LOYALTY IN THE REGIONAL AUSTRALIAN MARKET

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Abstract
Regional differences impact on brand loyalty and must be considered by organisations attempting to target the regional Australian market. Brand loyalty is impacted by the location of the consumer. To foster loyalty in the regional market, building relationships is imperative. By utilising appropriate IT solutions, organisations may be able to build loyalty, however, issues with technology in the regional market needs to be considered.

Organisations may wish to implement carefully executed Customer Relationship Management (CRM) solutions to assist them in enhancing the relationships. Despite the high failure rates of CRM solutions in the past, they are a method of managing control of customers and integrating their online efforts to ultimately assist in building loyalty. Overall, the regional market is an attractive option for marketers. With a relatively high disposable income, and an interest in utilising the Internet for their day-to-day activities, the regional market is one that cannot be ignored by marketers. As competition increases in the regional market, building loyalty is imperative and must be addressed by both businesses operating nationally and regional organisations.

Introduction
Regardless of where a business operates, generating loyalty tends to be a struggle. With increasing competition, businesses must work harder and harder to generate loyalty. Marketers cannot ignore differences between regional and metropolitan environments. Indeed, organisations taking a national, non-segmented approach to their marketing will fail in the regional environment (Yau 2000).

The Australian Government has committed itself to ensuring that all Australians share in the wealth of the nation, and have access to opportunities, “regardless of where they live” (Department of Transport and Regional Services 2002), indicating that the regional consumer is becoming, and will continue to become, more of a target for organisations. Generating loyalty in a regional context must be addressed by businesses and relationships developed with customers and potential customers.

For the purpose of this paper, capital cities and their immediate surrounds will be considered the “urban environment” and rural and regional areas will be the rest of the nation. Currently 64% of Australians live in capital cities (Australian Bureau of Statistics 2002). Therefore with just 36% of the population, regional areas are rarely the focus of marketing initiatives. Regional Australians have a median income just 10% lower than those in metropolitan areas, however, due to lower housing costs, on average, they actually have a higher rate of disposable income than their urban counterparts (Harty 2002a). Marketers aiming for success nationally must therefore reach the regional market by considering alternative marketing approaches. Loyalty has been thoroughly researched in the past, however, studies looking at regional differences impacting on loyalty have been lacking. This exploratory paper will
address regional differences in an Australian context and implications for marketing managers striving to build loyalty will be provided.

**Brand Loyalty in the regional environment**

Literature has suggested that market leader and pioneer brands tend to be the most popular brand of choice by consumers. This literature has also indicated that even the perception of market leadership will have the same result on the consumers’ purchasing habits. Brand names tend to impact on perception of product quality (Kamins, Alpert & Perner 2002). These status brands generate high consumer awareness, increased loyalty and ultimately demand higher margins (Heaney, Jusosh, & Goldsmith 2002). In addition, consumer attitudes to pioneer brands are more favourable than the attitudes toward follower brands (Kamins, Alpert & Perner 2002).

In the regional environment, this theory could be negated to some degree. In the regional environment, there tends to be loyalty for brands from the area. Within the Darling Downs region (Queensland, Australia), the recently launched “Farmers’ Market” attracts people wishing to buy gourmet home-grown products within the region. This type of market is also a successful concept in other regions within Australia, fostering loyalty for local brands.

The example of Hartz Cola reinforces the view that both consumers and stakeholders sometimes favour local products. Launched in 1969, Tasmanian beverage Hartz Cola is now the leading Cola distributor in the Tasmanian region (Hartz 2002) surpassing distribution of Coca-Cola and Pepsi; brands which are considered “market leaders” elsewhere. Once again, this example indicates a loyalty for the local product – something that cannot be replicated by the better-known brand names. This loyalty is reinforced by suppliers in the area who will often only stock local products, despite demand for market leader brands from tourists in the area.

Loyalty in the regional market is increased for regional products, regardless of whether they are local or not. A local product is not necessarily important, provided it is a regionally manufactured or developed product or service. For instance, Bendigo Bank, a regional bank, has found success in regional areas outside its own local area due to loyalty of regional Australians for other regional products (The Chronicle 2002).

As competition increases in the regional market, building loyalty and awareness will become even more important. With differences in media consumption in the regional market (Harty 2002b), sponsorship is a good method of building loyalty with the regional consumer. Like all forms of marketing communications, sponsorship must be carefully executed to be effective. The Westpac Bank participates in agricultural events by acting as a major sponsor for these events (Harty 2002b). Sponsorship is defined as investments in events (or causes) supporting corporate or marketing objectives (Cornwell & Maignan 1998) – which is what the agricultural events provide Westpac. Issues such as audience involvement need to be considered to ensure the sponsorship is worthwhile, particularly in the regional market. In particular, organisations need a clear set of objectives addressing both communication and sales objectives (Meenaghan 2002). Organisations participating in sponsorship in the regional market therefore must ensure that processes are understood and the effectiveness carefully evaluated.

It is therefore recommended that marketers of locally grown or manufactured products foster this regional loyalty by promoting the regional emphasis. Marketers of more well known,
non-local products must generate loyalty by sponsoring regional events and by building relationships with consumers to ensure they have a positive opinion in the minds of consumers.

In addition to an appropriate marketing mix, relationship marketing is necessary to enhance brand loyalty. It is imperative to consider the relationships with buyers but also with stakeholders (Healy, Hastings, Brown, Gardiner 2001) – and building this relationship is important in the regional market. While appropriate communication is a way to build loyalty, using Information Technology is also required by businesses vying for market share in regional Australia. Implementing appropriate IT and CRM solutions is one way of enhancing relationships, ultimately leading to increased loyalty with both buyers and sellers. This does however have issues in the regional market, which must be addressed by smaller, regional businesses.

**Information Technology in the Regional Australian Environment**

As regional Australians utilise interactive technologies more, customer relationship management and marketing intelligence will increase in use by organisations. Customer Relationship Management (CRM) is rising in popularity and firms are using it increasingly in their online activities (Nestiuk 2002). There are benefits to utilising CRM systems in that they offer organisations the ability to track and build relationships with consumers and potential consumers. To utilise CRM, businesses need to embrace Information Technology, something small businesses have been reluctant to do.

While businesses in the regional market have tended to shy away from introducing internet technologies due to difficulties with slow infrastructure roll out and bandwidth issues (Flint & Herbert 2000), consumers in regional areas are embracing, and often dominating, internet services (ACNielsen 2002). In addition, the Australian Government is working to ensure people in regional areas have equal access to online services as people in metropolitan areas (National Office of Information Economy, 2002). There are a number of reasons that SMEs are not adopting technology, such as:

- Lack of awareness and knowledge
- Lack of skill / Technology phobia
- Concerns with security and privacy
- Cost of implementation / lack of realisation of benefits
- Infrastructure issues

(Pease & Rowe 2003)

The Small Enterprise Telecommunications Centre (SETEL) has developed a series of necessary actions to ensure uptake of technology by SME’s (indicated below on the left). These actions are similar to the Innovation Adoption Model, as indicated below (on the right).
According to both models, organisations need to be aware of the benefits first and foremost, before they will develop interest, and ultimately move into learning about the technology, or evaluating the services. From there, businesses trial the services, and if this is positive for them, will implement them in their businesses, finally moving into adoption, and eventually, innovation. It is evident that many regional businesses still do not see a benefit, and therefore have not moved through the awareness stage.

Despite the lack of interest in adopting technology by many businesses, some businesses have seen the benefits, and have adopted it to their advantage. Seeing a rise in online banking in regional areas, regional building society, Heritage, recently introduced Internet kiosks to their branches, educating their consumers and allowing them to trial the services (Heritage 2002). This initiative is a method of increasing interest of regional consumers in interactive tools, and ultimately develops the database of customers and potential customers, for enhancing relationships. The Australian Gospel Music Festival, held annually in the Darling Downs region, also utilises their web site as a means of gathering customer details, and building their Customer Relationship Management systems, to enhance loyalty and increase return visits to the festival. This CRM system provides the festival with good results and a loyal and aware customer base (Moody 2002).

Research in the US has indicated that approximately 70% of CRM projects currently fail (Nestiuk 2002). With such a high failure rate, a company targeting the regional market must address CRM in depth, and not simply implement a CRM system, but also integrate it in their business operations. A sophisticated CRM system would allow the organisation the ability to communicate effectively and build relationships.

The difficulty for small, regional organisations operating only in the regional market is competing with larger, national organisations that are implementing sophisticated Customer Relationship Management systems that they are successfully targeting the regional Internet enthusiast. Research indicates that many organisations operating in the regional market do not even have a computer in their organisation, let alone sophisticated technical skills (Flint & Herbert 2000). The technological knowledge required, and the infrastructure may ensure that regional businesses cannot compete against national businesses operating in the regional market. The use of a generic CRM program is recommended for regional firms trying to compete against national organisations within the market, and, as mentioned previously, focus on the regional emphasis is required.
Limitations

This exploratory paper has addressed the major issues in building loyalty in the regional Australian market, however no primary research has been undertaken by the author, and very little has been undertaken addressing loyalty in a regional market. This has ultimately limited the scope of this study. In addition the emphasis on the Australian market has restricted the ability to apply the recommendations in areas other than Australia. While it is anticipated that regional markets in places other than Australia would experience similar problems, research would need to be undertaken to develop a series of specific recommendations for regional environments across the globe.

Further research

In light of the research undertaken, a series of issues for further research have been identified:

• Research should be undertaken to see how loyalty affects both consumers and stakeholders in regional areas.

• It is anticipated that products from regional areas, whether local or not, will be the first choice for the regional consumer. Further research should also address how other elements of the marketing mix (for example price) has an impact on loyalty in a regional context

• In addition, further research should focus on the different business-to-business relationships in the regional environment. This paper has focused primarily on B2C relationships. As indicated, stakeholder relationships need to be fostered, and in particular, this should not be ignored in a regional context. Building trust is imperative in a B2B relationship, and this is very important in the regional market

• Regional Australians tend to embrace Internet technologies, which businesses operating in the regional environment tend to shy away from using them. It is therefore important to assess the socio economic advantages of embracing Internet technologies in the regional environment. In addition, research is required regarding the relevance and importance of implementing CRM solutions in the regional market. Methods for implementing these solutions in a small, regional organisation must be addressed to ensure these organisations can combat the efforts of larger, national organisations.

Implications for Marketing Managers in the Regional Environment

Despite some limitations with this paper, a number of recommendations have been generated for Marketing Managers attempting to build loyalty with regional consumers. The regional environment differs quite dramatically from the urban environment in relation to many factors.

The regional market offers a number of challenges for marketers. By ignoring differences in the markets, a business cannot succeed. Therefore it is recommended that all firms embarking on a regional or national marketing campaign address segmentation issues, and understand the differing needs of the market in terms of media consumption, to inevitably tailor a communications plan for the regional market.
Fostering loyalty is imperative in the regional market. If selling a local product, this needs to be promoted to the market. If selling a market leader, other methods need to be practiced to increase loyalty of the regional market. This loyalty can be fostered through communication of issues and attributes relevant to regional consumers, and through sponsorship of local events reinforcing this focus. Finally, implementing an appropriate CRM system and utilising this CRM system to keep in regular contact with consumers should assist in fostering loyalty. Regional organisations must address this issue and may require employing technical expertise or utilising a generic customer relationship system to compete against larger national firms vying for a share of loyalty with the regional market.

Building relationships with the regional market is necessary. By considering the differences in the market from the urban environment, and implementing the recommendations provided, an organisation should succeed in fostering loyalty within the Australian regional market.

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