Antecedents of Cigarette Brands Loyalty in Pakistan

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ABSTRACT

The purpose of this paper is to determine the factors that lead to customer loyalty toward cigarettes brands in Pakistan. This study considers various factors that influence cigarette brand loyalty in Pakistan. This research focuses on brand name, price, customer’s satisfaction and product involvement as factors of cigarette brand loyalty. Through convenience sampling, a sample of 150 smokers is selected from different cities of Pakistan. Primary data is obtained from respondents by using a questionnaire. The collected data is analyzed by using SPSS 18.00. To test the significance, multiple regression analysis is used. All the factors of brand loyalty were found to be positively correlated with brand loyalty but only two factors brand name and customer’s satisfaction were found predictors of brand loyalty. Customer’s satisfaction was found the most important factor of brand loyalty.

KEY WORDS: Brand Loyalty, Brand Name, Product Involvement, Customer’s satisfaction

1. INTRODUCTION

Brand loyalty is a focal point for many researchers and practitioners. The globalization of competition; saturation of markets; and development of new media and technology have resulted in greater customer awareness. This created a situation where long term success cannot be assured through optimized product price and quality. Instead, long term customer relationship has become a source of long term success. American Marketing Association has defined brand loyalty as “the degree to which a customer consistently purchases the same brand within a product class”. Amine (1998) discusses two approaches to define brand loyalty: the behavioral approach and the attitudinal approach. The behavioral approach suggests that a consumer’s repeat purchasing of brand over time shows his or her brand loyalty (Mellens et al., 1996). Jacoby and Chestnut (1978, p.11) defined brand loyalty as “the behavioral response The attitudinal approach defines brand loyalty in terms of stated preferences, commitment or purchase intentions (Mellens et al., 1996).

Today businesses are agreed to develop, maintain and create brand loyalty for long term profitability. According to Rosenberg et al. (1984) it can take as much as 6% more to win new customer than it does to keep existing customer. Brand loyalty is one of the four factors that create brand equity (Aaker, 1991). There is a paradigm shift in marketing from winning new customers to retaining existing customers. Aaker also states that just by having an intensely loyal customer base, even though it is relatively small, can create significant brand equity for a firm. According to Kandampully (1998) the ability of a company to create, maintain and expand a large and loyal customer base over a longer time period is essential to attain and sustain a premium position on the market. This shows that in any business sector, brand loyalty can be a source of competitive advantage. Brand loyalty has been studied for many industries and for countless product categories. Despite the fact, not much research has been done on the tobacco product category.

Cigarette smoking became popular in the late 19th century, and its popularity grew constantly until the mid-20th century. When it comes to brand loyalty, smokers are well known to be extremely loyal to their brands. Alsop (1989) goes even states that the brand loyalty in the cigarette industry is the highest among all existing consumer products. Due to the very high loyalty in the industry, the percentage of smokers that switch from one type of cigarettes to another is very low, less than 10% every year (Alsop, 1989). According to Pollay (2000), only 3% of all smokers can be considered convertible in the sense of the word that they are likely to switch brands.

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The tobacco in Pakistan operates in an oligopolistic market with only two main players Pakistan Tobacco Co. (PTC) and Lakson Tobacco Company. PTC is a market leader in Pakistani market. PTC is the first multinational company that started its business in Pakistan in 1947. Lakson group started its tobacco business in 1954.

Tobacco is cultivated on a relatively small area of 0.27% of the total irrigated land in the country and about 3% in Khyber Pakhtunkhwa but it is of great economic importance as a source of revenue, employment and foreign exchange. It is a labor intensive industry where 80,000 persons are involved in cultivation, 50,000 engaged in cigarette factories and another one million are indirectly employed in the tobacco industry. A sum of around Rs. 1241.7 million was earned as foreign exchange during 2009-2010. Increase in excise duty as imposed by the budget 2009-10 led to the companies raising the prices of its products significantly. The budget of 2010-11 proposes an increase in the federal excise duty on tobacco products along with a tax of Re 1 per filter. It is surprising that the consumption of cigarette has been raising even the absence of advertising and despite a statutory warning on packets. The central Bank reported that 54.4 billion cigarettes were produced from January to October 2011 while the number was 65.40 billion in 2010-11 financial year. The spending in the fiscal year 2011 was Rs 200 billion.

Smuggled tobacco is a major threat for tobacco industry of Pakistan. Almost 10%-20% of the cigarettes sold in Pakistan are smuggled.

The topics of brand loyalty and cigarette smoking have rarely been linked specially in the context of Pakistan. A possible reason for this is that researchers might feel that it is in some way unethical to provide managerial suggestions for tobacco producers. However, the results from such a research can be used in a more positive and constructive way that has according to the researcher’s best knowledge not been done before. By examining brand loyalty towards cigarette brands, those factors which in fact decrease brand loyalty can be identified and used in social marketing purposes.

**Research question:**

Very few FMCG companies face the situation that advertising or promotion of any kind of their products is almost completely forbidden. Tobacco advertisements and promotion of cigarettes have been completely restricted in Pakistan for many years. That’s why it is important to find some intrinsic product related or customer related factors that cause customers to stay with a particular brand or company. From these concerns, the following main research question has been formed:

“Which factors affect brand loyalty among Pakistanis when it comes to purchasing cigarettes?”

**Objectives of Study:**

The focus of this research is loyalty towards cigarette brands and to explore various factors of loyalty for cigarette brands. Therefore aims and objectives of current study are:

1. To analyze different factors that play an important role among consumers in selecting and using cigarette brands.
2. To identify the factors which are responsible for creating brand loyalty.
3. To identify which factors have positive and significant relation with brand loyalty.

**LITERATURE REVIEW**

Aaker (1996) states that brand is a name, term, design, symbol or any other feature that differentiates one seller’s good or service from other seller’s good or service. According to Wong (2005) the differentiation enables firms to excel against competitors and improve attractiveness. Brand is important to consumers for making purchase decision. Companies try to make customers loyal to the brands so that they may be retained with the company. Brand loyalty is important concept for understanding consumer behavior (wood, 2004). Brand loyalty is “a deeply held commitment to re-buy or re-patronize 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 behavior” (Oliver, 1999, p.34). According to Dick and Basu (1994), there are two different types of brand loyalty concepts: (1) loyalty based on inertia, where the brand is purchased just because of habit; and (2) true brand loyalty, which is a form of repeat purchasing behaviour as a result of conscious intentions to continue buying the same brand, and it must be accompanied by a positive attitude and a high degree of high commitment towards the brand. According to Gounaris and Stathakopoulos (2004) there are four types of brand loyalty:

1. No Loyalty: consumers do not purchase the brand or have no experience with the brand.
2. Covetous Loyalty: there is no purchase but there is high emotional attachment with the brand. This type of loyalty is the result of consumers’ perception of brand personality.

3. Inertia Loyalty: the brand is purchased repeatedly but there is no emotional attachment with the brand and no social influence. This loyalty is the result of lack of alternative brand or product.

4. Premium Loyalty: this loyalty is characterized by high degree of relative attachment to the brand, many situations of repeat purchase and high level of social influence.

Development and maintenance of consumer brand loyalty is basic purpose of companies’ marketing strategies (Fournier and Yao, 1997). Oliver (1997) suggests a four-stage loyalty model which is consisted of different attitudinal phases and consumers become loyal at each phase. These stages are: (1) cognitive loyalty, where loyalty is based on brand’s performance levels and available information about brand; (2) affective loyalty, where loyalty is based on liking or attitude towards brand after using it; (3) conative loyalty, where a deep commitment is developed to rebuy the brand in the future; and (4) action loyalty, where consumers transform their intentions to repurchase a brand into actions (Oliver, 1997).

According to Aaker (1991) brand loyalty is so much important for marketers and consumer researchers. A loyal and contented customer base helps to increase the organizations’ relative bargaining power related to suppliers, partners and channels (Anderson et al., 2004). Brand loyalty results in positive word of mouth (Dick and Basu, 1994). To ensure continuous success a firm needs to have the capability of holding current customers and making them loyal to its brands (Dekimpe et al., 1997). Loyal consumers have financial benefits for the organizations. According to Reichheld and Sasser (1990) the profits of company will increase by 25% to 125% if the company can retain just 5% more of its loyal customers. Brand loyalty brings the benefits of greater sales and revenues, increased profitability and a customer base that is less sensitive to the marketing efforts of competitors and substantial barriers to entry (Delgado-Ballester and Munuera-Aleman, 2001). Loyal customers help businesses grow by buying more, paying premium prices and attracting new customer through positive word of mouth over time (Ganesh et al., 2000).

Hypothesis development and Theoretical framework:

The antecedents of brand loyalty are dynamic and complex. Different researchers highlighted that there are some factors that need to be understand and analyzed for understanding brand loyalty with any specific brand (Taylor et al., 2006). Through our literature review we identified following factors for our research:

Brand Name:

Brand name is the creation of an image or development of a brand identity (Kohli and Thakor, 1997). Nowadays emphasize on brand names is increasing because it has a strong impact on customer loyalty because consumers’ perceptions are linked to brand names. Yee and Sidek (2008) indicated a significant positive relationship between brand name and brand loyalty. Strong brand names can lead to brand loyalty (Selnes, 1993). Prestigious brand names and their images affect repeat purchasing behavior and reduce price related switching behavior (Cadogan & Foster, 2000). Brand name serves as a point of reference for brand associations and image. Brand image refers to consumers’ perceptions of a brand as consumers remember the brand (Keller, 1993). According to Selnes (1993) brand reputation is the perception of quality related to its name. Brand image have effect on customer perceived quality and satisfaction which would lead to customer loyalty (Fornell et al., 2006). Thus we hypothesize that:

H₁: Brand name is positively related to individuals’ brand loyalty toward cigarette brands.

Price:

According to kotler (2009), “Price is the amount of money charged for a product or service”. Probably price is the most important consideration for an average consumer (Cadogan & Foster, 2000). According to Bucklin et al. (1998) price significantly influences consumer choice discount pricing motivates households to switch brands and buy product earlier than needed. Also price is the strongest driver of loyalty (Ryan et al., 1999). Consumer purchase intention is not easily influenced by price if they have built brand loyalty. Loyal consumers may be willing to pay more for a brand (Lau et al., 2006). Yee & Sidek (2008) found a positive relation between brand loyalty and price. However consumers with high brand loyalty are less price sensitive (Yee & Sidek, 2008). Thus we hypothesize that:

H₂: Price is positively related to individuals’ brand loyalty toward cigarette brands.
Customer’s Satisfaction:
Customer’s satisfaction is the resulting judgment from the comparison of customer’s expectations and product’s perceived performance (Kotler et al., 2009). Customer will be satisfied when perceived performance matches the expectations and customer will be highly satisfied or delighted when perceived performance exceeds expectations (Schiffman et al., 2008). According to Heskett et al. (1993) there is a direct link between satisfaction and loyalty because satisfied customers become loyal and dissatisfied customers move to another vendor. A study conducted by Ibodullayeva (2011) indicates that customers will be loyal to the brand if they are satisfied with the product or service of a company. Customer satisfaction and brand name are significant factors and have impact on brand loyalty (Ibodullayeva, 2011). Newman and Werbel (1973) found a strong and significant relationship between brand loyalty and satisfaction. According to Fornell (1992) customer satisfaction enhances customer loyalty and prevents customer churn and lowers customers’ price sensitivity. Thus we hypothesize that:

$H_3$: Customer’s Satisfaction is positively related to individuals’ brand loyalty toward cigarette brands.

Product Involvement:
Product involvement refers to an ongoing commitment on the part of consumer with regard to thoughts, feelings and behavioral response to a product category (Quester & Lim, 2003). Consumers’ involvement is stimulated through products or brand characteristics or their usage contexts (Charles, 1998). Involvement represents the level of interest or importance of an object to an individual (Day, 1969). Such type of interest in a product category can stem from the perception of the consumer that the given product meets important values and goals (Richins & Bloch, 1986). It is widely assumed that those consumers who are more involved with a brand are also more committed and that’s why loyal to that brand (Quester & Lim, 2003). People who involve with a product will be more likely to be loyal towards a particular brand name (Wel et al., 2011). High involvement has been suggested as precondition to loyalty (Hanzee et al., 2011). Thus we hypothesize that:

$H_4$: Product involvement is positively related to individuals’ brand loyalty toward cigarette brands.

Fig 1 shows theoretical framework for cigarette brands loyalty:

**RESEARCH METHODOLOGY**

The Sample:
The population of this study is consisted of all smokers in Pakistan. A sample of size 150 smokers is taken from the target population which is consisted of all smokers living in Multan, Islamabad, Lahore, and Karachi. Smokers of different age group, profession and educational background are included. The sample is taken without replacement and by using non probability convenience sampling procedure.

Data Collection Method:
Primary data is collected by using self-administered questionnaires which were distributed to respondents who were briefed on the purpose of the study. The structure of the questionnaire is clear, simple and straightforward so that respondents may feel convenient while filling it. The questionnaire is prepared in English as well as in Urdu to facilitate the illiterate respondents.
Research Instrument:
A self-administered questionnaire was developed in English as well as in Urdu languages and was consisted of different questions related to brand loyalty, consumers’ favorite cigarette brands and the factors of brand loyalty. A five point likert scale was used in which 1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree and 5 indicates strongly agree. The questionnaire was consisted of eight background questions, five questions of brand loyalty, four questions of product involvement, two questions of price and four questions of customer’s satisfaction.

Data Analysis:
To analyze the data, SPSS 18.00 was used. Both descriptive and inferential analyses were used in this study. Various descriptive measures like arithmetic mean, standard deviation, median etc. are calculated from the collected data. Multiple regression analysis is used to see the dependency of brand loyalty on various factors like price, brand name, satisfaction and product involvement. The reliability of the scale is tested by using cronbach’s alpha and split-halves reliability coefficients. Pearson correlation analysis is used to determine the nature and degree of relationship among different variables under study.

RESULTS AND DISCUSSION

Reliability and validity:
Factor analysis was used to identify factors in the scale and appropriateness of factor analysis was judged by using Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. The KMP value is 0.762 and Bartlett's test of sphericity is significant at 0.05 level of significance (p=0.000, p<0.05). Both of these measures suggest the appropriateness of factor analysis. Through factor analysis, five factors were extracted by scree plot and initial eigenvalues table where each of first five components has total initial eigenvalues score of more than 1.

Table 2 shows values of cronbach’s alpha and Guttman Split-Half Coefficient that indicate high degree of reliability of the scale.

Table 2: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>0.786</th>
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<tbody>
<tr>
<td>Guttman Split-Half Coefficient</td>
<td>0.739</td>
</tr>
</tbody>
</table>

Hypothesis Testing:
Table 3 shows correlations between brand loyalty and factors of brand loyalty. For brand name value of p is 0.000 which is less than 0.05 so we accept $H_1$ at 5% level of significance. Therefore we may conclude that there is a significant relationship between brand name and brand loyalty with $r=0.337$ that shows low positive correlation between them. For product involvement value of p is 0.012 which is less than 0.05 so we accept $H_2$ at 5% level of significance. Therefore we may conclude that there is a significant relationship between product involvement and brand loyalty with $r=0.204$ that shows low positive correlation between them. For Price value of p is 0.002 which is less than 0.05 so we accept $H_3$ at 5% level of significance. Therefore we may conclude that there is a significant relationship between price and brand loyalty with $r=0.250$ that shows low positive correlation between them. For customer’s satisfaction value of p is 0.000 which is less than 0.05 so we accept $H_4$ at 5% level of significance. Therefore we may conclude that there is a significant relationship between customer’s satisfaction and brand loyalty with $r=0.395$ that shows moderate positive correlation between them.

The regression analysis was carried out to see the dependency of dependent variable upon independent variables and to measure the extant of influence of independent variables.

From table 4 of coefficients, the values of beta of brand name, product involvement, price and customer’s satisfaction are 0.188, 0.095, 0.101 and 0.273 respectively. Here it is clear that customer’s satisfaction has the highest impact on the dependent variable brand loyalty. Further from the t-test it can be concluded at 5% level of significance that brand name (p=0.023, p<0.05) and customer’s satisfaction (p=0.001, p<0.05) are significant
predictors of brand loyalty. On the other hand product involvement (p=0.216, p>0.05) and price (p=0.205, p>0.05) are not predictors of brand loyalty.

Table 4: Regression coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients B</th>
<th>Standardized Coefficients Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.764</td>
<td>.167</td>
<td>1.426</td>
<td>.156</td>
</tr>
<tr>
<td>Brand Name</td>
<td>.245</td>
<td>.188</td>
<td>2.301</td>
<td>.023</td>
</tr>
<tr>
<td>Product Involvement</td>
<td>.106</td>
<td>.095</td>
<td>1.241</td>
<td>.216</td>
</tr>
<tr>
<td>Price</td>
<td>.043</td>
<td>.101</td>
<td>1.274</td>
<td>.205</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>.379</td>
<td>.273</td>
<td>3.279</td>
<td>.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Brand Loyalty

Limitations:
One possible limitation related to the sample is the age of the participants. The average age of the respondent was around 35 which show relatively young sample of smokers. There were few participants from older group of smokers. Therefore the results might be more related to factors of brand loyalty for younger smokers. However, analysis showed a non-significant impact of age on brand loyalty which might suggest that the results would be similar even though older smokers would be included in the study.

Since this kind of study has not been conducted before, there are no previous results to compare the current results up against. However current research will provide opportunity for further research.

Future Research:
For future research purposes, the researcher would suggest that many other personality traits, product features and consumer demographics can be researched as possible factors of cigarette brands loyalty. The researcher suggests that a similar research will be done for more product groups. Brand loyalty may be linked with other factors like quality, country of origin and some social factors.

Conclusion:
The findings suggest that customer satisfaction is critical for customers to stay with a cigarette brand. There is positive relationship between brand loyalty and brand name, price, product involvement and customer satisfaction. It suggests that increase in these factors of loyalty will increase brand loyalty. Among the selected four factors of brand loyalty, customer satisfaction is the most important factor for predicting brand loyalty. Two factors, price and product involvement, were not found to be the predictor of brand loyalty towards cigarettes brands. Therefore focusing on customers’ satisfaction will result in brand loyalty. Brand image also play important role in brand loyalty. Loyal cigarette brand consumers are less sensitive to price.

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