
DRIVING CUSTOMER LOYALTY THROUGH PREMIUMS: THE EXPERIENCE OF BOTTLING COMPANIES IN RIVERS STATE

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ABSTRACT

This study examined the relationship between premium and loyalty of customers of bottling companies in Rivers State. The study adopted a correlational research design. The population of study comprised 3 registered bottling companies in Rivers State. A sample size of 15 management staff per bottling company was taken, giving a sample size of 45 respondents. Out of 45 copies of questionnaire distributed, 39 copies were retrieved and used for the analysis. The hypotheses were tested using the Spearman's Rank Order Correlation, and was aided by SPSS version 22.0. The study found that premium relates positively to customer loyalty in terms of repeat purchase and advocacy. The study concluded that premiums significantly relates to loyalty of customers of bottling companies in Rivers State; and recommends that management of bottling companies that seek to achieve increased customer loyalty should ensure that the premiums offered to customer are of interest and valuable to the customers.

Keywords: Advocacy, customer loyalty, premium pricing, repeat purchase

INTRODUCTION

Brand awareness, brand loyalty and improved corporate image are basic goals firms in today's competitive business environment seek to achieve. It is argued that a firm cannot survive if its products do not sell. However, the rate at which a firm's products can sell in a market depends on how well customer are aware of the brand and its products, the level loyalty they have for the brand and the image consumers have of the brand; as well as the incentives the brand extends to consumers. Producers may spend a lot on advertising and personal selling (Kotler & Armstrong, 2010) and still achieve low sales. So incentives are offered to attract customers. Such incentives often come in the form of premium. Premium play vital role in the marketing, especially when a firm is entering a new market or launching a new product. Premium creates impact mostly by stimulating prompt purchase (Koekemoer, 2005; Hanssens & Donald, 2001; Dick & Basu, 1994).

As firms increasingly concern themselves with what they can do to advance and sustain sales. One of the ways of solving this puzzle is by continuously arresting and holding the attention of consumers. Premiums in the form rewards and other incentives that deliver customer satisfaction provides a viable means of capturing consumers' attention. Lawer and Knox (2006), Bertrend (1998), and Boore and Kurtz (1995) argue that premium

constitute a vital tool in marketing communication that organisations can use to increase sales of their product.

Marketing managers frequently rely on the use of advertising and personal selling to drive sales. However, it is likely that these efforts will yield better results if they are interspersed with premiums that incentivizes consumers. Every incentive extended to consumers is geared towards increasing sales and enhancing brand loyalty. These incentives may be in the form of free samples, gifts, discount, coupons, demonstration, shows, and contests. However, to retain customers in the face of keen competition, firms have to initiate marketing actions that do not only win customers but also facilitate customer retention and loyalty. Premiums plays important role in retaining old customers, and attracting new ones.

Most firms suffer customer attrition mostly due to the dynamic nature of customers' needs. However, when customers switch allegiance from one producer to another due to promises of, or incentives offered them, then, the firm must pay close attention to premiums that attract and hold customers attention over time. This study therefore examines the relationship between premium and loyalty of customers of Nigerian bottling company in Rivers State. The study viewed customer loyalty through the lenses of repeat purchase and customers' advocacy.

LITERATURE REVIEW

Concept of Premium

Premium is a form of sales promotion, traditionally defined as a sales promotional technique where consumers are given sample products for free or are given two or more products for the price of one. It is an inducement for customers to buy more products. In premium, customers get prizes, gifts, coupons, and vouchers, etc. as incentives when they make a purchase (Kotler & Armstrong 2010). According to Kinnear and Bernhardt (1983) a premium is the offer of some article of merchandize, either free or at a lower price than usual, as an inducement to purchase another product or visit the location where the later product is sold. They are promotional items - toys, collectibles souvenirs and house hold products - that are linked to a product and often require box tops, tokens or proofs of purchase to acquire (Lamb et al., 2008). Premium is among the first techniques devised by marketers to elicit customer loyalty; and in its earliest usage, premium is given to customers upon presentation of proof of prior purchase or purchases. Some marketing experts believe that the use of premium actually enhance sales. The key is to match the right type of premium to a product and a predisposed buyer.

There are 3 types of premiums: free gifts (go with the product inside the packaging or on the packaging); free postage premiums (consumers get them if they submit a proof of purchase) and self-liquidating premiums (manufacturer or seller sells the product to consumer at a price much lower than regular) (Astous & Jacob, 2002). The main goals of premiums are to: encourage existing and prospective consumers to purchase a product and maintenance of market share (Jobber & Fahy, 2006; Kotler & Keller, 2006). Among other things, premiums are used to stimulate more purchases (Rotimosho, 2003; Obeid, 2014). In addition, they can also be used for testing new products or entering new markets. Previous studies suggests that premiums are becoming increasingly important method of sales promotion (Raghubir, 2004; Banerjee, 2009; Palazon & Delgado, 2009).

Concept of Customer Loyalty

Ateke and Isaac (2020) describe customer loyalty as a deep psychological predisposition of customers to continually buy a particular product or continually buy from a particular outlet; and states that customer loyalty manifests in continuous or repeated purchases by consumers based on satisfaction derived from earlier purchases from, or interactions with the brand. East et al. (2005) defined customer loyalty as repeat purchase behaviour which is the combination of attitude and behaviour. In industrial and service marketing, behavioural loyalty is viewed as retention of the brand (Reichheld, 1996; Kumar 2000).

Customer loyalty is critical to business success in today's competitive marketplace; and has been studied both in the academic field and real business world for years. To keep long-term relationship with customers, firms must provide satisfying products and other incentives that customers consider valuable. Oliver (1997) and Oliver et al. (1997) defined customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts that have the potential to cause switching behaviour. In the words of Soderlund (2016), customer loyalty refers to the consistent mutual relations between a customer and a vendor or service provider overtime regarding a given brand. Customer loyalty is multidimensional. In this study, we adopt repeat purchase and customer advocacy as measures of customer loyalty.

Repeat purchase

Repeat purchase is defined as the degree to which customers are willing to purchase the same product repeatedly. Repeat purchase is by a consumer of the same brand previously bought. A repeat purchase is often a measure of retention of a brand by consumers and is often taken into account by marketing research professionals to evaluate a business (Hamilton-Ibama & Ogonu, 2022). Consumer gets brand preference only when that brand lives up to his expectation. This brand preference naturally repeats sales. Repeat purchase is aimed simply at having customers repeatedly buying a product. Increasing customer loyalty aids a company especially in difficult times as loyal customers are inclined to buy from the company even when there are competitors offering similar or better products at a lower price. The phenomenon of repeat purchase is of significant interest in marketing. Lien et al. (2011) argued that behavior intentions have a diagnostic value. They help management to know whether customers will switch to competitors or not.

Customer advocacy

Customer advocacy refers to the willingness of customers to strongly recommend, or talk positively about a products or service supplier (Will et al., 2006; Fullerton, 2011). When consumers enthusiastically provide positive recommendations on products or brands, they are acting as advocates of that product or brand (Anderson, 1998; Fullerton, 2003). However, it is important to state that customer advocacy takes the form of word of mouth communication which predominantly has two dimensions: positive word of mouth and negative word of mouth. According to Anderson (1988), positive word of mouth is when consumers discuss about product attributes to others by specifically describing pleasant and positive experiences derived from the products to other potential consumers or make formal recommendation about the product while negative word of mouth is the other way round. In this study, we are focused on positive word of mouth.

Advocacy is an informal non-commercial interpersonal communication (Gremier et al., 2011) between actual and potential consumers concerning a brand or product; which is neither initiated nor directly influenced by the brand. It is brand evangelism carried out by satisfied customers; and is avowed to be a potent medium of communication for influencing consumers' attitude toward a brand (Hanaysha, 2016; Quy, 2014). In most contexts, advocacy is perceived to be more effective in influencing consumers' purchase behavior because customers tend to rely more on it in their purchase decisions making, and is preferred by marketers because it is cost-effective (Hogan et al., 2014). Studies show that customer advocacy enlivens purchase intentions for innovative products by reducing risks, creates favorable image toward a brand, and subsequently decrease the firm's overall promotional expenditures (Holmes & Lett, 1977).

The Role of Premium in Informing Customer Loyalty

Premium is product offered free or at a relatively low price in return for the purchase of one or more other products (Morgeson et al., 2020). Brown and Carpenter (2000) argue that during the process of making purchasing decisions based on important attributes for which one brand is clearly superior. When no decision can be made based on important attributes, consumers will turn their decision process to trivial attributes.

A manufacture may add an unrelated product, a unique ingredient to a product, or create a novel association with the brand (Hamilton-Ibama & Owuso, 2022). Thus, consumers sometimes treat trivial attributes as though they were important in the sense that they have a significant impact on choice (Morgeson et al., 2020). One of the many ways to construct trivial attributions is premium; whether they are complementary to the brand and the product under promotion or not. Premiums are as such supplementary product that buyers receive when they purchase certain product or patronize a brand; but do not affect the quality of those products or brands. Minding the fact that premium are trivial attributes in purchasing decisions, it is helpful to know the trivial attributes that are valued by consumers.

Mittal and Sethi (2011) revealed that the premiums are the most effective tool of sales promotion and are effective in inducing brand switching and new product trial. Gardener and Trivedi (1998) on the other hand, reported that premium offers are effective in persuading consumers to buy a product; while Bell et al. (1999) found that premium influence brand switching in the short term, and accelerate sales and purchase intention in the long run.

According to Ndubisi and Moi (2005) sales promotion tools used strategically, not only increase brand awareness but also encourage consumers to try new product from a brand. There is substantial evidence that sales promotions techniques increase purchase quantities and shorter inter purchase intervals. Positive after-effects from such efforts include winning new customers. Ehrenberg, et al. (1994) submits that sales promotion efforts attract mostly existing infrequent buyers and a small number of new buyers.

In view of the forgoing, the following hypotheses are formulated to guide data collection and analyses:

Ho₁: Premium do not significantly relate to repeat purchase of customers of Nigerian bottling company in Rivers State.

Ho₂: Premium do not significantly relate to repeat purchase of customers of Nigerian bottling company in Rivers State.

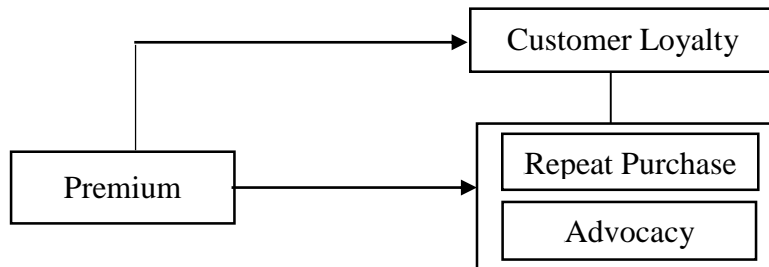


Fig. 1: Conceptual framework of premium and customer loyalty

Source: Desk Research, 2022

METHODOLOGY

This study adopted correlational research design. The study population comprised 3 registered and bottling companies in Rivers State which included seven up, Coca-Cola and International Breweries. However, 15 management staff were selected from these companies which gave the sample frame of 45. Due to the population size, the entire population was adopted as sample size for the study. Out of 45 copies of questionnaire distributed, 39 copies were retrieved and used for the analysis. The hypotheses were tested using the Spearman Rank Order correlation coefficient (r) at 0.05 level of significance and aided with SPSS version 22.0.

RESULTS

Table 1: Correlation between Premium and Measures of Customer Loyalty

			Premium	Repeat Purchase	Customer Advocacy
Spearman's rho	Premium	Correlation Coefficient	1.000	.582**	.596**
		Sig. (2-tailed)	.	.000	.000
		N	39	39	39
	Repeat Purchase	Correlation Coefficient	.582**	1.000	.656**
		Sig. (2-tailed)	.000	.	.000
		N	39	39	39
	Customer Advocacy	Correlation Coefficient	.596**	.656**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	39	39	39

Source: SPSS output of data analyses on premium and customer loyalty

The results of the test of hypotheses between premium and measures of customer loyalty. The results show that premium has positive moderate relationship with repeat purchase. This is premised on the coefficient of test of hypothesis (where rho = 0.596 and P = 0.000). The results also demonstrates that the relationship between premium and repeat purchase is statistically significant. The results also show that premium relates moderately to customer advocacy. This is evidenced in the rho coefficient of 0.582 generated by the test of hypotheses. The test also show that the P-value of the correlation between premium and

customer advocacy is 0.000, suggesting that the relationship between premium and customer advocacy is statistically significant. In line with this result, the null hypotheses formulated to guide the study are rejected as the results show that premium significantly relates to customer loyalty.

DISCUSSION OF FINDINGS

The statistical analysis conducted in the study revealed a significant relationship between premium and repeat purchase. This is indicated by the rho coefficient of 0.596. This result support the view of Morgeson et al. (2020) that premium is an inducement to purchase a product and as well as advocating for the organization. Those customers that are advocates can bring other customers to the organization to become loyal customers while they also show their loyalty to the organisations.

The findings also corroborates the findings of Mittal and Sethi (2011) that sales promotion tools induce different buying response from consumers. The study showed that the premium offers are effective tool of sales promotion; and that premium offers are particularly effective in inducing brand switching and new product trial. In addition, the findings align with that of Gardener and Trivedi (1998) premiums are effective tools for swaying consumers' purchase decision; and the position of Bell et al. (1999) that premiums are effective in influencing brand switching on the short-term.

The analysis also showed that a significant relationship exist between premium and customer advocacy. This is indicated by the rho coefficient of 0.582. This means that premium helps in inducing consumer to buy a product, and subsequently remain loyal customers to the firm. This finding support the view of Akinladejo and Unanoğlu (2022) and Morgeson et al. (2020) that premium is an inducement to purchase a product again and again.

This study finding also corroborates the findings of Ndubisi and Moi (2005) that sales promotion tools increase brand awareness and also inform repeat purchase. Positive after-effects from promotions could occur if promotions attract new consumers who would repeatedly buy later. However the evidence suggests no long-term favorable effects on brands. The reason being that sales promotional tools attracts mostly existing infrequent buyers and a small number of new buyers (Ehrenberg et al., 1994).

CONCLUSION AND RECOMMENDATIONS

From the results of data analysis, and the interpretation that followed, it was found that premium relates to customer loyalty in terms of repeat purchase and advocacy. The study therefore concluded that premium enhance loyalty of customer of bottling companies in Rivers State; and recommends that management of bottling companies in Rivers State that desire increased customer loyalty should use premium as a sales promotional tool to attract and retain customers and also ensure that premium offered to customers are those valued by the customers.

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