichheld defines loyalty as the commitment of value (goods / services) to its source. The loyal buyer does not change the source of value, so he recommends it to those around him. (11). He thus viewed loyalty in relation to value, and he introduced an important variable recommendation defining loyalty to those around him.

D. Gremler et al. According to Brown, loyalty is defined as „the degree to which a customer makes a repeated purchase that has a positive attitude towards the supplier, where the need arises for services and only one supplier is considered.“ (4) Loyalty is therefore defined through a defined brand, or a positively effective component expressed toward the company as a whole.

There are three main approaches to defining the concept of loyalty in the economic literature. The first approach treats loyalty as a reaction to consumer behavior. In terms of this approach, the thoughts, feelings and attitudes of consumers are secondary, only the behavioral aspect is important, so to buy. Foreign authors shared this view such as R. Oliver, J. Lambent, J. Bloomer, A. Sharp, O'Neill, J. Jacob, F. Reichheld, J. Hoffmeier and others.

This approach is very popular because it is closely related to the economic consequences of the company. This approach is considered as measurable parameters consumer behavior-buying frequency only, volume of purchase and determination of cash, repeatedly spent on the same goods.

F. Reichheld is based on the idea that loyalty – it is primarily about repeat purchases, the frequency of these purchases, and the volume in monetary terms. (11)

The main disadvantage of a behavioral approach is that it does not explain the reasons why the consumer makes a purchase from a defined supplier and considers only the consequences of the behavior, so directly repeated purchase.

The second approach considers the attitude of consumers towards the brand or the company as a whole as a key feature of loyalty. In terms of this approach, the emotional component is considered the main reason for making a purchase. Therefore, the main aspects are consumer evaluations and their subjective opinions. (18) The disadvantage of this approach is that it is difficult to determine the true emotional level of customer loyalty. As far as the level of perceived loyalty (subjective opinion of a person) is not always the reason for repetitive buying. (18)

According to the third approach, loyalty must be considered as a combination of behavioral aspect and customer attitude. This understanding of loyalty is a combination of behavioral and emotional approaches and is called complex loyalty. (18)

According to J. Hoffmeier, a loyal customer is a customer who constantly buys a brand and experiences strong emotional closeness and satisfaction. (6) Active supporters of complex loyalty a. Dick, K. Bazu, G. Day believe that complex loyalty is based on the rational and behavioral components proposed by J. Hoffmeier and by B. Rice. They believed that in the process of valuing goods, an opinion is formed about the brand and the place of purchase, which will subsequently affect user behavior, on the defined periodicity of the purchase implementation. Therefore, the loyalty formation process considers the rationality of the consumer action that is formed in the evaluation process of the goods after consumption. (3)

Contemporary authors, whose study focuses on consumer loyalty, pay special attention to the cognitive and effective components that are considered to be the basic psychological mechanisms of loyalty formation.

Based on the above approaches, three types of loyalty are distinguished:

1. Transactional loyalty, which discusses changes in consumer behavior, without examining the factors causing these changes.
2. Percentage loyalty, which evaluates the subjective opinions, feelings, attitudes, satisfaction of the customer.
3. Complex loyalty, which is a combination of the first and second types of loyalty and includes both emotional attitudes and repeated purchases (brand loyalty indicates the level of loyalty as the level of dependence, while the frequency of buying indicates the level of behavioral loyalty).

A complex approach companions by A.S. Dick and K. Bazu loyalty was viewed as a two-dimensional contract (emotional dependence and repetitive purchases). Depending on these components, they have distinguished the following types of loyalty: true real loyalty, latent loyalty, unreal loyalty, and non-existent loyalty. (3)

Real loyalty is manifested in the attainment of high levels of emotional dependence and repeated purchases (when they become regular consumers of these goods / services despite situational factors and competitors' marketing efforts). (10)

Latent loyalty is characterized by high levels of emotional dependence and infrequent purchases. In the case of this type of loyalty, despite the presence of emotional sympathy, consumers also make purchases from competing firms / companies due to situational factors. Therefore, latent loyal customers are potential future buyers who refrain from buying due to internal and external factors. By developing a behavioral component of loyalty, these users can become real loyal users. The behavioral component can be developed with the help of marketing promotions, price incentives, and expansion of distribution channels. (17)

Low levels of emotional dependence and high frequency of buying characterize unrealistic loyalty. In the case of this type of loyalty, the buyer does not see the differences between the retailers. He makes purchases out of habit, which arises from the loyalty formed towards the retailer, for example, its location near the house. (3)

Lack of loyalty – is a situation where the customer has a low level of emotional dependence and rarely makes a purchase. Consumers of this type of loyalty buy goods randomly.

An interesting idea of complex loyalty was proposed by A.V. By Cisari, who developed the model, „Loyalty-Satisfaction“, which is similar to the model of A. Dick and K. Bazu in contrast, satisfaction was the key factor in loyalty, and repetitive transactions were the basis for behavioral loyalty, with a focus on competitor activity.

J. Hoffmeier and B. Rice proposed a similar classification of loyalty. They viewed loyalty as a combination of behavioral component and customer attitude, while defining the latter as a commitment. (6) Based on the combination of these concepts, the following types of loyalty were distinguished: binding, behavioral, and mixed-type loyalty.

Commitment loyalty is divided into relationship-related loyalty and loyalty without commitment. Attitude-related loyalty is the customer interest in buying a given brand. This type of loyalty is characterized by high emotional involvement and attitude. When committed to loyalty without obligation, the customer gives a high rating to the brand, is satisfied and interested in the brand, but does not have the opportunity to buy it often for various reasons, For example, economic factors or the lack of a brand in the market. It should be

noted that as soon as the opportunity to buy these goods appears, the consumer would buy it.

Behavioral loyalty (loyalty without commitment) is manifested in regular buying of a given brand, but there is no emotional attitude towards it. Such a consumer belongs either to the category for which this item is relevant, or is not satisfied with this item, but is forced to buy it for various reasons— due to economic factors or the lack of „favorite“ goods in the market.

In the case of mixed types of loyalty (commitment and loyalty), consumers of this type of loyalty buy goods regularly, have satisfaction and a high attitude. (6)

Consumer loyalty to a particular brand can be identified by a variety of factors. According to Kossel, consumer loyalty is determined by the following factors: the intention to make a purchase in the future, resistance to changing suppliers, and the recommendation factor. The first two factors can be defined as the result of loyalty, which is measured by the number of repeat purchases and the growth rate of the buying volume. The recommendation factor includes user propensity recommend the goods to the brand among friends and colleagues. This factor can be measured through customer surveys. (8)

R. Oliver points out a different approach to loyalty formation and distinguishes four aspects of consumer loyalty: cognitive, emotional, effective, and voluntary. The author notes that these aspects represent not the types of loyalty but the different levels of loyalty where cognitive loyalty is the weakest form and voluntary loyalty is the strongest. (10)

A different view is held by A.V. Cisar, which highlights satisfaction with the product / brand as the main sign of consumer loyalty, and in the case of behavioral loyalty – the importance of repeat purchases. (19)

In order to study the loyalty of customers to banking services, the authors developed an eight-factor model of loyalty and allocated the following loyalty parameters:

Real repeated purchases, oral recommendations, period of product use, tolerance for price increases, intention to make repeat purchases, advantages, deliberate reduction of choices, and the first thing that comes to mind are customer associations (19).

Attitudes towards the brand can be negative. By S. Lee and his followers, the concept of anti-loyalty was proposed, which means, „striving to avoid the brand“. The author of this concept defines anti-loyalty as a phenomenon whose clothing user deliberately cares about the brand and rejects it (9).

Therefore, the signs of identifying consumer loyalty to a particular brand include Intention to repurchase, Frequency of repurchase, Period of product use, Recommendations, Resistance to change of supplier, Intense attitude to price increase Considerable competition, Considerable selection.

In the economic literature, the lack of a unified approach to defining the concept of consumer loyalty leads to an inaccurate separation of the terms „loyalty“ and „satisfaction“. Often in practice, loyalty is associated with customer satisfaction, which is not true.

According to F. Kotler, customer satisfaction refers to the overall assessment of the company’s customers’ experience in purchasing and using the goods or services that make up this company.

Whether the client will be satisfied or not will depend on the likelihood of the company re-addressing the damaged values (goods / services). Kotler notes that as customer satisfaction grows, so does his loyalty to the company (16).

According to research conducted by K. Koine, customer satisfaction cannot always influence the formation of loyalty. The author distinguished three stages of satisfaction — low, medium, and high. Studies have

shown that only in the case of low and high satisfaction was the relationship of loyalty to the brand revealed. In the case of the average level of satisfaction, the impact on loyalty was much less reduced, as in this case it is almost impossible to predict consumer behavior, which means that it may be reluctant to repurchase the brand or move on to competitor goods (2).

J.F. Angel, R.D. Blackwell and P.U. Miniard proposed a model for the purchasing decision-making process and found that the foundation for loyalty formation lies in the final stages of the process (15).

According to this model, the purchasing decision, as a process, includes the following stages: understanding the demand, finding information, evaluating pre-purchase alternatives, making a purchase, consumption, evaluation after consumption.

It is important to note that customer loyalty is formed gradually through all stages of the relationship with the goods. Important stages in the formation of consumer loyalty are the consumption and evaluation of goods. When discussing the psychological characteristics of the user at these stages, it is necessary to consider the problem of satisfaction / intensity, on which the preconditions for the formation of customer loyalty are based. Existence of customer revenue in an amount sufficient to meet any needs; to transform him into an active figure from an economic rather than a psychological aspect (1). Brand loyalty arises at the moment when the product becomes important according to its functional characteristics and an emotional connection between the consumer and the product arises. The main factors may be satisfaction, price, consumer emotion, compliance with expectations and the result of consumption, and in the form of loyalty signs – the repeated appeal of the consumer to the same product.

S. Gronrus distinguishes between the factors acting on the formation of loyalty, the quality of goods / services and situational factors – how convenient and comfortable it is for the customer to communicate with the company (7).

### 3. Conclusion

Based on the models of loyalty discussed, it can be concluded that the formation of consumer loyalty does not occur spontaneously, it goes through certain stages of interaction with the consumer goods and focuses on situational factors, characteristics of the goods and personal and socio-psychological characteristics of the consumer.

- Loyalty determines customer brand satisfaction.
- Customer satisfaction is a necessary but insufficient condition for the formation of loyalty.
- Increasing satisfaction increases the likelihood of forming customer loyalty to the brand.

Therefore, consumer behavior is presented as a purchasing decision process, which is a predominantly descriptive process and is not expressed at the systemic level, one of the main reasons for which, in our view, is the inappropriate approach to processing the results of internal and external conditions of consumption (23).

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