

Iryna Markovich¹

BRAND LOYALTY AS A TOOL OF REDUCTION THE NEGATIVE BUSINESS RISKS

ABSTRACT:

An analysis of literary sources was conducted, which had to be done a conclusion that in the system of complex business risks in the activity of companies, branding, client-oriented approach to activity, etc. can be a competitive advantage of the enterprise not only in the national markets, but also in the global environment. It has been shown that brand loyalty is based on two components – customer satisfaction and regular shopping. The ability of a buyer to distinguish a company product from one another is an important task of the company's marketing services. A study of the history of branding has shown that, until recently, this process was inherent only in large companies that understood the necessity of investing heavily in brand-forming. However, today this task can be successfully implemented at medium and small enterprises. Features that distinguish small companies from large ones in terms of marketing are shown, such as limited customer base, limited activity, lack of formalized planning and evolutionary marketing, the owner-managers' marketing competency. Features that distinguish small companies from large ones in terms of marketing are shown, such as limited customer base, limited activity, lack of formalized planning and evolutionary marketing, the owner-managers' marketing competency. Emphasis is placed on the fact that significant dissimilarities in marketing technologies differ not only among enterprises of different sizes but also in the companies of different territorial markets. The role of production fragmentation, deconcentration, geographic "diffusion" is described, in the context of which differences between globalization, localization and glocalization are shown. It is proved that according to the processes and principles of glocalization, brand adaptability to territorial and segmental market features is its determinative quality that can expand markets for the company.

INTRODUCTION.

The activity of the enterprises takes place in interesting conditions of confrontation or mutual reinforcement of numerous factors that are difficult to predict and multi-vector. Consumer behavior is also quite volatile. The competitiveness of markets globally, on the one hand, is a great opportunity for development and, on the other, carries significant business risks, especially for the so-called "traditional", slowly changing industries.

¹ Ph.D. (Economics), Associate professor, Associate professor at the Department of Economics and Finance Ternopil Ivan Puluj National Technical University, UKRAINE

The loyalty of the consumer, his dedication to the company, the brand, the goods is the focus of everyone's attention without exception.

THE IMPORTANCE OF BRAND LOYALTY IN THE DEVELOPMENT OF THE COMPANY.

A. Dick and K. Basu proposed such gradation of consumer states according to the levels of loyalty to a brand. They explained that loyalty is a result of the interaction between a customer's relative attitude to a brand, or store, and their repeat purchase behaviour for that brand or store. The typology divides customers into four loyalty groups shown in Table 1.

Table 1

Model Dick and Basu's Loyalty

		Repeat Patronage	
		High	Low
Relative attitude	High	True loyalty	Latent loyalty
	Low	Spurious loyalty	No loyalty

Source: [1]

Matrix of loyalty is built according to the principle of combination of two components – consumer's satisfaction with the goods and regularity of buying. Satisfaction is the level of positive evaluation of goods by consumers as well as its difference from other similar goods in the consciousness of a consumer. Regularity of buying is also of high importance to assess loyalty as the devotion to a brand without regular buying is not profitable and complete from the viewpoint of a company. Combination of the components was the basis to get four loyalty types: real loyalty, latent loyalty, spurious loyalty, and lack of loyalty.

Branding process revolves around the coherent integration and deployment of branding instruments such as: trademark, symbols, logo, registered design, brand name and firms' reputation and integrated communication. While all of these instruments may not be applicable in all instances to firms, it is important to recognize their individual strength, appropriateness and so to blend the usage of these branding instruments effectively" [2].

Thus, we can argue that branding is the marketing technology aimed at the formation of long-term consumer loyalty to goods or services making it possible for a company to get constant sales return.

Nowadays companies can "win" if only they recognize timely expectations of final consumers of separate market segments and develop a product taking into account the personalized demands.

Previously branding was believed to be the prerogative of large companies because of the necessity of investing considerable finances into brand-forming processes but now at the time of internet-technologies and e-marketing the expenditures are being cut significantly; branding processes become accessible and necessary for small companies as well. Even small and

medium-sized enterprises can concentrate within certain niche markets that often repeat tendencies of the development of multisegmental markets but in smaller scales.

It is difficult to disagree with a statement that the scientific literature generally considers marketing through the prism of the activity of large companies. However, small companies are also engaged in the process. Nevertheless, it should be noted that the procedures of branding of large and small companies differ significantly.

Rode and Vallaster [3], reveal that branding for small ventures is a very unique phenomenon and it should be researched thoroughly, whereas further research in the area of startups branding is needed. Thus, more attempts should be done in order to further research the branding process for SMEs.

Basic features differing small companies from large ones in terms of marketing are as follows:

- Limited customer base: small firms usually possess a relatively small number of customers who in most cases are within limited geographic area.
- Limited activity: the restricted access to resources, both financial and human, especially the employment of marketing specialists.
- Lack of formalized planning and evolutionary marketing: is reflected in two ways. First, the priority is given to the short-term marketing considerations over the long-term planning. Secondly, reactive management style is noticed, where small firms tend to be reactive and operational as opposed to strategic.
- The owner-managers' marketing competency: in the vast majority of small business, the manager-owner's management style is the dominant internally [4].

The features make the executives of small business organizations take into account critical resource limitations resulting specifically from organizational form of activity and size.

Significant dissimilarities in marketing technologies differ not only among enterprises of various sizes but also in the companies of different territorial markets. Global shifts in the world economy can be observed clearly in terms of consumer market that has become maximally transparent in the context of international flows of goods and services.

Volumes of international trades of global companies indicate gradual homogenization of markets, i.e. erasing of differences between them on a global basis; however, other their features become apparent: combination of tendencies of globalization process and its localization as the inverse effect. Global forces can be seen in specific features of competitiveness, integration tendencies, standardization etc. Local forces can be identified by means of consumer demands, specific features of state regulatory bodies, and local legislation.

Several decades ago, it was a correct thing to say that markets became less sensitive to national cultural features; today studies claim that the standardization is not efficient any more [5].



The period when it was sufficient for the consumer to have access to various goods within different geographic markets is over. Nowadays, consumer wants to have the possibility of finding all the necessary things within one company of a loyal brand; it is just the idea modern companies are working for. Even if identical positioning is applied across nations, the same brand might be perceived differently in different cultures [6].

CHANGES IN APPROACHES TO UNDERSTANDING GLOBAL MARKETS.

In some cases advertising actions and marketing measures should be adapted significantly to the implementation in certain countries. Processes of fragmentation of production and its geographic “diffusion” are quite interesting in terms of marketing. In the context of such production features marketing agencies should focus consumer attention on the power of controlling functions of the parent company over subdivisions located beyond the home country of an enterprise, or outsourcing companies, or partners.

Consequently, deconcentration of production and trading processes as well as internationalization of brands is the clear feature of current manufacturing companies.

Companies being adapting maximally to the consumer demands (or forming the preferences and demands) take leading positions according to the criterion of loyalty to a brand. Consideration of consumer requirements is the task for each business organization. Certainly, development of individual production is not always justified, and expediency of mass production stipulates formation of wide product range even with slight differences among the items as a consumer senses the absence of choice as a disincentive factor in terms of a certain company.

Nowadays brand is not only an efficient tool for managers in competitive markets, but also a strategic necessity that helps organizations in creating more value for customers and creates sustainable competitive advantage [7].

Along with globalization processes, processes of reverse localization force are growing. Table 2 contains differences between the notions of “globalization”, “localization”, and “glocalization” processes; besides, features of the enterprise activities according to the tendencies are represented.

Table 2

Differences between Globalization, Localization and Glocalization

Globalization	Localization	Glocalization
Definition: “the tendency toward an international integration of goods, technology, information, labor, capital, or the process of making this integration”	Definition: “the process of adapting a product or service to a particular culture, language, developing a local appeal and satisfying local needs”	Definition: “providing a global offer (brand, idea, product, service, etc), while taking local related issues into account”

Table 2 (continued)

Globalization	Localization	Glocalization
• Undifferentiation and convergence in customer preferences and income across target countries with economic development and trade • Takes into account mass demand • Globalism • Quantity • International brand awareness • Cost benefits from standardization • Falling costs of trade with greater globalization	• Differentiation - differences in customer preferences and income across target countries • Takes into account specific demand • Localism • Quality and values • Local brand recognition • Competition from both successful domestic products and international brands • High costs of trade create separate markets	- Utilizing global experiences or a global brand name, and differentiating the offer in order to appeal to local markets • Operates within a global market and local market niches • Integrating both globalism and localism • Integrating quality and values in a product, that gets sold in large quantities • High notoriety of the brand • A glocal product / service can face competition from both local and international brands in a better way because it meets certain local needs or preferences, at lower costs due to the global edge of the company

Source: [8]

Svensson offers the term “glocal strategy”, which in part reflects the aspirations of the global approach, while the necessity for local adaptations and tailoring of business activities (i.e. “glocalization”) is simultaneously acknowledged. The concept of glocal marketing recognizes that there has to be a balance and harmony between standardization or adaptations, homogenization or tailoring, similarities or differences, concentration or diffusion, dependence or independence, synchronization or flexibility, and integration or separation of marketing activities [9].

Irrespective of the fact that at the first glance, the glocalization principles seem to be contradicting, their essence, broadly speaking, is balancing of unification as well as personalizing of goods and services offered in the market.

It is obvious that one of the key elements of the potential for any company value growth is the efficiency of brand formation and use. According to the processes and principles of glocalization, brand adaptivity to territorial and segmental market features is its determinative quality which can expand markets for the company.

To be effective, a brand identity needs to resonate with customers, differentiate the brand from competitors, and represent what the organization can and will do over time [10].

Besides, total virtualization of business should be taken into consideration as well. It means not only the spread of the tendency to use means of information technology for all the forms of life activity in terms of people and

companies but also consumer demands in addition to material embodied form of goods to get its virtual “covering” that is prestige, conceptual component of a product, i.e. elements of a brand.

CONCLUSION.

Therefore, changing approaches to understanding the key competitive advantages of companies in national and global markets is a must-have component of marketing development today. Focusing on the customer's needs, desires, and capabilities have become critical in the face of fierce competition that requires businesses of all sizes to respond appropriately.

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The combination of processes of globalization, localization and globalization is the latest characteristic of the development of the world economy. Today, they determine the ability of businesses to increase their business results and consumer satisfaction.

Changing consumer needs should be the focus of every business, and timely adaptation of work is a criterion for its success in the market. The speed of response of company executives to fluctuations in consumer desires is an indispensable management requirement.

Incorporating an enterprise into globally fragmented supply or production chains will inevitably make the business global and dependent on fluctuations in external commodity and financial markets.

Prospects for further research should be:

- identification of the impact of changes in approaches to the functioning of global markets;
- transformation of management processes in the activities of enterprises of different size and different territorial affiliation;
- building models of the relationship between changes in consumer behavior and business activities, etc.

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