

IBM Institute for Business Value

## Brand enthusiasm: More than loyalty

*How today's consumers want to engage with your brand*



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### Overview

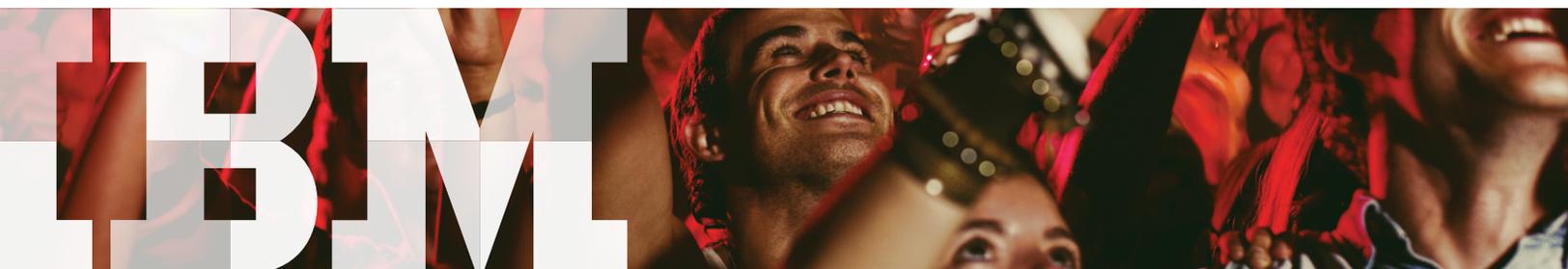
Is brand loyalty declining? Reading headlines today, it is tempting to say “yes.” Drastically changing consumer behavior fueled by disruptive technology, media fragmentation and increased availability of quality substitutes are just some of the forces disrupting the state of brands. Our newest IBM consumer products study shows that brand loyalty as we know it has changed. Companies need a new way of understanding consumers, taking into account the rapidly changing parameters of consumer-brand engagement. Now, brand enthusiasm is a more accurate way for brands to understand and cater to consumers.

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To better understand the shifting consumer-brand relationship, we conducted the 2014 IBM Consumer Products Study. We found that brand loyalty is no longer a relevant measure. When comparing two seemingly contradictory questions, “Do you consider yourself brand loyal?” and “Do you like to try new brands frequently?” both scored relatively high with consumers’ strongly agree or agree responses (46 percent and 39 percent, respectively). This tells us that consumer brand loyalty is fickle and no longer associated with repeat purchasing. In today’s world, consumers are loyal to newness. Expectations are high, while switching costs are low.

This new research shows that consumer propensity toward brands is alive and well. A new class of “power consumers” brings a revitalized sense of passion and excitement for communicating, engaging and sharing with brands. These consumers are predominantly young, rising spenders from growth markets around the world, yet they exist in every country, age bracket and income level.

They are leapfrogging others in terms of technology adoption and embracing digital channels at an impressive rate. This group is willing to spend more and is rapidly becoming brands’ most powerful advocates and market researchers. It is teaching us about a new set of rules of engagement and that brand loyalty is not dead. But this loyalty needs a new definition based on consumers’ desired level of engagement with brands: Based on these findings, we call it brand enthusiasm.



The digital age has opened up the ability for fast moving consumer goods (FMCG) companies to have relationships directly with consumers. This new era requires new capabilities that are more in line with knowing consumers rather than just executing activities aimed at product positioning and mass marketing. The good news is that some consumers today are already engaging in direct dialog with brands. This generation of power consumers offers a glimpse of what's to come. We call them Brand Enthusiasts and they are paving the path for other consumers to follow. Led by the exciting Brand Enthusiasts group, we describe four distinct consumer clusters that reveal vastly different attitudes toward brands, accompanied by different expectations and behaviors.

### A more relevant approach to targeting consumers

Our research shows that companies can understand the extent to which individual consumers crave and respond to various forms of engagement. Brand enthusiasm takes into account three dimensions of consumer attributes:

- **Level of communication desired:** Consumers' openness to communicating with brand owners.
- **Willingness to provide input:** Consumers' sense of ownership relative to a brand's innovation and activation activities.
- **Degree of comfort with sharing personal data:** Consumers' level of trust in allowing brands to utilize their personal information.

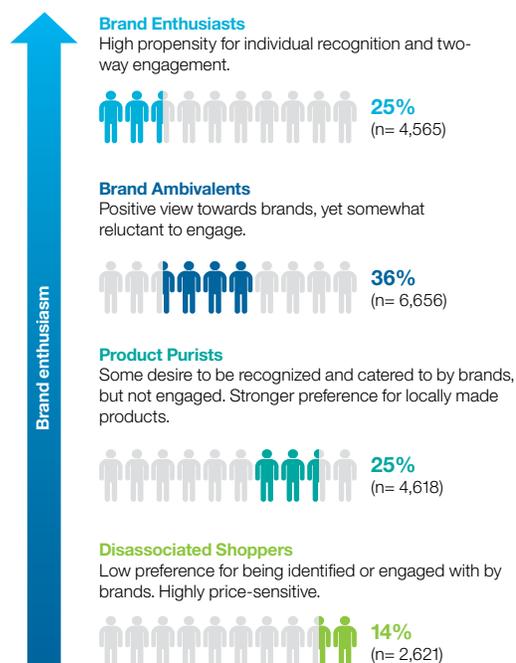
### Four consumer clusters based on brand enthusiasm

A cluster analysis of our survey results reveals four primary consumer groups with varying degrees of brand enthusiasm (see Figure 1). While each cluster has representatives in every country, income level and age bracket, the primary demographic makeup of each suggests interesting cultural and generational implications on brand attitudes in 2014.

- *Brand Enthusiasts (25 percent of study population):* The next generation of growth market spenders). With very high propensity for individual recognition and two-way engagement, Brand Enthusiasts have a high emotional connection with brands and a higher willingness to pay for products with premium features (for example, greater health and wellness benefits). Nearly three-quarters of Brand Enthusiasts are from growth markets and represent 47 percent of the high and affluent income population in those countries. More than half are millennials aged 18 to 35.
- *Brand Ambivalents (36 percent of study population):* The battlefield for growth. Brand Ambivalents are consumers with overall positive views toward brands, but they are somewhat reluctant to engage. Nearly half answered "neutral" to questions about whether they had an emotional connection to brands, suggesting this group may be open to influence and establishing a deeper bond. By far the largest cluster at 36 percent of the sample size, Brand Ambivalents represent roughly equal parts of both growth and traditional markets (58 and 42 percent, respectively).

Figure 1

Four consumer clusters reveal distinct levels of brand enthusiasm and preferences for being engaged



Source: IBM Institute for Business Value Consumer Survey 2014, n= 18,462.

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- *Product Purists (25 percent of study population)*: Older, traditional market consumers who prefer products that are locally made. Product Purists have some desire to be recognized and catered to by brands, but not engaged. They have a preference for locally made or manufactured products. Seventy-three percent of Product Purists are from traditional markets, and almost half are aged 55 and over (47 percent).
- *Disassociated Shoppers (14 percent of study population)*: Price sensitive, traditional market boomers who want to be left alone. Disassociated Shoppers have very low preference for being identified or engaged. They are extremely price sensitive and exhibit little to no emotional association with brands. Similar to Product Purists, nearly three-quarters of Disassociated Shoppers are traditional market consumers (72 percent), and 46 percent are aged 55 and over.

In essence, the clusters represent two important age groups: Product Purists and Disassociated Shoppers are comprised primarily of older baby boomers, while Brand Enthusiasts and Brand Ambivalents mostly represent the rising millennial generation. Although the aging population is a critical (and valuable) market, millennials are clearly setting the pace for the future.

## Understand consumers and be ready to support their goals for engagement

The consumer-brand dynamic has fundamentally changed and will continue to evolve at a rapid pace. To effectively cater to consumers in today’s digital, omni-channel world, FMCG companies need to build brand enthusiasm, not just brand loyalty or repeat purchases. Organizations need to continuously respond and adapt to the changing needs and demands of the consumer, because the future will be on their terms.

Most consumers are open to sharing, communicating and contributing directly with manufacturers; indeed, this is rapidly becoming an expectation. Brands have an open platform to do so through digital and mobile channels and can no longer afford to be one step removed from the consumer. The journey is just beginning, and it’s anyone’s game.

Consumer products companies now have the opportunity to own the consumer relationship, but it requires a shift in thinking and approach. The Brand Enthusiasts are ready to engage. Are you?

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## How can IBM help?

For more than a century, IBM has been providing businesses with the expertise needed to help consumer goods companies win in the marketplace. Our researchers and consultants create innovative solutions that help clients become more consumer-centric to deliver compelling brand experiences, collaborate more effectively with channel partners and most profitably align demand and supply.

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