Chapter 14

Predicting Brand Loyalty by Measuring the Strength of Consumer Habit

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ABSTRACT

This chapter builds on existing loyalty literature and theories, includes impact of habit on continuous intention and loyalty, and makes recommendations to practitioners based on the findings. This research identifies the factors that will increase brand loyalty by consumers and examines the strength and effect of habit in predicting brand loyalty. Five regression models revealed that habit was the strongest factor among all constructs in predicting continuance intention and consumer loyalty to mobile wallet brands. Support was found for all of the hypothesized relationships for consumers using mobile apps. Although the direct effects of consumer attitudes were more or less constant, satisfaction became insignificant when habit is introduced in the model. As an independent variable with both consumer attitudes and satisfaction, habit significantly increases the explanatory power of continuance intention and loyalty. This chapter provides new insights into factors that influence loyalty in the context of mobile wallet applications.

INTRODUCTION

All organizations want to increase brand loyalty. Many studies have shown that factors such as consumer satisfaction, trust, and continuous intention all contribute to predicting and even increasing brand loyalty with consumers. Brand loyalty is defined by a pattern of consumer behavior where consumers become committed to brands and make repeat purchases from the same brands over time. Loyal consumers consistently purchase products from their preferred brands, regardless of convenience or price. Although there are a number of factors contributing to increasing brand loyalty, only a handful of empirical studies have examined the impact of habit on loyalty. Is the reason that consumers are loyal to a brand because they have been using that product and/or service and do not want to switch to a competitive product?

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To study the impact of various factors on brand loyalty, mobile applications (or apps) were selected because of across platform knowledge and adoption of apps as products. Across the world, and in many cultures, mobile applications have emerged as the new product platform driving growth, especially online businesses transactions. The increased usage with mobile devices for various reasons makes the mobile wallet applications an attractive choice for both consumers and businesses, allowing financial transactions to migrate to entirely new platforms. Mobile wallets allow consumers to use a new channel to conduct businesses at anywhere and anytime.

The worldwide Internet of Things or IoT market is expected to exceed USD 2 trillion by 2020. With these growing numbers, there were about 1.5 billion people who made purchases online worldwide (Statista, 2016) with more than 40 percent of the orders were placed through mobile devices. The expectation is that the mobile wallet market is expected to reach USD 5.25 billion by 2020 (Rolke, 2017) growing at 35.5 percent from 2017 through 2021 (pymnts.com, 2017). In terms of market share, Apple Pay is the dominant leader in the United States with 34% of the market share, followed by Samsung Pay at 20% and Google Pay at 14%. Banks also have introduced mobile wallets with Capital One, Chase, Wells Fargo and Bank of America offering proprietary versions.

In the United States, the penetration of mobile wallet has been much slower. 451 Research (2017) found that mobile wallets had to include four component: (1) security is the foundation, (2) ease of use, (3) acceptance by providers, and (4) value-added services. They found that consumers would drive the increase in mobile wallet penetration, where 75% will be driven by customer demand and 63% will improve customer perception. There are three broad types of mobile wallet options (Rampton, 2016). First the commerce payment option is that consumers open an Internet browser, add items to the cart, order products, receive their goods and are provided with a receipt. Second, consumers can use contactless mobile technologies with which payment information is stored on their device and they enter a PIN to complete the transaction. Finally, mobile wallets can store all of their payment information, thereby replacing the consumer’s current wallet entirely. A Statista study (2017) found that the majority of consumers used mobile wallet to make a mobile payment (64%) and pay a bill (49%). A large number of mobile wallet users (44%) purchased in the store using near field technology while only 26% received loyalty points on their mobile wallet.

Business Intelligence (2016) offers reasons why consumers do not use mobile wallets. The majority of consumers (80%) felt that it is easier to pay with cash or a card. However 67% are concerned with security of mobile payments, while 47% stated that they did not trust the technology. An important factor, which may impact brand loyalty, is that 65% of consumers surveyed did not see any benefit to using mobile wallet. The Global Industry Analysts study (2017) looked at the trends and drivers of mobile wallet applications. They found that 52% of consumers would move over to a complete mobile wallet if they could store their driver’s license on their mobile wallet and if it were accepted as legal proof of ID. 59% of respondents said that their perception of a retailer would change for the better if they started to deliver digitized mobile wallet benefits, but only 19% of consumers noticed any retailer offering specific mobile wallet content. On the non-payment side of the mobile wallet, 85% of consumers would want to receive benefits from retailers such as: (1) digitizing paper items, such as receipts, (2) smartphone organization, (3) managing point balances, (4) time sensitive offers, and (5) location-aware alerts.

This study offers insight into understanding the measuring and assessing brand loyalty considering such factors as consumer attitudes, satisfaction, and continuance intention. However when inserting habit, it is the intent of this study to analyze the effect of habit on brand loyalty. There are three research questions explored in this chapter: