

# CHAPTER 1

## INTRODUCTION

Nowadays, polygamous loyalty i.e., a state of being loyal to a portfolio of brands becomes a more common phenomenon in all marketplaces (Dowling & Uncles, 1997). For example, researches have found that there are only about 10% of customers who are loyal to one specific brand in many different products and services (Uncles, Ehrenberg, & Hammond, 1995; Ehrenberg & Uncles, 1996). Over 80% of customers were membership with several airlines and there was average of 3.1 airlines membership per customer in 1993 (Official Airline Guide, 1993). In 2008, credit card customers had an average of 5.4 credit cards in their pocket in United States ([www.creditcards.com](http://www.creditcards.com), 2010). Similar behaviors also found in credit card and airline industries in Thailand (Sombat Thamrongsinthaworn, 2007). Therefore, firms now face with the challenges of customers with multi-brand relationship behaviors (e.g., Ehrenberg & Goodhardt, 1970; Grover & Srinivasan, 1992; Jacoby, 1971; Jevons, Gabbott, & Chernatony, 2005). These customers buy or maintain established contacts with a portfolio of brands in a product or service category.

In this multi-brand-relationship environment, the concept of dyadic relationship between customer and brand, as shown in figure 1, may no longer be applicable. Instead, multiple relationships between customer and multi-brands may become a more useful analytical framework for firms. Figure 2 shows relationships between a customer and a portfolio of brands.

FIGURE 1  
DYADIC RELATIONSHIP BETWEEN CUSTOMER AND BRAND

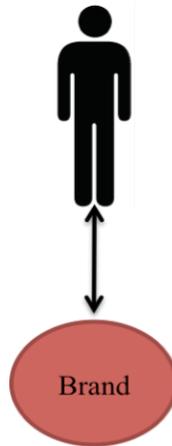
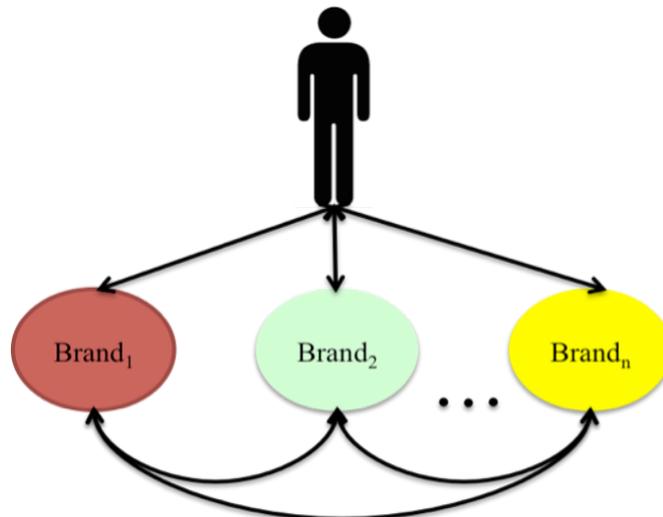


FIGURE 2  
MULTIPLE RELATIONSHIPS BETWEEN CUSTOMER AND MULTI-BRANDS



## Share-of-wallet

“Defining defection. Some defections are easier to spot than others. Customers who close their accounts and shift all their business to another supplier are clearly defecting. But what about customers who shift some of their purchases to another supplier, and what about those who actually buy more but whose purchases represent a smaller share of their total expenditures?” (Reichheld, 1996a)

In this environment, it is not an issue of winning or losing customers because firms do not extremely own or lose their customers (Reichheld, 1996a) but customers are “always a share” and purchase for several brands without being lost forever (Jackson, 1985). It is how customers allocate their financial resources to multiple brands in a category. Meyer-Waarden (2007) stated that consumers in the retailing sector typically patronize multiple outlets, which confronts these outlets with an important issue: determining how to gain a greater part of consumer expenditures. Thus, objectives of firms in present are not only to absolutely own customers, grab the market share, or retain customers to stay. But rather, they have to compete for share of customer spending when comparing to other competitive brands in a product or service category.

Therefore, the concept of share-of-wallet (SOW) has emerged and been studied intensely by researchers in the past few years (e.g., Coil, Keiningham, Aksoy, & Hsu, 2007; Du, Kamakura, & Mela, 2007; Garland, 2004; Gladly & Croux, 2009). It is viewed as an indicator of future performance of firms and relationship strength between a firm and its customers, which consistent with customer relationship management (CRM) concept.

SOW is presented as the same notion with share of category spending (Stern & Hammond, 2004) and customer share (Doorn & Verhoef, 2008; Verhoef, 2003), which is defined as a ratio of customer’s spending on a particular brand to all

spending on its product or service category. And it can be calculated by the following formulation.

$$\text{SOW} = \frac{\text{Spending on a Particular Brand}}{\text{Spending on All Brands in the Same Category}}$$

An example of customers spending (Customer 1, 2, 3, 4, and 5) on grocery stores (Brand A, B, C, and D) and the estimation of SOW are shown below (Table 1 and 2). For explicit illustration, we assume that for each month, customers spend on only one grocery store.

Clearly, all customers have multi-brand relationships with various brands except for Customer 1. He spends 24,000 baht per year on only one particular grocery store each month, i.e., Brand A. Therefore, Brand A's SOW of customer 1 is 100%. It is calculated by the following.

$$\begin{aligned} \text{Brand A's SOW of customer 1} &= \frac{\text{Spending on Brand A}}{\text{Spending on All Brands in Grocery Category}} \\ &= 24,000/24,000 \\ &= 100\% \end{aligned}$$

Customer 2 is a light buyer who spends only 8,000 baht per year on grocery products when comparing to other customers (who spend 24,000, 15,000, 20,000, and 30,000 baht per year). Brand A's and Brand B's SOW can be calculated as shown below.

$$\begin{aligned} \text{Brand A's SOW of customer 2} &= \frac{\text{Spending on Brand A}}{\text{Spending on All Brands in Grocery Category}} \\ &= 6,000 / 8,000 \\ &= 75\% \end{aligned}$$

**TABLE 1****CUSTOMER SPENDING PER MONTH ON A PORTFOLIO OF BRANDS IN GROCERY CATEGORY (1 YEAR PERIOD)**

Customer	Amount of Spending (Baht) and Brand												Total (Baht)
	Month												
	1	2	3	4	5	6	7	8	9	10	11	12	
1	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	2,000 A	24,000
2	1,000 A	500 B	500 A	500 B	500 A	1,200 A	800 A	700 A	500 A	800 A	500 B	500 B	8,000
3	1,200 C	1,600 B	400 B	400 D	2,250 A	500 B	2,000 A	400 C	4,000 A	1,400 C	350 D	500 B	15,000
4	2,000 B	2,000 A	1,000 C	1,500 C	2,000 C	4,000 D	3,000 B	4,000 A	1,500 D	1,500 C	500 D	1,000 B	28,000
5	10,000 A	1,200 B	800 B	1,000 C	800 B	1,000 C	200 B	4,500 A	600 B	900 B	1,000 C	8,000 A	30,000

**TABLE 2**  
**CUSTOMER SPENDING PER YEAR ON A PORTFOLIO OF BRANDS AND SOW**

	Customer	Brand				Total
		Brand A	Brand B	Brand C	Brand D	
Spending Per Year	1	24,000	-	-	-	24,000
	2	6,000	2,000	-	-	8,000
	3	8,250	3,000	3,000	750	15,000
	4	7,000	7,000	7,000	7,000	28,000
	5	22,500	4,500	3,000	-	30,000
SOW	1	100%	-	-	-	100%
	2	75%	25%	-	-	100%
	3	55%	20%	20%	5%	100%
	4	25%	25%	25%	25%	100%
	5	75%	15%	10%	-	100%

$$\begin{aligned}
 \text{Brand B's SOW of customer 2} &= \frac{\text{Spending on Brand B}}{\text{Spending on All Brands in Grocery Category}} \\
 &= 2,000 / 8,000 \\
 &= 25\%
 \end{aligned}$$

All brands' SOW of all customers can be calculated and are shown in Table 2. Previous literatures have studied SOW in many viewpoints. However, these studies can be summarized into three main points. First of all, SOW has been viewed as an important determinant of firm performance. The studies showed how SOW of firms influence firm performance, e.g., revenue (Keiningham, Perkins-Munn, Aksoy, & Estrin, 2005), profitability (Garland, 2004), and customer lifetime duration (Meyer-Waarden, 2007). Accordingly, there is no doubt about importance of SOW in this business environment and they are well settled.

Secondly, researchers have attempted to find more simple and accurate way to measure or estimate SOW than the usual method, which is customer self reports from survey and firm's customer data (e.g., Du, Kamakura, & Mela, 2007; Gladly & Croux 2009; Perkin-Munn, Aksoy, Keiningham, & Estrin, 2005). However, most literatures focused on current SOW as a result from factors that brand performed in the past. We argue that in this modern business, firms aim to focus and give the importance to long-term goals, customer relationship, and sustainability rather than short-term performance and business transaction (Berry, 1995; Fournier, 1998). It is very interesting to study the effects on future SOW besides current SOW. This future SOW is similar to repeat purchase intention and all other future intention measures.

The final and most focused spot in SOW study is to find antecedents of SOW. It is an important issue helping firms to increase their SOW. Various antecedents have been found to influence brand's SOW, e.g., customer satisfaction (Bowman & Narayandas, 2001; Keiningham, Perkins-Munn, & Evans 2003; Magi, 2003; Verhoef, 2003), affective commitment (Verhoef, 2003), shopper characteristics (Macintosh &

Lockshin, 1997; Magi, 2003), product or service quality (Odekerken-Schroder et al., 2001), loyalty programs (Magi, 2003; Verhoef, 2003), and direct mail (Verhoef, 2003). These antecedents are very diversified and not well conceptualization. It is very difficult for business practitioners to capture or focus on suitable factors to increase their brands' SOW. However, we argue that SOW concept is focused on the allocation of customer financial resources to multiple brands in a period of time and it is zero-sum game. Therefore, competitive effects of one brand to other brands in the category are very important but none has shed some light into how competitive brands compete for customer's SOW. All studies focused only on one particular brand's factors influencing its SOW, without consideration of direct and/or dynamic effects of competitors on SOW. And there is a need to include them in a framework.

As a consequence, some research questions arise. Can we distinguish between brand and non-brand drivers of SOW in multi-brand relationship context? How are those drivers affecting future SOW of a brand and its competitors? Are there any different patterns of effect on SOW when modeling a brand separately versus competing brands together? Would we see similar or different patterns of effect across industries? Therefore, the purpose of this study is to develop a model that takes into consideration of direct and/or dynamic competitive effects on SOW. And we also aim to better conceptualize drivers of brand's future SOW. Finally, this study provides empirical evidence for the proposed model in two services industry.

We organize the rest of the study as follows. In the next section, we review relevant literatures and discuss our research framework. We then develop several hypotheses to be tested, describe the empirical approach, and report the findings. The last section outlines contributions and implications of our findings and discusses for future research.