



Identifying the Most Important Factors That Contribute to Customers Switching to Another Brand.

Arwa Ghaleb

S18105034

College of Business

Effat University

A Dissertation submitted in the  
Requirement of the Bachelor of Marketing


Thesis Advisor: Dr. Tahar Tayachi

Summer 2022

Certification of Approval

We hereby grant the approval of this dissertation report. The student has compiled the dissertation work as per the requirements of the University.

Supervisor's Name: Dr. Zaid Ben

Signature: 

Department Chair: Dr. Zaid Ben


Signature: 

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Date:

  
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Department Chair Signature:

  
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## **Abstract**

Customer loyalty is crucial to the success of a brand because loyal customers can grow a business faster than sales and marketing, as customer loyalty is the result of customer satisfaction, positive customer experiences and the overall value of the goods or services that customer receives from the business.

Customer loyalty has many benefits, the most prominent of which is increased in business, as you are more likely to repeat your business with loyal customers when the service becomes the right fit for their needs, plus since they develop a stronger connection to your business, they are more likely to make larger and more expensive purchases. However, customer loyalty is also the most effective way to protect your business from competition. Loyal customers are committed to your company; This means that you don't have to worry too much about losing your customers, especially for one-time deals or new competitors, since when you can establish a connection with a customer, you don't necessarily have to be the biggest company or get the best rates, as often it's possible for smaller businesses. It competes with big companies mostly by taking advantage of customer loyalty. Also, when errors or quality problems arise, loyal customers will give you the benefit of the doubt and stick with your business, of course if you abuse their loyalty and continue to provide poor service, they will eventually leave, however by increasing customer loyalty, you can avoid the repercussions of one-time disasters. Despite this, there can be several reasons that affect the loyalty of customers and make them lose confidence in your company or product that you offer.

Through this research, we found that one of the main reasons that lead to the loss of customer loyalty and make them switch the brand is the products quality first, and advertisements second.

**Keyword** – Customer Loyalty, Product, Brand Switching, Advertising, Marketing

## **Chapter 1 – Introduction**

### **1.1 Background**

Brand switching is a situation where a brand loses a once-loyal customer to a competitor. In other words, a shopper changes their buying habits, choosing deliberately to purchase another brand instead of their usual choice.

It's worth pointing out that this isn't the same as a customer who is brand agnostic and thus regularly switches between different products within a particular category. In that case, there is no threat of lost loyalty since there isn't any, to begin with.

But we digress. To truly understand the problem that is brand switching, it's worth looking at its long-term effects on a brand. The easiest way to do that is to present a practical example. Like Brand X that you might find at a specific FMCG retailer.

Let's say Brand X is found in the Carbonated Soft Drinks category and it's set up as the retailer's house brand, which means it's also a competitor to the brand leader. Within this particular category, Brand A has been the best-selling item for a while. However, since the introduction of Brand X, which is 30% cheaper and tastes very similar to Brand A, there has been a noticeable drop in sales for the brand leader. Of course, since Brand A's parent company could be selling its products in multiple locations across the world, they might not notice the drop.

However, if this trend moves to other retailers, something would need to change, be that their price point, positioning or something else. Even if it doesn't spread, they'd still need to monitor the situation.

That said, besides a loss in sales, the other long-term effect is a loss in market share. For example blackberry smartphones. At one point, they were the darlings of the smartphone market. However, as time went on and more smartphone brands entered the market, they suffered. Today, Blackberry doesn't exist.

## **1.2 Problem Statement**

What are the most important factors that contribute to customers switching to another brand?

## **1.3 Aims and Objectives**

This research aims at studying the following:

1. Explore the factors that could cause brand switching by consumers.
2. To understand the best way to retain customers.
3. How to avoid losing customers to your competitors?

## **1.4 Importance**

In this research, we will investigate the reasons why customers switch to other brand and how to avoid this happening, and the most important factors that help customer loyalty.

## **1.5 Scope**

The scope of the research extends from the concept of customer loyalty to the reasons of customers switch to another brand.

## **1.6 Methodology**

The methodology that I will follow in this research is the questionnaire approach. I will make an electronic survey and publish it among people of different age groups, ranging from 18 to 50 years, containing questions aimed at finding out the reasons why they switch the brand and their suggestions for brands to make them keep their customers.



## Chapter – 2 Literature Review

(Makwana, et al 2014), Their research study on "Factors Influencing Consumer Brands Switching Behavior in Telecommunication Industry", the study reveals that Value added services and Pricing strategies are the two important factors that influence the consumer behavior while switching the brands in telecom sector.

(Khadka & Maharjan 2017), Their research study was about "Customer Satisfaction and Customer Loyalty".

They said "Every business organizations success depends on the satisfaction of the customers. Whenever a business is about to start, customers always come "first" and then the profit." and they found that customer satisfaction is the key component of business profitability because once the customer reaches their satisfaction level, it may influence them to consume the service continuously.

"Brand switching of high-technology capital products: how product features dictate the switching decision" is a title of research writer by (Al-Kwafi, et al 2014).

Aims of this research is to investigate the factors that underpin brand switching of medical imaging products by mass-market users, and they concluded to that product features are the most influential factor underpinning brand switching.

What is customer loyalty?

Customer loyalty is an ongoing positive relationship between a customer and a business. It's what drives repeat purchases and prompts existing customers to choose your company over a competitor offering similar benefits.

Brand switching: a circumstance where someone switches from purchasing one brand of product to another brand.

One way to look at loyalty is in the context of brand. People are loyal to a brand because they associate it with a positive experience, such as great customer service, feeling connected to brand values and ideals, or consistently high product quality.

It's not about an individual product or service – loyalty happens as a result of multiple positive interactions that build up a feeling of trust over time. It also doesn't mean that every interaction has to be perfect. Customer loyalty can withstand a few negatives, although too many will break down the strength of the connection.

In fact, customers won't necessarily become disloyal from a poor experience, it's about how well the business handles that problem. As Leonie Brown, Qualtrics XM Scientist, says: "People who had a bad experience with a brand, but the brand fixed it, are more loyal than customers who never had a problem in the first place".

Why is customer loyalty important?

Customer loyalty is important for many reasons, not least because the effort of keeping a customer is substantially less than the effort of acquiring a new one. Why would you spend extra money to make a sale if you didn't have to? A repeat customer has a 60-70% chance of converting.

Plus, new customers are that much harder to convince as they have very little with your business. This means not only making them aware of your brand and business, but then a comprehensive marketing strategy to push them down the funnel to get them to purchase.

But your customers who've already bought from you are already fully aware of your business and a lot easier to convince to give you another try. That means the more repeat customers you have, the less you'll have to spend on conversion tactics like abandoned cart offers.

But there are many other reasons too. Customer loyalty means your customers will keep coming back to you. But not only about repeat business – loyal customers typically spend more, and they tell their friends.

## How do you measure customer loyalty?

- **Engagement with your brand**

Engagement can indicate enthusiasm for your brand and products, and it also shows that the customer believes you are listening to them and that their engagement is valued.

- **Repurchasing levels**

How many of your customers are new, and how many are making a repeat purchase? By tracking the numbers of customers who are new vs your repeat customers over time, you can see how the customer retention rate rises and falls.

- **Multiple product purchases**

Someone buying a single product repeatedly over time is good news for your customer loyalty levels and your chances for customer retention.

- **Customer Loyalty Index (CLI)**

Like NPS, it's a standardized metric that's derived from customer surveys and measures the strength of a customer's loyalty towards your brand. However, it has a couple more questions than NPS, as it also covers repeat purchases and multiple purchases.

## **Chapter 3 – Methodology**

### **3.1 Introduction**

Research methodology simply refers to the practical “how” of any given piece of research. More specifically, it’s about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

### **3.2 Research Strategy**

As I mentioned earlier, this research focuses on the reasons why consumers lose trust in the brand, and why they switch to another brand, I will rely on previous studies and research on the reasons why customers switch the brand from different halls such as the health products sector, smart phones sector, etc.

### **3.3 Research Methods**

Quantitative research is the process of collecting and analyzing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations.

Quantitative research: is represented by numbers and graphs. Used to test or confirm a theory or assumption.

Qualitative research: is expressed in words. used to understand concepts, thoughts, or experiences.

You can use quantitative research methods for descriptive, correlational or experimental research.

In descriptive research, you simply seek an overall summary of your study variables.

In correlational research, you investigate relationships between your study variables.

In experimental research, you systematically examine whether there is a cause-and-effect relationship between variables.

Correlational and experimental research can both be used to formally test hypotheses, or predictions, using statistics. The results may be generalized to broader populations based on the sampling method used.

### **3.4 Research Approach**

The research approach that was used in this research is descriptive-survey research, descriptive survey research uses surveys to gather data about varying subjects.

### **3.5 Data Collection Method and Tools**

In this research, the "survey " tool was used, a survey is a research method used for collecting data from a predefined group of respondents to gain information and insights about the research topic.

The data is usually obtained through the use of standardized procedures to ensure that each respondent can answer the questions at a level playing field to avoid biased opinions that could influence the outcome of the research or study. The process involves asking people for information through a questionnaire online. The survey received 63 responses.

In this research, convenient sampling has been used.

#### **Questions included in the survey:**

1. What is the most important reason for you to switch to another brand?
2. If you purchase goods which turn out to be faulty, what would you do?
3. In your opinion, do advertising and marketing of some products help you continue as a " customer" in specific company?
4. How has technology helped your loyalty to a particular product?

### **3.6 Sample Selection**

Sample selection is a key factor in research design and can determine whether research questions will be answered before the study has even begun. Good sample selection and appropriate sample size strengthen a study, protecting valuable time, the selected sample in this research is males and females, their ages range from 18 to 60 years.

### **3.7 Data Analysis**

The results are back from online surveys. Sound survey data analysis is key to getting the information and insights we need.

Data analysis is the process of collecting, modeling, and analyzing data to extract insights that support decision-making. There are several methods and techniques to perform analysis depending on the industry and the aim of the investigation.

Since our research is quantitative, we will analyze the data in the form of graphs, numbers and statistics.

## Chapter – 4 Results and Discussions

### 4.1 Results

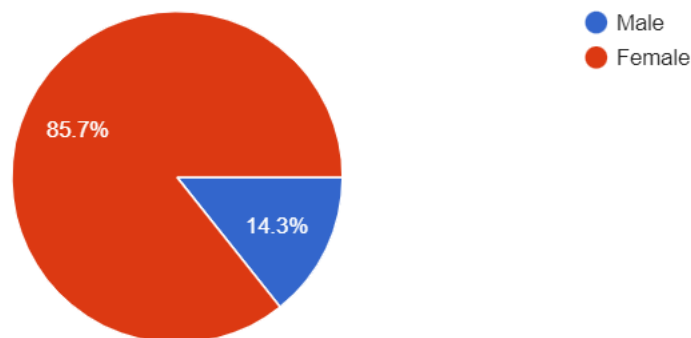
Statistical methods are essential for scientific research. In fact, statistical methods dominate the scientific research as they include planning, designing, collecting data, analyzing, drawing meaningful interpretation, and reporting of research findings. Furthermore, the results acquired from research project are meaningless raw data unless analyzed with statistical tools.

Therefore, in this chapter, we will review the results of the research statistically and graphically.

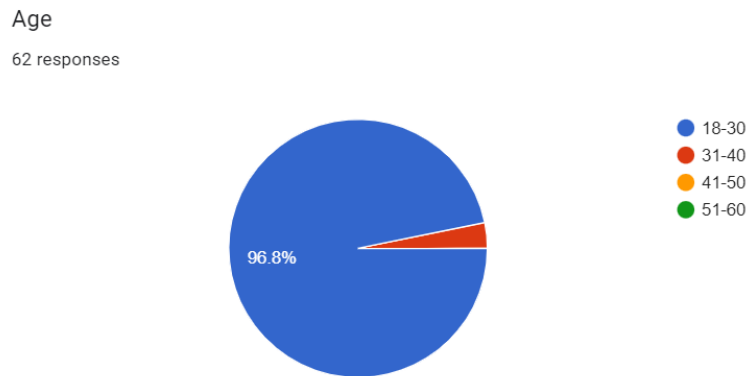
#### 4.1.1 Demographic Data

Gender

63 responses



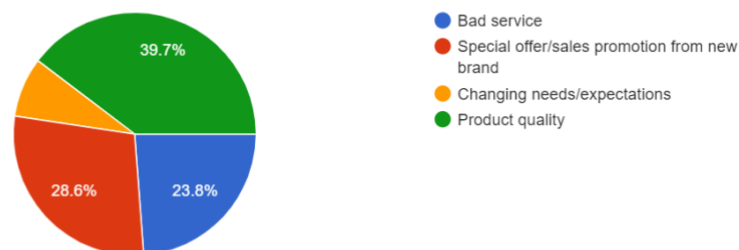
85.7% of the research participants were female and 14.3% of the research participants were male.



Regarding the age groups in our research, although we received more than 60 responses, there was no diversity in the age group, most of the ages were between 18 and 30 years old, with a percentage of 96.8%, and 3.2% of the responses were for people ranging from their ages range from 31 to 40 years old.

What is the most important reason for you to switch to another brand?

63 responses

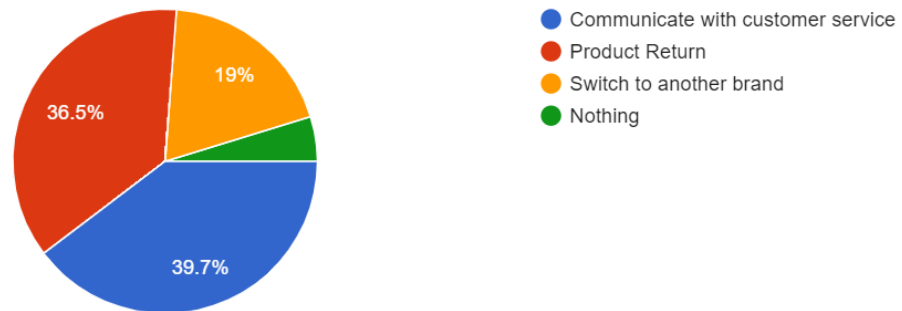


About the question "What is the most important reason for you to switch to another brand?" the responses of the participants were different, 39.7% of participants chose "Product quality", while 28.6% of the participants chose "Special offer/sales promotion from new brand", and 23.8% of the participants chose "Bad service", the lowest percentage was 7.9% of the participants who chose "Changing needs/expectations".



If you purchase goods which turn out to be faulty, what would you do?

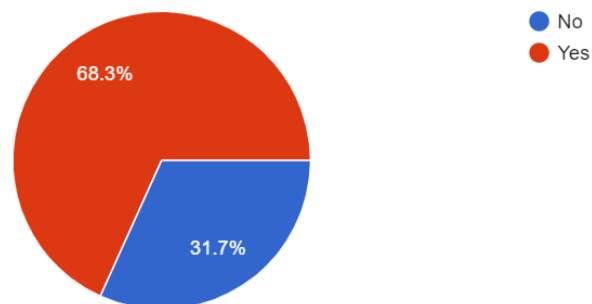
63 responses



For the question "If you purchase goods which turn out to be faulty, what would you do?" the highest percentage of participants who chose "Communicate with customer service" with 39.7%, and 36.5 of participants was chose "Product Return", 19% of participants was chose "Switch to another brand", while 4.8% of participants was chose "Nothing" that's mean they didn't do anything.

In your opinion, do advertising and marketing of some products help you continue as a customer in specific company?

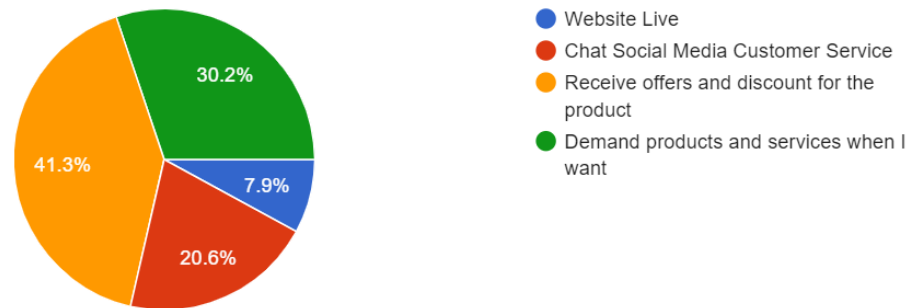
63 responses



We asked the participants whether advertisements help them to continue as customers of a particular company, and the answer of 68.3 of the participants was "Yes", while 31.7% of the participants chose "No".

How has technology helped your loyalty to a particular product?

63 responses



Finally, we asked participants, "How has technology helped your loyalty to a particular product?" We received a variety of responses, 41.3% of the participants chose "Receive offers and discount for the product", 30.2% was chose "Demand products and services when I want", 20.6% of the participants was chose "Chat Social Media Customer Service", and 7.9% of the participants was chose "Website Live".

## **Chapter 5 – Conclusion**

In conclusion, some brands lose the loyalty of their customers because they stopped understanding and meeting their needs, and they no longer satisfy customers' expectations, as well as because of the lack of development and keeping pace with the market and product development, and finally the most important reason that we found during this research is when their products become less quality, so customers will begin to form Loyalty to competing brands.

Therefore, the process of building brand loyalty is an integrated process with its various elements, whether studying the market, understanding the needs of customers, listening to them, and creating a good buying experience for them, or paying attention to product quality, innovation and providing competitive prices.

Finally, attention to the human element that provides service to customers from the internal marketing of the organization. When these elements are complete and work together, building brand loyalty becomes easy, considering that it is a long-term journey, and there is no probability of stopping because it means failure.

### **5.1 Limitations**

The search was not limited to a specific age group, residential area or gender, because it targets all people who have loyalty to a particular brand.

### **5.2 Recommendations**

Here are some ways can companies prevent brand switching:

1. Provide value, providing customers with a product or service they value is one way to maintain customer loyalty.
2. Improve your customer service efforts, effective customer service can lead to brand loyalty and motivate customers to switch brands.
3. Address criticism, brands, it's important for a company to acknowledge praise, addressing criticism quickly can also prevent brand switching.
4. Rebrand or launch a new marketing campaign to maintain customers' interest and prevent brand fatigue.

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