Dissertation on the topic:

**Can a financial crisis shaken Greek consumers’ brand loyalty?**

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ABSTRACT

The current financial crisis has spread around the world and no consumer has stayed untouched. In economic downturns, consumers are trying to better manage their expenses due to uncertainty for the future. In such cases, their brand loyalty might be shaken. Especially for Greek consumers, whose purchasing power is lower than the other Europeans, the situation in the beginning of 2010 seems to be much more difficult. Hence, the purpose of this research is to investigate the impact of the current recession on Greek consumers’ brand loyalty.

A qualitative method has been employed and the empirical data have been collected through three focus groups sessions with a sample of fifteen Greek consumers from the area of Thessaloniki. The focus groups that were held were homogenous in terms of age but did not share common demographic characteristics, backgrounds and attitudes.

The results of the study show that not all consumers’ brand loyalty has been shaken the same by the recession but some types of consumers were more affected compared to others. Furthermore, the research indicated that brand loyalty varies over products so some product and service categories lost a big part of their market share.

The findings might be interesting and useful to several companies that would like to be aware both of the profiles of the customers that are more likely to switch to cheaper brands and the products that will easily lose a part of their market share during a recession so that can formulate the appropriate marketing strategy.
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1. INTRODUCTION

1.1 Context of the study

Although premium loyalty is characterized by the greatest degree of attachment to the brand and the consumers seek to purchase the particular brand, while attempting to overcome obstacles, (Gounaris & Stathakopoulos, 2004) there are some socio-economic factors that can highly affect it. So, in an attempt to understand the impact of the current economic recession on Greek consumers’ brand loyalty, it is essential to investigate the impact of these factors on consumers’ brand loyalty. According to the existing literature income level, price consciousness, a country’s economic growth, family size and culture have a significant impact on consumer’s brand loyalty.

However, little empirical research has been devoted in Greece to the study of the impact of the current economic recession on consumer’s brand loyalty. The only research on this field has been conducted in the US in 2008 and the outcome was that many consumers are looking for ways to regain a sense of security by cutting back on spending, prioritizing needs and switching to cheaper brands. The recession forces them to cut back on spending, but how they cut back and by how much, varied immensely by brand and by category. (Leinwand, Moeller, & Shriram, 2008)

As the economies of the world are connected changes in one economy affect others. (William D Perreault, McCarthy, & Cannon, 2006). The financial crisis was very soon spread all around Europe and Greece was among the countries that were highly affected. The situation for the Greek consumers is much more difficult than the other Europeans. Consumers in Greece not only pay higher prices on many products and services but also earn lower incomes. Their purchasing power is therefore less than the other Europeans. (Mpaltas, 2008). Hence, it is expected that the impact of the economic recession on greek consumers’ brand loyalty will be the same or even greater compared to the rest of the countries.
1.2 Focus of the study

The importance of this study lies to the fact that no sufficient literature exists relating to the impact of the current financial crisis on Greek consumer's brand loyalty. Previous surveys deal mainly with the spread of the private label market in Greece. This gap of knowledge in the existing literature should be covered as some companies could be especially interested in the results of the survey.

For those companies that see a decline in their sales due to the recession it would be very helpful to know:

i. Which of their customers have been affected from the current economic recession in Greece and are very much likely to switch to cheaper brands. By better understanding the marketplace and their customer needs, they could better manage to formulate and implement a customer driven marketing strategy.

ii. Which kind of products and brands could be easily substituted in a recession by other brands so they can manage, through strategic decision making, to build a higher brand equity that will sustain customers in the long run.

1.3 Objectives of the study

A statement of the objectives of this study is of essential importance since they attach purpose and direction to the whole research process. The main research objectives of the present dissertation are:

i. To examine the impact of the present economic recession on the purchasing behavior of the Greek consumers.

ii. To investigate whether the financial crisis has shaken the Greek consumers’ brand loyalty and if yes, in what extent, in what kind of products and brands.

iii. To identify which are the profiles of the consumers that seems to be highly affected and thus have lost part of their brand loyalty.
1.4 Structure of the study

This dissertation consists of five chapters and proceeds as follows:

The introductory chapter is a presentation of the general overview of the study by defining the context of the thesis, the focus of the study, its importance and its objectives.

The second chapter summarizes the theoretical background relating to the brand loyalty and the economic factors that affect it and generally the existing literature on the impact of the economic crisis on consumers’ brand loyalty.

The third chapter describes the data and the methodology design employed.

The fourth chapter presents the empirical findings of the study as they came up from the focus groups sessions with a sample of Greek consumers from the area of Thessaloniki.

The fifth chapter presents the conclusions of the research and the limitations.
2. LITERATURE REVIEW

2.1 Brand Management

Perhaps one of the most distinctive skills of professional marketers is their ability to build and manage brands. A brand is a name, term, sign, symbol or design, or a combination of these, that identifies the maker or seller of a product or service. Consumers view a brand as an important part of a product, and branding can add value to a product. Branding has become so strong that today hardly anything goes unbranded. (Kotler & Armstrong, 2008)

“Brand as a symbol provides cohesion and structure to an identity. Ideally, the developed characteristics are remembered each time the target sees the symbol. (Aaker, 1996). Brands are a key element in the company’s relationships with customers. They represent consumers’ perceptions and feelings about a product and its performance. The brands win not simply because they deliver unique benefits or reliable service; they succeed because they forge deep connections with customers. Consumers bond sometimes very closely with specific brands.

Branding helps buyers in many ways. Brand names help consumers identify products that might benefit them. Brands also indicate something about product quality and consistency- buyers who always buy the same brand know that they will get the same features, benefit, and quality each time they buy. (Kotler & Armstrong, 2008)

A powerful brand has high brand equity. Brand equity is the positive differential effect that knowing the brand name has on customer response to the product or service. Equity is formed through brand awareness, perceived quality, brand, loyalty and brand associations. (Aaker, 1996). One measure of brand equity is the extent to which customers are willing to pay more for the brand. High brand equity provides a company with many competitive advantages. Above all, a powerful brand enjoys high level of consumer brand awareness and loyalty. It forms the basis for building a set of loyal customers. The fundamental asset underlying brand equity is customer equity. (Kotler & Armstrong, 2008)
2.2 Brand loyalty

Many diverse definitions of brand loyalty have been given in the literature. The reason is that loyalty is a very complex construct and can be viewed from different perspectives.

Brand loyalty occurs when a consumer makes a repeat purchase out of a commitment to the brand. When he is loyal to a brand does not go through a decision process to select a brand and in certain categories he may even pay a premium to pick it up. (Kumar, 2009)

However, Gounaris et al. (2004) conceive a better definition of brand loyalty and validate its operationalisation. Brand loyalty has been viewed from three different perspectives namely: the behavioral, the attitudinal and the reason action perspectives.

The behavioral perspective has conceptualized brand loyalty in terms of repeated purchases, although the reason behind this behavior is unknown. One possible insight could be found in the attitudinal perspective. According to it, brand loyalty consists of a strong internal disposition towards a brand based on stated preferences, commitment or purchase intentions. Another possible explanation could be derived from the theory of reasoned action. According to this perspective, the consumer’s behavior may be influenced by social pressures and is dependent on normative influences so his brand loyalty is artificial. (Gounaris & Stathakopoulos, 2004).

Therefore, four generic types of brand loyalty can be identified:

“*No loyalty*”: There is no purchase at all and a complete lack of attachment to the brand.

“*Covetus loyalty*”: There is no purchase, but the individual exhibit a very high level of relative attachment to the brand, trusts it, is willing to recommend it to friends and relatives, although for some reasons the purchase may never occur. Is such cases, the consumer is strongly discouraged by either social influences or because he cannot afford it.

“*Inertia loyalty*”: An individual, although purchasing the brand, does so out of habit, convenience but not as a consequence of emotional attachment to the brand or a real social motive. Hence, it is a very fragile relationship that may be easily terminated by a rival product. (Gounaris & Stathakopoulos, 2004).
he might buy the same brand the next time he needs to buy the product again, but he might also buy a different brand very easily. (Bloemmer & Kasper, 1995)

“Premium loyalty”: An individual exhibits a high degree of relative attachment to the brand, a high instance of repeat purchases, and appears to be highly influenced by social pressures. Premium loyalty is characterized by the greatest degree of attachment to the brand and the consumers seek to purchase the particular brand, while attempting to overcome obstacles. Variations in the price of their favorite brand may affect the quantity of the brand they purchase but not the brand. (Gounaris & Stathakopoulos, 2004)

![Figure 2.1: Conceptualization of loyalty based on purchasing behavior, emotional attachment and social influences](source.png)


According to the survey conducted by Gounaris et al. (2004), it will be possible to manage premium brand loyalty better by focusing on potential antecedents, classified in three categories: consumer, brand and social antecedents.
**Consumer antecedents**: Brand loyalty is associated to *risk aversion*. Individuals are often confronted with situations that differ in the degree of uncertainty when purchasing. Thus, consumers need to control that risk by becoming brand loyal and by not seeking product variety in their purchases.

**Brand antecedents**: Brand loyal show a strong preference for branded well established products as a strong brand name conveys a strong indication of the product’s quality and equity. The *brand reputation* strengthens the habitual behavior of consumers and reputable brands enjoy higher loyalty due to their higher market share.

**Social antecedents**: When studying the antecedents of loyalty, one should not neglect the social norms which may influence consumers’ behavior patterns. One strong type of *social influence* is the social groups. Hence, the individual’s loyalty towards a brand is also dependent on the acceptance of his preference for a certain product by the social group the individual refers to. By adapting their attitudes consumers fulfill their aspirations.

Studying the notion of premium brand loyalty three consequences are presented. Premium- loyalty buyers do seem to contribute to positive word of mouth communication for the brand because they are satisfied and they want to share this experience with other individuals. Secondly, premium loyal consumers when they do not find their preferred brand they are likely to go to a different store to seek the brand. Once more this behavior depends on the perceived risk by purchasing an alternative brand or even to the emotional disappointment of not finding the particular brand. Finally, the decision to buy nothing is a strong indicator of premium loyalty. The decision to buy is postponed for when the product is available but in every case it is very unlikely that they will decide to buy an alternative brand. (Gounaris & Stathakopoulos, 2004)

Many consumers routinely defect from brands and companies and this may happen for a variety of reasons such as core service failure, inconvenience, failure of service providers, ethical issues, involuntary switching and pricing. From marketers’ point of view, customer retention is an important concept because it can lead to a number of benefits such as reduction in marketing costs, increased opportunities for brand extensions and an improved market share. (Evans, Jamal, & Foxal, 2009)
Customer retention and repeat business can be achieved only through fostering premium loyalty that is through establishing an emotional as well a normative attachment between the brand and the consumer. (Gounaris & Stathakopoulos, 2004). More and more companies realize that retaining the existing customers often requires less marketing resources than acquiring new customers.

From customers’ perspective, greater levels of loyalty may mean they have a great deal of passion and commitment to the brand, reduction in search costs, perceived risk and enhancement of self-concept. (Evans, Jamal, & Foxal, 2009)

2.3 The changing economic environment and its impact on consumer attitudes and behaviors

The economic environment constitutes a factor that affects consumer purchasing power and spending patterns along with political, technological, environmental and cultural factors.

The economic environment is affected by the way all the parts of a macro-economic system interact. This then affects such things as national income, economic growth, inflation. Changes in the economy are often accompanied by
changes in the interest rate- the charge for borrowing money. Interest rates directly affect the total price borrowers and this affects consumer purchases of homes, cars, furniture, computers, and other items usually bought on credit. (William D Perreault, McCarthy, & Cannon, 2006)

Changes in major economic variables have an impact on peoples’ spending patterns. Consumers at different income levels have different spending patterns. As consumers’ incomes drop, they must shift their spending patterns. They may simply have to do without some products as their buying power is decreased.

In times of economic downturns, people are affected not only economically but also psychologically. During such times, they say that they feel less secure in their employment and argue more about financial matters; they feel the need to work more just to maintain their lifestyle, and that they no longer find any enjoyment in being a consumer. Consumers also adapt their shopping behavior and habits, to be able to adjust to the changing economic conditions. (Köksal & Özgül, 2007)

The more obvious is the fear and uncertainty of the future, the more consumers are seeking to better manage their expenses. They are becoming more rational in terms of purchasing decisions and they are more attentive to the product, giving more importance to the emotional aspect of the brand. Also, they are spending more time searching for specific information and are focusing on buying cheaper products in smaller quantities. (Leinwand, Moeller, & Shriram, 2008).

Research on marketing during hard economic times suggests that consumers adapt their buying behavior in view of expected lay-offs. Analyses of consumers from various Asian countries about the crisis that began on July 1997 indicate falling confidence and a tightening of belts during the recession. (Ang, Leong, & Kotler, 2000)

Strategies employed by consumers to tide them over the economic crisis include: more comparative shopping; delaying purchases of expensive items; placing more emphasis on product durability and functionality; switching to lower end brands; developing a product life cycle cost perspective; relying more on informative and less on imagery-based advertisements; and buying more often at discount stores. Fewer purchases are made; purchases of selected products, especially luxuries, are postponed; price becomes a more critical consideration in
decision-making; and purchases are driven more by specific benefits sought. (Ang, Leong, & Kotler, 2000)

The current financial crisis provided the researchers with further evidence on the changing consumer behavior due to financial reasons and confirmed what was observed by Kotler et al (2000).

2.4 The current recession and its impact on consumer behavior

On December 1, 2008, the National Bureau of Economic Research announced that the United States is in a recession and has been since December 2007. Nevertheless, the economic environment may vary from one country to another, but economies around the world are linked so the financial crisis was very soon spread all around Europe and almost every sector was affected. The economic downturn has been fueled by some important factors: (Leinwand, Moeller, & Shriram, 2008)

- Depreciating home and property values
- Anxiety about job security and unemployment rates
- Declining value of retirement funds and overall savings
- Rising food prices

Consumers’ reactions in spending were almost similar. The crisis is forcing the average consumer to face reality. Consumers’ wealth started declining and therefore began salting away part of their disposable income to provide for their retirement years, pay for their children’s education and accumulate funds for contingencies.

According to a spending study conducted by the consulting firm Booz & Company in September 2008, the vast majority of consumers of the US across socioeconomic classes have already made substantial cuts in spending and plan to make even deeper cuts in the future. The survey of nearly 1,000 households suggests that to date, consumers have focused cost-cutting on high-expenditure, less critical areas, such as dining out less, cutting back on vacations, and shopping frugally.

Looking ahead, consumers plan to cut even further into three areas, while also beginning to reduce expenditures on personal durables (e.g., clothing),
household durables (e.g., electronics), indulgences (e.g., premium coffee), and services (e.g., salon treatments).

Another behavioral change apparent in the Booz & Company study is that consumers are choosing to defer purchases of large-ticket, household durables (e.g., electronics, appliances, and furniture) rather than trading down to less expensive alternatives. As expected, the study also finds that consumers are less likely to make behavioral changes in areas that require substantial time, effort, and investment to change spending patterns (e.g., mode of transportation used for commuting).

2.5 The impact of the economic environment on brand loyalty

No sufficient literature exists relating to the impact of the financial crisis on brand loyalty. It is more or less expected that the brand loyalty will be affected from economic downturns but up to what grade, which products will be hit more and which customers will lose their brand loyalty, has not been investigated in depth. However, some research has been done about the impact of some economic variables such as income level and relative prices on brand loyalty. The correlation between these variables and brand loyalty would be useful evidence for constructing a basis for the research that will be conducted in chapter four. All the relevant literature and existing research is presented in this section in order to shed light to the economic factors that affect brand loyalty.

It would be reasonable to say that if income level is related in a positive or negative way to brand loyalty, then it would be expected that the same relation exists between brand loyalty and economic recession when consumers’ purchasing power is decreased. So, consumers will either cut expenses or switch to cheaper brands.

Income level and family size may affect the subjective evaluation of cost of time. For example, the higher a household’s income, the more a family member values his or her time so high-income families should be more brand loyal than low-income families. Respectively, larger families will spend more time on search than small families, leading large families to appear less brand loyal if they consider various brands good substitutes. (Sharir, 1974) As it is obvious income level is highly correlated to brand loyalty. Low
income levels tend to brand disloyalty and subsequently in times of economic recession people may lose their loyalty to specific brands and they may shift to cheaper ones.

Under a theory built on the economics of information, if brands are generally considered good substitutes for one another, then households which put considerable effort into gathering market information should appear less brand loyal toward all products than those families which search relatively little. (Farley, 1964)

So, it has been found that consumer’s price consciousness has a negative correlation with brand loyalty. A price conscious consumer is more concerned with price, seeks out lower price, and sees such a search as worthwhile. It has been found that high price conscious customers look for better prices and have lower buying intentions. Therefore it is expected that consumers who continuously look for price before purchasing a brand will not purchase the same brand repeatedly. (Kumar, 2009) Consumers switch brands because the existing service provider charges a high price, has high service charges, has increased the price recently or considers that another competitor makes a better offer which is value for money.

Furthermore, it would be interesting to examine whether the literature gives evidence on the relation between consumers’ brand loyalty and the economic growth of a country. If developed countries are those ones who are more brand loyal and less developed ones switch brands more easily, that might be a sign indicating the negative correlation between brand loyalty and financial crisis. The spread of private label products could be seen as a sign of disloyalty.

Private labels, or manufacturers’ “own-brand” have shaken up the packaged goods industry. It has been found that the success of private label products can be negatively correlated with the country's economic status. When a country's economy is doing well, then its citizens tend to favor the brand labels. But when the economy is bad, consumers are often willing to substitute brand labels with private labels.

Therefore, private label sales tend to be highest in countries either still in a recession, or just climbing out of one, such as UK. “Own-brands” sales volume is comparatively weaker in less developed countries such as Argentina and India due to the lack of large supermarket chains. As a matter of fact, private labels
have barely even affected the Hong Kong market where high disposable income has created high-price brand loyalty. Other countries such as South Africa and Japan, on the other hand, have felt the influence of private labeling. (Palumbo & Herbig, 2000)

Palumbo et al. (2005) also discusses cross-cultural views on brand loyalty throughout the world, and illustrates the proliferation of brand loyalty. Cultural and economic factors affecting brand loyalty are interrelated and should be taken in consideration in order to extract valuable conclusions about the relation of financial conditions and brand loyalty.

The cultural significance of ethnic consumption exists and is an important factor. A new study found that ethnic minorities spend more money per household on groceries than the general population. Apart from the fact that they have larger families, an explanation for the larger purchases would be that they tend to purchase more branded products and spend more on quality products. This attitude might seem controversial to the theory mentioned before, that low to medium income level families tend to be less brand loyal.

Generally, a fact that could explain this attitude further would be that minorities are known to be less cynical about advertising messages because they are actually seeking out information about the product: information that the general public may take for granted. One other explanation for greater brand loyalty and the corresponding less tendency to buy private label brands could be that the purchase of prominent brands connotes the assimilation of ethnic consumers into the mainstream economy. Furthermore, many new immigrants are familiar with many brands from their native experience, and continue to use those brands from risk avoidance as well as the emotional experiences to which they may be connected in the homeland. (Palumbo & Herbig, 2000)

Not all products, though, have the possibility of creating brand loyalty. According to a research that was carried in the early 1990’s worldwide by the large advertising group Batten, Barton, Durstine and Osborn Worldwide (BBDO) into how consumers perceive brands, consumers felt brands in some product categories to be very much alike.

Simple commodity products experience low customer retention. Consumers usually purchase a lower price product when shopping for paper products such as paper towels, toilet paper, facial tissue. (Palumbo & Herbig,
Also, dry soups and snack chips seem to create a high perception of parity at a level of 70% and more. Frozen vegetables, frozen entrees, cat food have been found to have the least brand loyalty. In such cases, customers are very much likely to switch to cheaper brands or to a store brand. (Jones, 1999). Therefore, it would be more or less expected that the brands within the above mentioned product categories will be hit first in times of hard economic conditions.

Products with strong brand loyalty include mayonnaise, soft drinks, and bar soap. (Palumbo & Herbig, 2000) The latter, are expected to resist to a financial crisis more easily and maintain their market share.

### 2.6 The impact of the current recession on brand loyalty - The Private Label market

Up until recently, many experts have insisted that when it comes to the power of brands, not much has changed, even in the current environment. Consumers could remain willing to stick with and pay extra money for market-leading goods and services, even if there were plenty of cheaper or more reasonable options available. In this section, all evidence relating to the impact of the recession on consumer’s brand loyalty are presented. Especially for the US there is sufficient literature and surveys both for the products categories and brands that were hit by the recession and the private label market.

When it comes to Europe and Greece the spread of the private label products constitutes the only existing literature relating to the impact of the current recession on consumers’ brand loyalty. The case of Greece will be differentiated from Europe’s as it is the main research field of this dissertation but also because its current financial position seems to be worse compared to Central Europe countries.
2.6.1 Evidence from the United States

According to a study by Catalina Marketing Corp., recession “takes a bite” out of brand loyalty in U.S., in products ranging from pain relievers and frozen vegetable to peanut butter.

The recession forced many consumers to cut back on spending, but how they cut back, and by how much, varies immensely by brand and by category. Every consumer has a different set of priorities. A big part of the consumers show a level of brand loyalty according to a survey carried out on December 2008 by the Booz & Company in the US. Brands that have fostered this sense of allegiance with their consumers are more likely to withstand an economic downturn than those that lack these customer ties. Respondents to the survey especially referred to brands in the electronics, cosmetics, food, and personal care categories as those to which they are most loyal.

Similarly, consumers demonstrated brand loyalty in certain “indulgence categories.” These are categories on which consumers like to spend their money, but will reduce spending drastically. Respondents to the survey mentioned restaurants, vacations, luxury clothing, and spa services as their top indulgences (Leinwand, Moeller, & Shriram, 2008)

Retaining customer is a real challenge especially for food sellers in any economy and keeping them in times of hard economic conditions could be more difficult. Just four out of ten brands held on to at least of their highly loyal customers from 2007 to 2008. Some numbers can indicate the loyalty that existing customers showed to the brands. According to the survey, forty-eight percent of highly loyal consumers stayed that way during the study period, while nineteen percent (19%) reduced their loyalty and thirty-three percent (33%) completely defected to another brand in the same category in 2008.

In today’s economy, consumers are looking for ways to save money. Due to this situation, lower-quality substitute for name brands, private label products, or store brands, are viewed positively by the majority of U.S. consumers.

Nearly three-quarters (72%) of American consumers believe that private label products are good alternatives to name brands according to a new survey by the Nielsen Company. The survey indicates that an improved sense of quality is likely a driving factor for consumers’ positive attitude toward private label
products. Sixty-three percent of consumers believe that the quality of the private label brand is as good as name brands and one-third (33%) of consumers tell Nielsen that they consider some store brands are actually higher in quality than the name brands.

Traditional Private Label Categories remain on top which are often viewed as commodities, like

- Paper Products
- Plastic Bags
- Wraps area
- Complete ready meals
- Private label milk
- Frozen food

Some categories that once seemed unreachable by private label are starting to see significant growth rates. Non-traditional categories such as:

- Lip Stick/Gloss
- Facial cleaning
- Eye shadows
- Baby food
- Sports energy food

represent very small private label sales but are experiencing rapid growth due to recession. (Nishikawa & Perrin, 2005)

2.6.2 Evidence from Europe

European retailers are moving away as well from distributors of packaged goods and becoming consumer marketers with their own private label brands. Europe remains the region with the largest Private Label share of total retail sales (Palumbo & Herbig, 2000)

Trends for Europe as a whole conceal wide differences between countries and regions. In very broad terms we can divide Europe into three parts: (Penhallow, 2008)

**Britain and Scandinavia:** these countries have high per capita consumption of PS labels, low growth of PS label markets, and generally low margins for label
converters.

**Western Europe** (principally Germany, France, Ireland, Benelux, Italy and Spain): In this region the per capita consumption is in the range of 10-13 square meters per year; the larger converters’ profit margins are generally satisfactory and overall market growth in 2007 was around the European average of 7-8 percent (by volume).

**The former Communist Bloc countries**: These countries are characterized by a very low per capita consumption, of the order of 3 square meters on average, but with double-digit growth of PS label markets. Increasing competition between local label converters is forcing down margins, which are nonetheless still adequate. Conditions vary widely, from Poland and the Czech Republic with near-Western European economies at the top end, to Bulgaria, Romania and the strife-torn regions of ex-Yugoslavia at the opposite extreme.

![Figure 2.3: Share of Private Label by region (based on values sales)](image)

*Source: “The power of private label 2005, Nishikawa & Perrin, ACNielsen, 2005*
2.6.3 Evidence from Greece

According to a survey that was carried out by the Athens University of Economics and Business for private label products in 1600 households in Greece, Greek consumers, tend to prefer private label products in a rapidly increasing pace. (Manifava, 2009)

One out of four products that the 68% of consumers buy is of private label. The basic reason why they prefer them is their lower price. Greeks now tend to buy private label products in the food sector as well.

- Traditional product categories are:
- Paper products
- Detergents
- Frozen Food
- Facial Cleaning

They intend to buy in the future products as:

- Bread Products
- Milk and dairy products
- Alcohol drinks
- Non Alcohol drinks
- Clothes

What’s striking is that this phenomenon is not solely the result of the economic crisis, but it seems to reflect a more permanent change in consumer behavior of Greeks. The survey demonstrates that it is not only lower income consumers who have turned to private label, but all income classes contribute to this rise of private label products. Moreover, as regards brand loyalty, 52% of the participants in the survey hold that private label products do not lack in quality, in comparison with the established brands in the respective market sector. According to the article, the British, the French and the Belgians are champions in private label consumption.
3. DATA AND METHODOLOGY

3.1 Research design

The selection of the research type is regarded as being an important methodological decision in empirical research because it influences the nature of the findings and conclusions of the research and the extent to which the study is considered to be complete. The identification of the most appropriate research design is a key success factor for every research model but at the same time the selection of the most suitable research design depends on the objectives of the study and the context in which the research is undertaken.

There are two main domains of research frequently observed in the literature and these include quantitative and qualitative research. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity and hence statistical analysis is used. (Kothari, 2004)

For the needs of this dissertation, a qualitative approach has been chosen. The purpose of this study is to understand the changes that consumers made in their spending patterns due to the financial crisis and examine whether the crisis has shaken their brand loyalty. Only through developing a closer relationship with consumers it will be possible to produce more in depth and comprehensive information about the above mentioned issue.

Whereas, before getting into people’s perceptions toward the impact of the economic recession on their brand loyalty it is necessary to gather information on consumers’ demographics in order to create the profiles of the consumers that might be affected by the current economic conditions.

Qualitative research is generally concerned with qualitative phenomenon. It employs methods of data collection and analysis that are non-quantitative and describes reality as experienced by the respondents. Qualitative research methods have long been used in the field of social sciences. For instance, these are the principal methods employed by anthropologists to study the customs and behaviors of people. (Adams, Khan, Raeside, & White, 2007). Qualitative research is interpretative. A main task is to explicate the ways that people in
particular settings come to understand, account for, take action, and otherwise manage their day to day situations. The most of the analysis is done in words.

The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research issue. It provides information about the “human” side of an issue (Mack, Woodsong, Macqueen, Guest, & Namey, 2005) Research in such a situation is a function of researcher’s insights and impressions. Generally, the techniques of focus group interviews, projective techniques and depth interviews are used. (Kothari, 2004)

The key difference between quantitative and qualitative methods is their flexibility. Generally, quantitative methods are fairly inflexible. With quantitative methods such as surveys and questionnaires, for example, researchers ask all participants identical questions in the same order. Qualitative methods are typically more flexible – that is, they allow greater spontaneity and adaptation of the interaction between the researcher and the study participant. In addition, with qualitative methods, the relationship between the researcher and the participant is often less formal than in quantitative research. Participants have the opportunity to respond more elaborately and in greater detail than is typically the case with quantitative methods. (Mack, Woodsong, Macqueen, Guest, & Namey, 2005)

3.2 Data collection process

The task of the data collection process begins after a research design plan has been defined. The primary data are those which are collected for the first time, and thus happen to be original in character. The secondary data, on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process. (Kothari, 2004).

3.2.1 Focus groups

The primary data collection method employed for the scope of this dissertation was the focus group methodology. Focus groups are typically associated with marketing and consumer research. It is one of the several tools that can be used to generate valid information and it has a number of important
advantages. First of all, it was selected because due to the limited available time, the focus groups produce a lot of information far more quickly and at less cost than individual interviews. Secondly, the fact that the questioning is so flexible lets the researcher discover attitudes and opinions that might not be revealed in a survey questionnaire. Thirdly, the researcher can be present at the session which allows follow-up of responses if required. (Dawson, Manderson, & Tallo, 1993)

On the other hand there are a few limitations when using focus groups. For example, results from focus groups cannot usually be used to make statements about the wider community that is they can indicate a range of views and opinions, but not their distribution. Furthermore, participants often agree with responses from fellow group members (for many different reasons) and so caution is required when interpreting the results. (Dawson, Manderson, & Tallo, 1993)

Focus groups are especially effective for capturing information about the variety of opinions or views within a population. The richness of focus group data emerges from the diversity of the group. The focus groups are usually used to learn about the experiences and perceptions of groups. The discussion is usually "focused" on a particular area of interest. (Mack, Woodsong, Macqueen, Guest, & Namey, 2005) Because the comments of each respondent can stimulate reactions from the other respondents, focus groups can yield rich insights.

In the case of the focus groups that were held for the needs of this dissertation, the participants were notified about the meeting about a week ago and they were provided with some basic information about the issue that would be discussed via telephone. Thus they had the time to elaborate a little bit on the topic.

In order not to limit the completeness of the study, the discussions were audio recorded in order to be stored and later on transcribed and the participants were notified for this as well. During the interview process, they were taken systematic notes in order to capture non verbal reactions that might be interesting to interpret like the body language, gestures or grimaces.

The duration of the sessions was approximately 1h and 30 min with one exception. In more detail:

Duration of session 1- FG1: app. 1 h.20 min
Duration of session 2- FG2: app. 1 h.30 min
3.2.1.1 Group composition

Selecting participants of a focus group is an issue of major importance as it can influence the effectiveness of the whole procedure.

The common (and simplest) method for selecting participants for focus groups is called "purposive" or "convenience" sampling. This means that you select those members of the community who you think will provide you with the best information. (Dawson, Manderson, & Tallo, 1993).

It is not the intention of focus group methodology to yield generalizable data, so random sampling is not necessary. Nonetheless, it is important to employ a systematic strategy when deciding on group composition. The sample should be chosen on theoretical grounds as reflecting those segments of the population who will provide the most meaningful information in terms of the project objectives. Moreover, the participants should have something to say about the topic of interest. (Brewerton & Millward, 2001)

Focus group participants should be people with similar backgrounds that share a common characteristic but not similar attitudes or opinions. The fact that they have a characteristic in common encourages the group to speak more freely about the subject without fear of being judged. Focus group participants are usually selected purposively and are statistically representative sample of the population of interest.

Based on the goal and the context of this research, the focus groups that were held were homogenous in terms of age. Thus, three focus groups of different age groups were formed. All age groups, starting from the age of fifteen, when actually consumers formulate a purchasing attitude towards brands and products, are considered interesting and thus they were included in the research.

Furthermore, much effort has been made to include within the same age groups people with different characteristics in terms of income, educational and working background and lifestyle in order to express various views and opinions. As the participants were often selected within my social network it was not possible for all of them to be completely strangers to each other. In some cases
they were even relatives or friends but this was not the rule for the selection process of the entire sample.

What is more, all the members of the focus groups were selected based on the criterion that they are citizens of Thessaloniki. Due to the limited available time for the submission of this study, the purpose is to identify the extent of the impact of the economic recession on brand loyalty of consumers coming from the city of Thessaloniki.

**Sample Description**

All three focus groups of this study consisted of five members each. Both men and women participated in the survey but because the participants were also selected based upon their availability, women were more willing to participate so they constituted the majority of the participants.

The three focus groups that were conducted for this survey had the following structure in order to maximize the probability of obtaining the most theoretically relevant information. For the easier analysis of the results that will follow in the next chapter and the easier coding of the notes taken during the discussion they were given fake names to each focus group member. Members of the same focus group were given names having in common the initial letter. In this way complex wording when referring to them could be avoided.

**Focus Group 1 – The N’s:** The first group consisted of young single people within the age group of 15-35. Thus, the people that took part in the discussion were the following:

- Nina: 17 yrs old, teenager, high school student
- Nicky: 19 years old, university student
- Nick: 28 years old, job seeker
- Nora: 26 years old, young professional
- Notis: 27 years old, young professional

**Focus Group 2- The A’s:** The second group consisted of people within the age group of 35-55. They were mostly married women and men, with children at home, some of them in their mature life stage. The members were the following:
Anta: 35 years old, working mother of newborn child
Annie: 43 years old, working woman-single
Anthi: 53 years old, working mother with 2 children
Antony: 53 years old, father of 2 children at university, retired
Alice: 36 years old, mother with 4 children (on maternity leave)

Focus group 3 - The F’s: The last group consisted of participants of 55 years old and more. Apart from their age, the four of them had one more characteristic in common. Their children have left home so they are living either alone or with their spouse. Most of them have grandchildren.
Fotis: 69 years old, retired
Fani: 59 years old, retired
Frank: 65 years old, retired
Fofi: 66 years old, housewife
Froyd: 71 years old, retired

3.2.1.2 Formulation of the interview guide

The interview guide is a list of questions the researcher plans to ask the participants during the focus group sessions. Questions are asked in focus groups in a very different way from survey questionnaires. Surveys usually ask respondents questions to gain concise and direct information, often with closed questions and fixed choices.

A well-designed guide assists group members to relax, open up, think deeply, and consider alternatives. A good design also allows for synergy to occur, which produces greater insight due to the fact that participants work together during the session. (Dawson, Manderson, & Tallo, 1993)

In focus groups, responses should be flexible and should encourage people to reply at length. These types of questions are called "open-ended" questions. It is important to avoid questions that will give a "yes"/"no" answer because they do not encourage lively discussion. As in individual interviews, the best questions are those that encourage people to open up. (Dawson, Manderson, & Tallo, 1993)
The guide has been subject to changes and has been enriched accordingly to new issues that arose during the conversation. The general issues of interest were the changes that consumers might have made relating to their purchasing behavior due to the recession and the expenses that they might have cut back by category. They were encouraged to bring in mind and share with the rest of the group brand names and refer to as many product categories as possible.

Last but not least, an effort has been made through the appropriate questions in order to identify each time a respondent was expressing his views, the type of brand loyalty he was referring to because we are interested only in premium brand loyalty. However, it was interesting to examine in the cases that premium brand loyalty has been shaken if it was converted to inferior types of brand loyalty.

3.2.2 Demographic data

At each group session, participants completed background questionnaires, addressing various demographic areas such as gender, age group, educational and working background and income. These data are considered to be vital because they will help formulate the profile of the consumers whose brand loyalty was highly affected by the current economic recession.
4. DATA ANALYSIS & DISCUSSION

In this chapter the three focus groups that were held are presented and an analysis of the results takes place. All relevant observations about their purchasing behavior, their attitude towards the economic recession, the degree of brand loyalty prior and during the financial crisis and the kind of products and brands that might have lost part of their customer loyalty or market share have been recorded and will be discussed.

4.1 Focus group 1, 15-35 years old

Focus group 1 consisted of teenagers, university students and young professionals. They were either living with their families for them who were still under 18 or alone for them who were adults and singles. Due to their young age and the fact that they had to take care only of themselves, they were particularly independent in their views and their opinions.

The members of the groups who were either under the age of 18 or they were still students or job seekers were still dependent financially on other members of their families. Although a big part of the group had no income, they had built in a way a certain purchasing behavior towards specific brands and categories of products so they could freely express their preferences before and during the economic recession.

The factor of economic independence separated the group in two parts and this could be easily observed during the discussion. Students and teenagers had no clear view of the groceries and commodities their parents used to purchase from the supermarket or of the money spent and in many cases they could not even comment on whether their families switched to cheaper brands because of the current economic conditions.

Due to this fact it would be much more interesting for the progress of the research to express their preferences only regarding their personal expenses based on the money they receive monthly by their parents.

Teenagers were the group that their brand loyalty was in a way less affected by the economic recession but the reason is probably that they are based on their parents’ income and they are not price conscious. They admitted that
they decreased a part of their expenses but they were not willing at all to switch to cheaper brand names especially when it comes to clothes.

They mentioned characteristically based on their friends’ purchasing behavior that “those who used to buy diesel or levis jeans before the recession they continue making the same purchases and they are still willing to pay a premium price to have them. Otherwise, they prefer not buying it”. That means that teenagers that used to buy brands will still do it even if their parents’ purchasing power has been decreased due to recession. They way they are going to face the recession is mainly by reducing the volume of their purchases than switching to cheaper brands.

In the case of teenagers another reason why they kept on being loyal to their favorite brands is the social influences, such as advertisement, famous images etc. What the youngest of the group, Nina, mentioned was that there are friends of her that by wearing an “Eastpack” bag, diesel jeans or Asics shoes they feel part of the group.

It should be noted at this point that Nina is going to a private school and she admitted that sometimes she is really stressed psychologically because the majority of her classmates wears expensive and branded clothes but generally she comes from a medium to high income family and she is able to follow the general trend. This statement generated the insight that a big part of the teenagers may appear premium brand loyal but, in reality, the type of loyalty that characterizes them is reasoned action loyalty. That means that they are likely to easily switch to other brand when they feel no longer forced by social pressures.

When it comes to the little bit older participants that they have recently started their professional activities they seem much more conscious regarding the current economic conditions based on what they mention. As Nora and Notis, who are around 25 years old, underlined, the private label products are not much inferior to the branded ones and they are really value for money. They trust their quality because they come from rich and developed countries such as Germany and UK where the quality standards are still kept in a high level.

For those who are also loaded with the rent expenses their attitude towards brands has changed more. The most noticeable observation is that they don’t feel disappointed from the fact that the economic conditions led them to start buying private label products. Notis told to other the members of the group: “I feel quite
insecure regarding the development of my future career and the rise of the house prices that I think that consuming private label products is the least important to me. If I can save money from this, I will do it without worrying so much because I am trying to build something that has duration.”

When Nora was asked about the kind of products that would stay loyal to she said that she would hardly change her shampoo. The brand “Pantene” was at the top of the list and it was mentioned by the majority of the focus groups. She uses only hydratic crèmes which she may change according to the money left at the end of the month but she said characteristically that on contrary her mother never changes the specialized cream she buys for her skin. “She is willing to pay a premium for that cream but she buys it for years and she is really in love with it” she said.

It should be mentioned though that both Nora and Notis have a high level of education. On the one hand they are medium income earners trying to save some money so they do not have many options but on the other hand they believe that the fact that they have received a culture from their families combined with a high level of education helped them be quite untouched by the social environment and the power of brands. They admitted though: “We are too young and we still like the way we feel when wearing a brand but our economic stability is more important for us”. The insight from the above phrase is that in spite of the need of the self esteem that a brand name can cover, in times of economic recession Nora and Notis make an effort to cover their basic needs firstly and they achieve it partly because of good quality of education.

Nora added: “I remembered 3 years ago when I bought with my fist salary a little Dior purse. I always loved that brand and I might even be loyal under different circumstances but three years ago there were more vacancies available in the labor market and I was feeling much more confident. Now that the economy passes through hard conditions I would not do that. I would but something that is value for money and this is ok for me. In the future I might do it again if I have a higher income.” What Nora said shows that her premium brand loyalty has been converted to covetous brand loyalty according to Gounaris et al. (2004), to an inferior type of loyalty because she cannot afford anymore her favorite brand. She keeps on communicating the product in a positive way. Furthermore, her sayings really show that people feel that by
saving some money they can face any future economic difficulties and the period we are going through could be characterized as temporary or transitive.

4.2 Focus group 2, 35-55 years old

Focus group 2 consisted of people that were mostly married with children and it was the group that had the major difficulty to come all together due to their strict daily schedules.

Anta, the youngest participant with a newborn child is working and she is quite satisfied with her job and along with her husband they have a medium to high income. They live in an area in the suburbs of Thessaloniki where the elite population lives. She was the participant that with no doubt was less affected by the recession. She shared with the other members that up to now she has changed almost nothing in the way she is shopping and she continues purchasing the brands that she used to some years ago. She is particularly emotionally attached to the brands she uses for years in cosmetics and the brands she mentioned were Este Lauder, Oley, Loreal, Pantene.

She might have been influenced by the other participants when she said that she trusts private label products as well but in practice she makes a very little use of them. The other participants such as the families with many members pointed to some brands that they are used to buying from the discount supermarkets such as Lidl and Dia or the private labels Carrefour and Spar from Carefour and Veropoulos supermarkets, respectively. The majority of the products they prefer are cleaning and paper products (W5, Spar) and a big part of them seem to trust labels of milk and dairy products (Galpo).

As the discussion was proceeding it could be noticed that the consumers who are purchasing private label products are repeatedly buying the same brands, they trust them and they can easily remember the brand. Is worth to be said here that this may not considered as a true brand loyalty. It can be taken probably as an inertia loyalty because they keep on buying it due to convenience or habit and this can be justified from the current economic recession. Some of them will easily switch brand when their income increase or the economy get better.

At that point a big discussion opened relating to the quality and the origin of those sensitive products. They were not few those who denied consuming
private label milk or dairy products because they doubted about the farms they are coming from and conditions under which they are delivered in Greece. However, Annie who is working in a dairy industry replayed: “A big part of these sensitive products come from large dairy industries of Greece such as Mevgal, Kolios, Agno, Vivartia etc and you can easily check this out from the package. It is the same cheese but it has the retailer’s brand!”

All of them admitted that private label products are inferior of the branded ones in terms of variety and packaging but this is the reason why they are much cheaper plus they are little advertised.

The only man participant, Antony, expressed his views on the way he faced the recession. He mentioned that he had started buying some private label brands and shopping from discount supermarket around 5 years ago so he considers that his buying behavior didn’t change exactly when the recession occurred. There is no second income in his family so he had no other option from private label brands. But not in many products because he still doesn’t trust the food sector in the discount supermarkets. For example he stays loyal to Agno milk because he used to drink it since he was young and as he says he feels emotionally attached to it as it is produced from a dairy in his hometown, Thessaloniki.

As he also said his two adult children often go for shopping and they prefer Coca Cola instead of Cola brand in Lidl, Amita Motion instead of Sweet Valey from Aldi. On the other hand, he revealed that he definitely buys a cheaper brand of shampoo called Schauma instead of expensive shampoos.

Alice also confirmed that even her kids affect the buying decisions of the family because advertisement and marketing have a large impact on them. She mentioned while laughing: “For example, I continue being loyal for more than 6 years to a specific brand of “parizaki” especially for my kids because they think that there is no other tasting like that. It is exactly what is happening with Coca Cola. Not to mention that the most of their clothes are Nikes or Adidas. Simply, now that the recession takes place, they borrow each other’s clothes more often but the brands stay the same”. Something similar occurs with Goody’s , she told me later, which is a fast food chain which attracts all target groups even if it is not the cheapest choice.

When Antony was asked about his loyalty to branded clothes he said that he doesn’t do the shopping but her wife knows more or less his preferences.
“Due to the fact that I am not shopping clothes very often, I buy some quality brands made of good material and I wear some of them from my 30’s. For example, we go to a specific department store and I am buying the brand Camel in trousers and Dur for shirts- I buy it for 20 years but simply now I do not shop so much.” explained Antony.

What it was also mentioned by Anthi who is working in the public sector it was that their purchasing power was little affected by the recession but they are expecting that the worse will may come in spring. On the other hand, businessmen might have felt the economic changes more than them she says characteristically: “We remained medium income earners, we don’t face any risks and we fell secure that no matter what is going to happen in terms of economy I will never lose the basics”.

That is why she keeps on being loyal to specific brands that she trusts such as Sony in electronics, Dove- Loreal- Vichy in cosmetics, Bref -Azax- Skip/ Tide in detergents. “I am using Tide since I was a student living alone and I never thought of changing it. I am sure about its effectiveness,” she explained. For example she is committed to that brand since she was young and she doesn’t even risk testing another brand.

What was common among nearly every participant was that they have drastically cut back expenses such as vacations. They think it is a luxury nowadays and they prefer going to daily trips. They added that they would be loyal to particular kinds of vacations but since economic conditions have hardened 5 years now, they have to postpone them for a while.

4.3 Focus group 3, 55 years old and more

This group consisted mainly of retired men and women as their age was above 55 years old. The characteristic that most of them had in common- their children didn’t live with them anymore- generated a number of important insights.

What is true for this age group is that they seem to be quite wealthy not because they earn high pensions but because their expenses have been reduced significantly. So they earn a permanent income, they often own a house, they do
not pay any fees for their children anymore and they have almost minimized their needs and as a consequence their monthly expenses.

Nearly the majority of the participants remain loyal in product categories such as food and cleaning products which they consider very effective. For example, they do not save money by buying a cheaper cheese or dairy products or they even continue buying branded detergents like Skip, Ariel, Azax because they trust their high quality. Particularly, the women of the group are not so willing to switch brand in those categories unless they are convinced for better results. They mentioned like other participants of other focus groups that they have been using those labels for years.

They explained that they prefer cutting from other categories such as cosmetics or products of personal care and they reason they do it could be easily predicted: contribute financially to their children’s’ families. For example, many of the participants agreed to the view that Fofi expressed: “When my daughter used to live with us I used to buy specific brands of shampoos, coffees, chocolates, cereals, fabric softener with special aroma and other staff that I knew she liked. Now, I replaced them with private label brands from the discount supermarkets.”

On the other hand, the participant that admitted that she doesn’t think exactly like that was Fani, a medium to high income earner. She agreed that she helps her sons that have left home but she cares about her external so she kept on purchasing cosmetics, brands on clothes and she even saves money to buy luxurious bags as she considers them as a kind of asset.

Due to available free time and income the participants of this group often go on trips periodically. They haven’t cut back on this category, on the contrary; trips and going out with friends were increased.

### 4.4 The type of consumers affected by the recession- A profile

Not all consumers were affected the same by the economic recession. The extent of the impact of the financial crisis in Greece on consumers’ brand loyalty depended on various demographic factors such as the income of the individual, the gender, the age group, the educational and working background but also the former purchasing behavior and lifestyle.
Income level often constitutes the determinant of brand loyalty. This empirical finding confirmed what has been written by Sharir (1974). Hence, medium to high income earners were definitely affected the least. They remained premium-loyal buyers to the brands they used to purchase and were willing to pay a premium for their favorite brands. On the contrary, as it was expected, low to medium earners’ brand loyalty has been shaken significantly among the last 3 years. In many cases, the crisis for them showed its first signs even 5 years ago. But the last two to three years the situations has been worsened a lot.

When it comes to gender, the results showed that both male and female were affected more or less the same by the recession and this factor doesn’t play a significant role. The only difference between male and female is that as a matter of fact women are more consuming so they had to reduce expenses on personal durables such as cosmetics, clothes, jewelries and personal care services compared to men, whose needs are more straightforward. They decreased their actual purchases but they keep on exhibiting a high level of positive disposition in brands with high brand equity.

The factor of the age seems to play an important role. Although individuals over the age of 55 years old have a higher disposable income, they keep on being premium brand loyal only to brands that they perceive as premium and high effective. The survey showed that Greek elderly consumers lost a part of their brand loyalty during the recession in product categories such as personal durables. However, they are not much willing to substitute food products or some detergents that they trust for ages and some of the participants are even negative to testing new brands in these sectors.

The survey led to some noticeable observations relating to the level of education. Individuals with high level of education tend to be less brand loyal when their disposable income decreases due to the recession. They seem to be high price conscious because they have long term goals professionally and they are willing to succeed and manage to have a sustainable career. Their high level of education and their hard work probably made them setting priorities in their lives. Furthermore, they do not feel inferior by purchasing private label brands or brands of low reputation and last but not least, they have the knowledge and the attitude to investigate the origin of some brands in order to conclude about their quality.
Relatively to the working background, individuals that possess a job position involving high risk are likely to be affected more in times of recession. It is reasonable that in times of economic downturns and uncertainty these individuals are likely to switch to cheaper brands more easily, particularly when business is not doing well. For example entrepreneurs, businessman and employees of non fixed income may be less brand-loyal. On the other hand, employees in the public sector in Greece, although they are medium income earners show higher level of brand loyalty during a recession and they manage to better plan their purchases.

Last but not least, in reality, consumers set different priorities and loyalties. The empirical findings show that sometimes, independently of the demographic characteristics, lifestyle and social pressures affect consumers’ buying patterns more than the recession and the economic factors do. So, the consumers that loved to purchase specific brands before the recession and by this way they covered the needs of self esteem or recognition, they keep on buying the same brands even if they can hardly afford them. On the contrary, consumers that set efficiency as the first priority when buying a product, switched to substitute brands and their brand loyalty has been shaken a lot.

4.5 The impact of the recession by product and service category

During the sessions the participants indicated the product and service categories in which they reduced expenses drastically and mainly those ones that they do not purchases any more due to recession.

Depending on the different demographic features that were mentioned in the above section, many controversial views were discussed by the groups but still the sales of some products and services have undoubtedly suffered in Greece during the current financial crisis.

It should be noted here, that the fact that some products lost a part of their market share doesn’t necessarily mean that Greek consumer’s brand loyalty towards these products has been shaken a lot. They might have decreased the volume of their purchases but they may still remain premium brand loyal.

At the top of the list of the products and services which lost both part of their market share and customer loyalty are some personal durables, personal
care services, gym memberships, paper products and in some groups vacations. Consumers reduced spending drastically by either cutting those services entirely or by switching to more inexpensive ones. For example, they were people that switched to the municipal gyms or women that preferred doing some “homemade” spa by simply buying some cosmetics and crèmes more. Vacations lost a big part of their customer loyalty because nowadays people try to find reasonable solutions by spending their holidays mainly in their country house. Dining out was also affected a lot in contrast to other types of entertainment (bars, cafeterias) which was nearly not affected at all.

When it comes to the food sector and generally commodities, a big part of the respondents lost its premium brand loyalty by switching to private label brands and shopping from discount supermarkets. This has been a trend for the past five years but now it is much more intense. Brand loyalty has been shaken quite a lot in categories such as detergents, frozen food and chips as the research that was conducted by the Athens University in Economics and Business indicated one year ago. One year ago, when the recession was not so intense, consumers intended to buy milk or dairy products from discount supermarkets but they didn’t have a solid and clear view on it. But one year later it has been observed by the focus groups sessions that people who trust private label products have increased their purchases in dairy products as well.

Relating to the internet services, consumers do not remain very loyal as they are searching a lot for inexpensive internet providers and they are likely to switch brand if they are offered a better price.

Finally, the research indicated that cell phone, tobacco products and luxury apparel neither did they lose a big part of their market share nor their customer loyalty. The Greek consumers not only did they cut expenses but they also keep on being loyal to the cell phone providers they used in the past, they keep on smoking the same brand (although low cost cigarettes in Greece start to gain an increasing market share), they keep on purchasing the electronics they trust and finally luxury products proved to be almost recession-proof. The reason is that the percentage of high income earners in Greece is relatively low and their purchasing power has not been lowered a lot. So, these consumers keep on buying luxury products but maybe in smaller frequency.
| Personal care services          |
| GYM MEMBERSHIPS                |
| Vacations                      |
| Apparel/Garments               |
| Paper products                 |
| Dining out                     |
| Detergents                     |
| Frozen food/Chips              |
| Dairy products                 |
| Internet Services              |
| Entertainment                  |
| Cosmetics                      |
| Electronics                    |
| Cell phone                     |
| Sports wear                    |
| Tobacco products               |
| Luxury apparel                 |

Furthermore, regarding the cosmetics; whereas women drastically reduced expenses, hardly did they switch to cheaper brands. So, customer loyalty was more or less sustained in this product category. Furthermore, sportswear was one category of clothes that faced a medium decline in sales volume but still teenagers and young people show a high level of brand loyalty. They simply decreased the quantities that used to buy.

**Figure 4.1**: Impact of the recession on *customer loyalty* by product and service category
5. **CONCLUSIONS**

This dissertation has examined the impact of the current financial crisis on the brand loyalty of different consumer groups in Greece. Although a lot of literature can be found about the economic factors that affect consumer’s brand loyalty, there is not existing literature in Greece about the extent of the impact of the current economic recession on consumers’ brand loyalty.

The results that came up from the focus groups sessions show that people were not affected the same from the current recession. The impact of the recession on consumers’ brand loyalty not only depended on several demographic factors but also varied by product category and brand.

The types of consumers that their brand loyalty has been shaken the most were low to medium income earners, individuals of 55 years old and more, people with job positions that involve high risk and individuals of high educational level. When it comes to the factor of gender, both males and females have reacted almost the same towards the recession depending on their demographic characteristics. However, the research showed that women in most of the cases had to reduce spending more than men in products categories such as personal durables, as they are much more consuming from their nature. Furthermore, consumers that set effectiveness as the first priority when buying a brand (higher than self esteem) lost part of their brand loyalty more easily.

Concerning the product and service categories that were affected the most and lost a big part of their market share, the research showed that not all products were affected the same. At the top of the list are personal durables, personal care services, gym memberships, paper products and in some groups vacations. The categories that follow, having suffered a medium decline in their sales, are detergents, frozen food, dairy products and internet services. Especially, sales volume of private labels within the category of dairy products was increased compared to one year ago.

Last, the categories that were affected the least by the recession are cell phone services, entertainment, tobacco products, electronics and luxury apparel. Compared to the research conducted in the US, the results from this research show that entertainment in Greece was affected less due to the recession.
Finally, it is worth to refer to some brands that seem to have high brand equity and are able to sustain customers even in the peak of the recession. Customers mentioned: Diesel, Asics, Nikes, Adidas, Pantene, Oley, Loreal, Dior, Estee Lauder, Agno, Coca Cola, Amita, Goody’s, Camel, Dur, Bref, Azax, Skip, Tide, Sony etc.

5.1 Limitations

As it has already been mentioned in the third chapter, the methodology that has been employed might have a few limitations. Due to limited available time, there were held only three focus group sessions with five participants each. Furthermore, the sample of research was selected strictly based upon the criterion of residence in the city of Thessaloniki.

Because of these limitations, there should be mentioned some future avenues for investigations. Based on the context of this consumer research, the most appropriate method would be the combination of qualitative and quantitative analysis in order to produce generalizable results for the wider community. In that way a random sample would be selected through telephone catalogues and a larger number of consumers would participate. Of course, such an approach would be time consuming and involve cost. Finally, it would be of great scientific value if the participants came from all over Greece, including non urban areas. Thus, it could be also examined how people other than citizens of Thessaloniki perceive the economic recession.
6. REFERENCES


