CHAPTER 2

LITERATURE REVIEW

Multi-Brand Relationship

The notion of multi-brand relationship is not novel. It began from the concept of brand loyalty, which is about customer behaviors that have a tendency to buy more from a loyal brand. However, there are many arguments about the loyalty. Many times, customers are loyal to many brands in the same period of time in a product or service category (Brown, 1952-1953; Cunningham, 1956, 1967; Day, 1969; Engel, Kollat, & Blackwell, 1968; Howard & Sheth, 1969). For example, Brown (1952-1953) developed the empirical finding that as many as half the people buying a given grocery product would tend to buy more than one brand of it in a year. East, Hammon, Harris, and Lomax (2000) and Magi (1999) found that grocery customers buy grocery products from many grocery stores. Only 1% of households limited their purchases to one grocery store in three-year observation period (Meyer-Waarden, 2007) and 25% of customers were found to have only one bank account (Baumann, Burton, & Elliott, 2005).

This comes into conflict with the belief of business practitioners that loyal customers have a single relationship and loyalty, and buy from only a particular brand (Dowling and Uncles, 1997). The notion of multi-brand loyalty has been mentioned in many different terms, e.g., divided loyalty (Brown, 1952-1953), dual-brand and triple-brand loyalty (Cunningham 1956), and polygamous loyalty (Dowling & Uncles, 1997). Moreover, it is also close to the concept of evoked set, which is a group of brands that customers regard of when making a purchase decision (Howard & Sheth, 1969). However, this multi-brand concept was discussed and modeled seriously by Ehrenberg and Goodhardt (1970), Jacoby (1971), and Dowling & Uncles (1997) in the concept of multi-brand buying, multi-brand loyalty, and polygamous loyalty respectively. They found that many people consistently buy more than one brand over

time, and this pattern has to be disentangled from any changes in their pattern of brand-choice. Thus, we conform that most customers have multi-brand relationship to a portfolio of brands in a product or service category.

Multi-brand relationship behavior may be caused by many reasons (Dowling & Uncles, 1997). Firstly, customers may buy differently from many chances and opportunities. Secondly, they may seek for their varieties (variety seekers). Or they may buy since all other brands are out of stock or other brands offer a better promotion (i.e., situational factors). Moreover, they perceive that all brands are not different and can be substituted by each other. And the main principle is that each brand is bought and used to fulfill customer requirements effectively by different various aspects, such as utility of the products and services, quality, price, feelings, and emotional (Pipop Udorn, 2009). However, we argue that variety-seeking behavior resulted from the simple desire for change. It is "switching for the sake of varieties" (McAlister, 1982) and "the phenomenon of an individual consumer switching brands induced by the utility she derives from the change itself irrespective of the brands she switches to or from" (Givon, 1984). This type of customers is contrary to our focus on relationship customers in this study, who have ongoing buying or repeat purchase behavior and allocate higher SOW to each brand.

Ehrenberg and Goodhardt (1970) defined multi-brand buying as the buying some specific brands in a particular period of time. As well, Krishna (1992) viewed this multi-brand buying as a determinant of normative consumer purchase behavior for different brands. Therefore, in this study, multi-brand relationship can be defined as the customer behavior regularly buying and maintaining established contacts with a portfolio of brands in a product or service category in a given period of time (Dowling & Uncles, 1997; Ehrenberg & Goodhardt, 1970; Jacoby, 1971). And customers who have this behavior are multi-brand-relationship customers or multi-brand users. Whereas multi-brand relationship is considered in behavioral perspective, multi-brand loyalty is considered in both behavioral and attitudinal perspective (Sombat Thamrongsinthaworn, 2007). Multi-brand loyalty refers to the customer loyalty and commitment to a portfolio of brands in a product or service

category in a given period of time (Brown, 1952-1953; Cunningham, 1956; Dowling & Uncles, 1997) and customers who have those behavior and attitude are multi-brand-loyalty customers. However, this research focuses on the multi-brand relationship context since it better captures the transaction between customer and brands and more appropriate with SOW concept. Multi-brand-relationship customers can buy from a portfolio of brands without any commitment or loyalty but each brand can fulfill their needs by different aspects. In this multi-brand-relationship environment, if customers switch to other competitive brands, it does not mean that those customers will be "lost for good" or are not loyal to the brand. They just have relationship and buy from a portfolio of brands and the brand just only lost customers share of spending in the category. And that is the reason for the extensively study of SOW in the marketing field.

SOW– A Determinant of Performance Measure

In this multi-brand relationship environment, customers will never be lost forever but they just allocate part of their spending or financial resources to other competitive brands. Customers change their spending patterns with a company than completely stop doing business. Thus, objectives of business to focus on business transaction or retain their customers for long lasting are not enough and applicable in this business environment (Keiningham et al., 2003; Perkins-Munn et al. 2005; Wirtz, Mattilla, & Lwin, 2007). Efforts designed to manage customers' spending patterns with a firm tend to represent far greater opportunities to a firm than does simply trying to maximize customer retention rates. SOW corresponds to the share of category spending at a particular brand, which integrates both choice behavior and transaction values during a specific time period into a single indicator (Meyer-Waarden, 2007). Managerially, a focus on improving customers' SOW has been found to have greater financial impact than by focusing on customer retention (Keiningham, Cooil, Aksoy, Andreassen, & Weiner, 2007). McKinsey & Company reports that efforts to improve customers' share of spending and customer retention

can add as much as ten-times greater value to a company than focusing on retention alone (Coyles & Gokey 2002).

In addition, SOW has been studied as an important determinant of firm's performance measure at the present moment. Jones and Sassers (1995) assert that "the ultimate measure of loyalty … is share of purchases in the category" (i.e., SOW). SOW is frequently used by many researchers to operational loyalty behavior (e.g., Bowman, Farley & Schmittlein, 2000; Bowman & Narayandas, 2004). Coyles and Gokey (2002) also found that 35% of customers who reduced their shares with the bank significantly cost the bank 24% of its total balances. And this effect was present in all 16 industries they studied (including airlines, banking, and consumer products). Besides, previous researches found that SOW has a very important role in customer profitability (Garland, 2004; Keiningham et al., 2005). The study of Garland (2004) in New Zealand retail banking found that customer SOW of main bank influences the customer profitability. The results also showed that if customer SOW of main bank is less than 68%, customer profitability is less than 5 times than customer who allocate 100% of SOW.

SOW also has been found to have a positive effect on firm's revenue in financial institute of Europe and USA (Keiningham et al., 2005). Moreover, Meyer-Waarden (2007) found a positive relationship between SOW and lifetime duration. It indicated that the higher the share of spending to the brand comparing to other competitive brands, the longer the relationship between customer and brand. This lifetime duration finally could lead to value that the brand will receive from the customer, i.e., customer lifetime value (Rust, Zeithaml, & Lemon, 2000). Those results go along with the research of East et al. (1998, 2000). Moreover, business practitioners increasingly view SOW as an important indicator of firm performance. For example, hotels (Noone, Kimes, & Renaghan, 2003) and banks (Garland 2003; Jarrar & Neely, 2002; Mittal, 2004) have begun to use customer SOW to measure their effectiveness. While firms in the apparel industry is now using SOW in such marketing decisions as the development of merchandising tactics and the opening of new stores (Huff, 2002).

In conclusion, compared with the more exclusive relationship of the past, consumers increasingly have multiple relationships with multi-brands (Bennett & Rundle-Thiele, 2005: Rust, Lemon, & Zeithaml, 2004; Uncles, Dowling, and Hammond, 2003). As a result, customers are more and more dividing their purchases among multiple brands in a category. Therefore, the concept of SOW has emerged and plays an important role in today's business environment, in which other performance measures (e.g., retention rate, repurchase rate, repurchase intention, satisfaction, etc.) are not enough for estimating firm performance in this multi-brand relationship environment. Researches in this field are substantial and found that SOW is a significant determinant of performance measure.

SOW Measurement

To estimate SOW, we need to know 2 things – spending on a focal brand and spending on all brands in a same product or service category. Thus, SOW helps firms understand spending behavior of customers, not only spending on the brand but also the spending on all other competitive brands (Meyer-Waarden, 2007). Clearly, it is not difficult to gather the spending on the brand information from customers in this information technology and relationship-oriented era. However, with only business transaction between the brand and customers, the brand cannot get information about the spending on all other brands or the category spending from customers. Firms seldom have information about their customers' relationships with competitors. As a result, SOW cannot be estimated with those lacks of information (Perkins-Munn et al., 2005). Nevertheless, that information can be gathered by consumer self report or survey method. And this method has been used by most of literatures in the field (e.g., Bowman and Narayandas, 2001; Odekerken-Schroder et al., 2001; Magi, 2003) as well as the combination of firm's customer data and consumer self reports (e.g., Garland, 2004; Verhoef, 2003). Moreover, SOW can be measured by both monetary (Baumann et al., 2005; Wirtz et al., 2007) and frequency value (Bowman & Narayandas, 2001; De Wulf, Odekerken-Schröder, & Iacobucci, 2001).

However, it needs some effort to collect information from customers and that information may not be accurate. The following literatures have tried to measure SOW without collecting information from customers. One of methods is to estimate SOW with actual purchase (Perkins-Munn et al., 2005). They found that performance attributes (e.g., repurchase intention, overall satisfaction, value for money, brand image) in each industry have a similar capability to estimate actual purchase and SOW and in the same order for each outcome. Thereby, they stated that in some firms, actual purchase might represent an acceptable proxy for SOW when deriving opportunities for service improvement. Moreover, Du et al. (2007) used list augmentation from samples of customers to model all firm customers SOW. Glady and Croux (2009) introduced potential-of-wallet approach to predict SOW without survey data. Measurement of SOW still need further study for easier data collection and to estimate SOW more precise. However, the survey method for collecting the information from customers is still appreciated and used widely in academic and business practitioner, as well as in this research.

With survey data, most literatures has focused on current SOW as a result of factors that brand did in the past or does in the present. Most of them are cross-sectional study, excepting for some longitudinal studies of Cooil et al. (2007) and Keiningham et al. (2007). However, none has mentioned and studied on future SOW. We contend that one of the most important objectives of business in this era is to build and maintain long quality relationship with customers (e.g., Bagozzi, 1995; De Wulf et al., 2001; Mckenna, 1991). This quality relationship finally can lead to customer behaviors that create enormously value to firms in the future (Moorman, Zaltman, & Deshpande, 1992; Morgan & Hunt, 1994; Sirdeshmukh, Singh, & Sabul, 2002). For instances, Reichheld (1993) found that increasing 5% of retention rate can increase more than 60% of profit growth rate in 5 year period. The length of a customer's tenure is related to long-run company revenues and profitability (Blattberg & Deighton, 1996; Bolton, Lemon, & Verhoef, 2002; Gupta, Lehmann, & Stuart, 2004; Rust et al., 2004). Thereby, it is not short-term, but long-term revenue and profit and sustainability that firms need to focus. Business practitioners and researchers nowadays realize that marketing activities are long-term investments

(Rust et al., 2004; Srivastava, Shervani, & Fahey, 1998) and that customers are important asset of the firm (Blattberg, Getz, & Thomas, 2001; Gupta & Lehmann, 2003).

This long-term perspective goes in the same direction with other indicators in CRM that focus on future behavior or attitude (future intention), e.g., purchase intention (e.g., Anderson & Sullivan, 1993; Garbarino & Johnson, 1999; Mittal, Kumar, & Tsiros, 1999; Morgan & Hunt, 1994; Zeithaml, Berry, & Parasuraman, 1996) and repurchase intention or likelihood to repurchase (e.g., Crosby, Evans, & Cowles, 1990; Doney & Cannon, 1997). Moreover, this also includes customer lifetime value (CLV) and customer equity (CE), which shows reliable revenues and cash flows from all their existing customers in the future (Berger et al., 2006; Gupta & Lehmann, 2003; Gupta, Hanssens, et al., 2006; Gupta, Lehmann, et al., 2004; Hogan, Lemon, and Rust, 2002; Rust et al., 2000). Word of Mouth (WOM), likelihood of a customer positively referring the seller to another potential customer (Henning-Thurau, Gwinner, & Gremler, 2002; Reynolds & Beatty, 1999), increased purchase (e.g., Babin, Chebatb, & Michonb, 2004; Reinartz & Kumar, 2003), up-buying (e.g., Vassana Maprasert 2004), and cross-buying (e.g., Ngobo 2004; Reinartz & Kumar, 2003) have also been focused increasingly in the last few years.

Past studies indicate that SOW is not a forward-looking measure as other measures of loyalty since it is focused only in the past and present time (Oliver, 1999). However, SOW is a significant indicator in the concept of relationship and loyalty. It would be more useful to view and develop SOW as an indicator for businesses that aim for long-term and future performance. Therefore, this study develops and focuses on future SOW besides the current SOW.

Antecedents of SOW

Once SOW has been viewed as a significant determinant of performance measure and the measurement of SOW is well settled, most researches in the field focus to develop and study on antecedents of SOW. They have tried to find factors that would help firms to increase its SOW. Findings of those antecedents in existing literatures are numerous and diversified. However, we can categorize them into three different main groups – drivers, environmental factors, and outcomes. These three main groups influence a particular brand's SOW of customer.

The first group of antecedents is drivers of SOW. With this group of antecedents, the increasing and decreasing of SOW are influenced by what firms can perform and control. Various drivers have been found to significantly influence SOW but they are not well conceptualization. For example, drivers of SOW related to price and cost have been found in the past studies, e.g., fees and interest rates in bank industry (Baumann et al., 2005), weight price index and price consciousness in grocery store (Ailawadi, pauwels, & Steenkamp, 2008), cost scale in truck industry (Perkins-Munn et al., 2005). Product and service quality also has a positive effect on SOW (Oderkerken-Schroder et al., 2001) as well as related constructs such as convenience (store area and counters per unit area in grocery store) (Ailawadi et al., 2008), efficacy (Perkin-Munn et al., 2005), relative attractiveness (Wirtz et al., 2007), and product and service design (Perkin-Munn et al., 2005). Besides, some brand-related factors have also been investigated. Brand preference has been shown to interact with customer satisfaction to impact SOW (Keiningham et al., 2007). Brand image is another important factor in product industry (Trucks) (Perkins-Munn et al., 2005). Moreover, there are some relationship-related factors that influence SOW, i.e., loyalty programs (De Wulf et al., 2001; Magi, 2003; Verhoef, 2003), possession of loyalty card (Meyer-Waarden, 2007), and direct mail (De Wulf et al., 2001; Verhoef, 2003). These diverse drivers still need to be better conceptualization.

Few studies have been focused in environmental factors as antecedents of SOW. Environmental factors are not related to what firms do. And firms cannot control these factors. It is more allied with situational and external factors, such as competitive situation. For example, number of current suppliers in a product or service category has been found to be a key predictor of SOW in retail banking (Baumann et al., 2005). Ailawadi et al. (2008) and Meyer-Warrden (2007) also found an effect from distance to store in retail business.

Finally, outcomes of those mentioned drivers have also been studied as antecedents of SOW. These outcomes seem to be consequences of the drivers or from what firms do. Since the notion of SOW comes after loyalty and CRM concept, these outcomes mostly are from loyalty field. For example, customer satisfaction (e.g., Bowman & Narayandas, 2001; Cooil et al., 2007; Keiningham et al., 2003; Magi, 2003; Perkins-Munn et al., 2005;), attitudinal loyalty (East et al., 2000; Wirtz, Matilla, & Lwin, 2007), repurchase intention (Keiningham et al., 2007; Perkins-Munn et al., 2005), length of relationship (Baumann et al., 2005; Cooil et al., 2007), and overall experiential impression (Chareon Russametummachot, 2006) have all been studied as antecedents of SOW. There are also other interesting studies of this group of antecedents, such as private label share in grocery industry (Ailawadi et al., 2008) and gratitude-based reciprocal behavior (customer gratitude) (Palmatier, Jarvis, Bechkoff, & Kardes, 2009). However, we argue that the relationships between SOW and those outcome variables are correlation at best. It does not make much sense to conceive them in a fashion that one is influencing another since both tend to be "results" or "consequences" from firm's strategies or actions. Keys antecedents of SOW in all three main groups are summarized in Table 3.

TABLE 3

KEY ANTECEDENTS OF SOW IN THREE MAIN GROUPS

Key Antecedent of SOW	Study in Industry	Reference
Drivers		
Fees and interest rates	Bank	Baumann et al. (2005)
Weight price index	Grocery	Ailawadi et al. (2008)
Price consciousness		
Convenience (store area and counters per unit area)		
Cost scale	Trucks	Perkins-Munn et al. (2005)
Product and service quality	Retail	Oderkerken-Schroder et al. (2001)
Efficacy	Pharmaceuticals	Perkins-Munn et al. (2005)
Relative attractiveness	Credit Card	Wirtz et al. (2007)
Product and service design	Trucks	Perkins-Munn et al. (2005)
Brand preference	Bank, Retail, and ISP	Keiningham et al. (2007)
Brand image	Trucks	Perkins-Munn et al. (2005)
Loyalty programs	Retail	De Wulf et al. (2001), Magi
	Financial services	(2003), and Verhoef (2003)
	Retail	
The possession of loyalty card	Retail	Meyer-Waarden (2007)
Direct mail	Financial services	De Wulf et al. (2001) and
	Retail	Verhoef (2003)

TABLE 3 (CONTINUED)

Key Antecedent of SOW	Study in Industry	Reference
Environmental Factors		
Number of current suppliers	Bank	Bauman et al. (2005)
Distance to store	Grocery	Ailawadi et al. (2008)
	Retail	Meyer-Warrden (2007)
Outcomes		
Customer satisfaction	Grocery	Bowman and Narayandas (2001)
	Financial services	Keiningham, Perkins-Munn, and Evans (2003)
	Retail	Magi 2003;
	Trucks	Perkins-Munn et al. 2005;
	Bank	Cooil et al. 2007
Attitudinal loyalty	Credit Card	Wirtz et al. (2007)
	Grocery	East et al. (2000)
Repurchase intention	Trucks	Perkins-Munn et al. (2005)
	Bank, Retail, and ISP	Keiningham et al. (2007)
Length of relationship	Bank	Baumann et al. (2005)
	Bank, Retail, and ISP	Cooil et al. (2007)
Overall experiential impression	Coffee shop and Hospital	Charoen Russametummachot (2006)
Private label share	Grocery	Ailawadi et al. (2008)
Gratitude-based reciprocal behavior	Retail and Industrial products/services	Palmatier et al. (2009)

Analysis of Competitive Effects on SOW

Nevertheless, all antecedents of SOW in most models or studies in the past were focused only on dyadic relationship, i.e., one particular brand of customers. They found what and how a brand should do to increase its brand SOW, without consideration of direct and/or dynamic competitive effects. For example, the effects of loyalty programs on SOW were studied with only on a focal brand of customers (Magi, 2003; Meyer-Waarden, 2007; Verhoef, 2003). Similarly, all other studies in antecedents of SOW, as presented in Table 3, were also focused on a focal brand (e.g., Ailawadi et al., 2008; Cooil et al., 2007; Keiningham et al., 2003; Perkins-Munn et al., 2005). However, a few study tried to include competitive effects in their models. Wirtz et al. (2007) studied the effects of loyalty program on SOW in credit card industry by gathering information from two versions of the survey. One version had the most preferred credit card carried by the respondent as the focal point of the interview, whereas the other was the least preferred credit card. Anyway, both versions of the survey were distributed to respondent separately and there was only one focal brand per one customer. However, they included the relative measures in one of their construct (i.e., relative attractiveness of reward program). The attractiveness of reward program of the focal brand was compared with reward programs of other competitors. Moreover, number of current suppliers (brands in a product or service category) variable was also another attempt to incorporate the competitive effects in SOW study (Baumann et al., 2005). They found that number of current suppliers has a direct relation to the percentage of accounts and credit cards held by customers.

However, it is still unclear about what and how competing brands have direct and/or dynamic effects on the focal brand's SOW and vice versa. Specifically, there exists no work on the impact of strategies or actions of competing brands on the focal brand's SOW. Conversely, the impact of the focal brand's strategies on other competing brands has also been ignored. In this multi-brand relationship environment, firms focus on how customers allocate their financial resources to multiple brands in a category. Moreover, the concept of SOW is zero-sum game, i.e. when one brand gains

SOW, there must be other brands in the same category loses SOW. How competing brands in a category compete for SOW has become more and more important. Therefore, it would be more useful to model or analyze framework of multiple relationships between customer and multi-brands. And this study will take into account of these direct competitive effects.

In summation, it is clear that nowadays we live in multi-brand-relationship environment and firms face with the challenges of this multi-brand behavior of customers. Then, SOW has become a more important determinant of firm's performance measure. How to measure SOW and mixed antecedents of SOW are then reviewed. Finally, there is a lack of study in competitive effects on SOW in most of literatures and that would be our focus in this research. In the next chapter, we propose our research framework by taking into consideration of competitive effects on SOW. And then, hypotheses are proposed for testing.