Panel data FAQ: What does loyalty really mean?

Panel data fundamentals focus on four key metrics: penetration, buying rate, purchase size and purchase frequency. You can read more about those fundamentals here. There are other factors, though, that can influence shopper decisions that we can use panel data to understand further, including “loyalty” - a term that, in the CPG universe, actually refers to a specific measure.

What is loyalty?

Let’s imagine a household buys 10 bags of coffee in a year. 5 of those bags of coffee are Brand Gray, while another 5 of those bags of coffee are Brand White. That means this household shows a 50% loyalty to both Brand Gray and Brand White. Said another way, this household fills 50% of their category volume requirements with Brand White/Brand Gray.

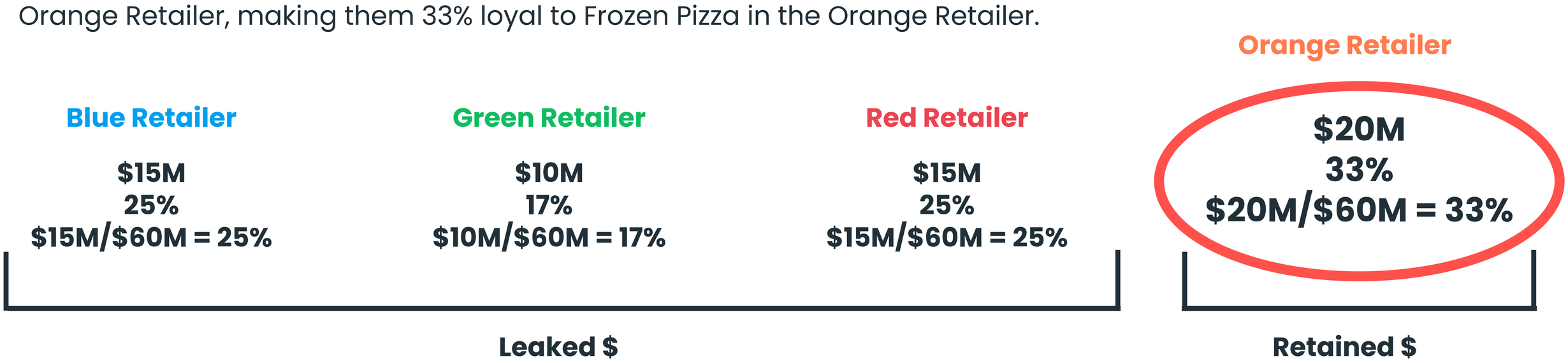
It’s also good to note that the order this household purchases or what combination this household purchases in does not matter - the only thing that matters is the resultant volume.

This is why we define “loyalty” as the share of requirements, or the percent of a household’s needs that are met by a specific product. Importantly, this also includes one time buyers. If a household only buys one bag of coffee per year and it is Brand Gray, that brand has met 100% of their category volume requirements.

In panel data, loyalty is NOT the same as share of wallet

Don’t confuse loyalty with share of wallet. Unfortunately this is an easy mistake to make as share of wallet is also commonly referred to as Shopper Loyalty. However, while loyalty typically refers to loyalty to a brand, share of wallet (a.k.a. Shopper Loyalty) instead refers to loyalty to a retailer.

Let’s say, for example, Orange Retailer’s shoppers spend $60M on Frozen Pizza across all the retailers they shop at. In the graph below, you can see that Orange Retailer’s shoppers spend 33% of their total Frozen Pizza dollars at Orange Retailer, making them 33% loyal to Frozen Pizza in the Orange Retailer.



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