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Double Jeopardy Patterns in a Middle Eastern Retail Services Setting

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Abstract

The main aim of the study is to identify whether the Double Jeopardy (DJ) phenomenon is evident in the Kuwait retail services market. Through a survey of 618 consumers of coffee shops in Kuwait, the study finds a positive relationship between customer loyalty and market share in the overall category, as well as within select subcategories of coffee retailers. The findings of this study reveal that the concept of DJ does apply to coffee shops as a whole in the State of Kuwait for the given sample. Additionally, the findings show that DJ is evident even after controlling for distribution intensity. With little previous research having been conducted on the DJ phenomenon in the retail services industry, the work contributes to the growing body of literature on the DJ phenomenon.

Keywords: Double jeopardy, Customer loyalty, Market share, Kuwait

Introduction

A firm's long-term success depends on both its ability to attract customers (customer acquisition), and its capability to retain those customers (customer retention) (Livne et al, 2011). In other words, a brand's market performance is driven by both the number of individuals buying a particular brand and the frequency of repeat purchases from these customers (McDowell and Dick, 2001). The advantages garnered from loyalty are especially important since, as markets become more mature, increases in market share become more expensive (Gounaris and Stathakopoulos, 2004). As such, improvements in the loyalty base might be a viable means of maintaining market share.

Unfortunately, few customers are 100% loyal, and market share is often characterized by the law of "Double Jeopardy". According to the Double Jeopardy (DJ) phenomenon, first observed by McPhee (1963), larger brands not only have more buyers, but these buyers tend to buy more often (Labeaga-Azcona et al, 2010). On the other hand, smaller brands not only have fewer buyers, but those buyers also tend to buy those brands less often (Bennett and Graham, 2010). In essence, larger brands win twice and, conversely, smaller brands are punished twice. The observance that

brands with large market shares usually have the most brand loyal buyers (and vice versa) was termed "Double Jeopardy" because it seemed unfair for smaller brands to suffer in both ways.

In the past few years alone, research related to the DJ phenomenon suggests its applicability to a variety of consumer brands and settings, including in the markets for automobiles, coffee, toothpaste, and soy sauce (Bennett and Graham, 2010; Graham, 2009; Uncles et al, 2010). Nevertheless, these studies have been in the packaged goods industry, whereas little research has been conducted on the DJ phenomenon in the retail services industry. This is significant because in a market with evidence of a strong DJ effect, it would be difficult for small share firms to grow or for new competitors to successfully enter the market effect.

In recent years, Middle Eastern markets have continued to grow. In particular, the countries of the Gulf Cooperation Council (GCC), including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, in aggregate represent one of the 20 largest economies in the world (Yates, 2013). In addition, the region displays some of the world's highest average annual income per capita. This represents an important opportunity for retailers. Nowhere in the region is this more evident than in Kuwait. Kuwait has a population of over 3.5 million people, and 90 per cent are located in urban areas, primarily around Kuwait City. With a highly urbanised population, a rich consumer base, and an undersupply of retail space, retail sales in Kuwait are expected to grow at a steady annual rate of more than 7 per cent in the next four years (Gavin, 2013). Given the values and lifestyles of the Kuwaiti consumer population, including the prohibition of alcohol, coffee retailing is particularly well-positioned for future growth. Also, While Graham (2009) confirmed the DJ phenomenon in the UK market for instant coffee, few studies have examined DJ in the retail services sector. Therefore, it is important for both practitioners and theoreticians alike to determine if customer loyalty patterns are consistent with the DJ phenomenon in this dynamic and growing Middle Eastern retail market. The main aim of the study, therefore, is to identify whether the DJ phenomenon is evident in the Kuwait retail services market.

Literature Review

As described previously, DJ is broadly characterized as a phenomenon whereby small-share brands attract somewhat fewer loyal consumers, who tend to buy the brand in smaller quantities, while larger-share brands are purchased more often by customers who exhibit more loyalty (Ehrenberg and Goodhardt, 2002; Labeaga-Azcona et al., 2009). Thus, less popular brands are punished twice: (i) they have fewer buyers, and (ii) those buyers exhibit less loyalty to the brands they buy. McPhee (1963) was the first to identify the DJ phenomenon. He explained that DJ occurs when consumers select between two brands of equal merit, one having a larger market share and the other having a smaller market share. In this instance, consumers are typically drawn toward the larger share brand. This does not necessarily signify a weak small brand or a strong large brand. Rather, it reveals that the smaller share brand is less popular than the larger share brand, and that this popularity becomes a self-perpetuating factor.

In addition, recent work on the DJ phenomenon reveals DJ patterns in the area of brand defection as well. Although some level of brand defection can be expected in any given market, and brand defection varies dramatically by the product category examined, brand defection rates are also subject to the laws of DJ (Wright and Riebe, 2010). Thus, within-market brand defection rates are dependent on the market share of the focal brand, with larger share brands experiencing lower brand defection rates.

According to Sharp et al (2012), the DJ phenomenon is one of marketing's most famous empirical laws, holding across different product categories, countries, and time. Consumers are habitual over time, and they "do not randomly allocate their purchasing among all brands in a category, but do so in a biased fashion" (Sharp et al, 2012, pp. 203-204). In fact, the law of DJ is governed by the Dirichlet model of consumer choice, which predicts stable purchase probabilities over time. Although exposure to marketing activities, clever in-store merchandising, or even random events may conspire to occasionally alter consumer choice, consumers have a natural tendency to be loyal and, as predicted by the Dirichlet model, their aggregate loyalty patterns towards brands change very little over time. Pare and Dawes (2012) recently demonstrated the stability of long-term loyalty patterns over a multi-year period for 20 different categories of packaged goods. Although excess loyalty patterns over multiple years where a rare occurrence, the majority of brands that did show persistent excess loyalty where the market share leaders, lending further support to the presence of the DJ phenomenon in the packaged goods industry.

Given the evidence for the DJ phenomenon in the packaged goods industry (Pare and Dawes, 2012), and even more specifically, in the packaged goods coffee market (Graham, 2009), it would be reasonable to expect a positive relationship between market share and customer loyalty in the retail services sector as well. Consequently, the first hypothesis is proposed:

H_1: Retailers in the Middle Eastern coffee market with higher market shares will have a higher percentage of brand loyal customers.

One simple explanation for DJ could be that the more effectively marketed product wins in the marketplace. In fact, this superiority could be primarily based on more extensive distribution (Kucuk, 2008). According to Kucuk (2008), distribution might contribute to the creation of behavioral brand loyalty when frequently-purchased products are widely available in the market. Therefore, distribution alone can potentially help explain DJ patterns. As such, firms might be able to avoid DJ and create a greater level of loyalty for their own brands by simply increasing distribution and availability. Nevertheless, if the DJ phenomenon exists as a robust theoretical marketing concept, distribution intensity should not serve to alter the relationship between market share and customer loyalty. This leads to the second hypothesis:

H_2: DJ patterns are evident in the Middle Eastern retail coffee market regardless of distribution intensity.

Research Methodology

Sample and Data Collection

A three phase process was used to gather data for the project. First, a secondary literature search was undertaken to gain general macro information about coffee shops, the coffee industry, and the population in Kuwait. Second, interviewers contacted managers to get information about the coffee shops, including the number of customers. Third, interviewers contacted consumers of coffee shops to obtain information about their coffee consumption habits.

At the time of the study, thirty-nine coffee shop retailers were operating in Kuwait. Most of these coffee shop retailers had multiple locations throughout the city of Kuwait, operating approximately three hundred and fifty coffee shops (Kuwait Chamber of Commerce, 2011). A retailer was considered for inclusion in the study if coffee was one of the main reasons that consumers might frequent the business. There are no bars or entertainment complexes in Kuwait. Therefore, coffee shops are places of gathering for many in the population wanting to meet with friends outside the home.

The list of coffee retailers was derived from the Kuwait Chamber of Commerce (2011) and also from student questionnaires on coffee patronage. The thirty-nine retailer brands were then placed into submarkets following an in-depth interview session with fifteen men and women. The results of the initial session were then verified in a follow-up session with fifteen additional participants. This procedure resulted in the identification of three general product-markets within the coffee shops category: (i) standard coffee shops (24), (ii) specialty coffee shops (9), and (iii) eatery coffee shops (6).

Interviews with the home office marketing managers of each retailer were conducted by eight trained professional interviewers. Each interviewer was assigned the task of gathering information from 4-5 company representatives. The information pertained to data such as entry into the Kuwait market, number of customers per day, amount of coffee per serving, and the number of outlets. A total of 39 companies were reached, and contact was made with either a marketing manager or head office manager.

The authors selected two descriptors, age and gender, to provide guidelines for selecting the sample. Secondary data sources provided age and gender statistics, which were used as guidelines for the percentages of adults to be included in each age/gender category (CIA World Fact book, 2011; Kuwait Public Authority for Civil Information, 2011). Table 1 below shows the expected percentages in each age/gender category, as well as the actual numbers from the sample. As noted in Table 1, no differences in age and gender were evident between the 618 individuals sampled and the population as a whole (X^2=2.03, p=0.37).

Table 1: Test for Sample vs. Population Representativeness

Age		Male	Female	Total
18-29	**exp. %**	21.8%	21.8%	43.5%
	expected #	133.13	133.13	266.25
	Sample #	131.00	140.00	271.00
30-54	**exp. %**	21.5%	21.5%	43.0%
	expected #	131.54	131.54	263.09
	Sample #	139.00	120.00	259.00
55+	**exp. %**	7.1%	7.1%	14.3%
	expected #	43.70	43.70	87.4
	sample #	41.00	45.00	86.00
Total	**exp. %**	50%	50%	100%
	expected #	308.37	308.37	616.74
	sample #	311.00	305.00	616.00

X^2=2.03, "p"=.374

Measurement

The study included a variety of constructs pertaining to market share, consumer loyalty, and buying volume. All of the analyses in the study were done at the aggregate-level. In other words, the six hundred eighteen consumer responses were aggregated into an average, a percentage, or a total pertaining to each of the thirty-nine coffee shops. Three market share indicators were used in the study: (i) Market Share- as measured by Total Spending (MS_TSPEND), (ii) Market Share- as measured by Total Customers (MS_TCUST), and (iii) Market Share- as measured by Spending per Outlet (MS_SPND/ST). The first two indicators were used in the general Double Jeopardy analysis ($H_{1)}$, while the third indicator was used only in the test to determine the importance of distribution intensity for DJ ($H_{2)}$. A summary of the measures is provided in Table 2, and each measure is described below.

Table 2: Measures

Market Share Indicators	Total Spending: **MS_TSPEND** Total Customers: **MS_TCUST** Spending Per Outlet: **MS_SPND/ST**
Customer Loyalty Indicators	Top Favorite Brand: **LY_%FAV1** Top Three Brand: **LY_%FAV3** Top Five Brand: **LY_%FAV5** Most Visited: **LY_%VIS1** Top Three Visited: **LY_%VIS3** Top Five Visited: **LY_%VIS5** Top 5 Brand and Top 5 Visited: **LY_True**
Buyer Volume Indicators	Average Spent: **SPND/VIS** Average Minutes Per Visit: **MIN/VIS** Number of Usage Occasions: **USOCC**

The first share indicator, MS_TSPEND, refers to a given retailer's share of the estimated total spending at coffee shops within the sample. Total spending at each coffee shop retailer brand was calculated as the estimated number of visits to each coffee shop retailer multiplied by the estimated average amount spent per visit within

a three month period. Totals for spending were summed for all thirty-nine coffee shops brands to arrive at total category spending (sales). Respondents were asked to indicate their average spending on a typical visit to a coffee shop by writing in the amount in Kuwaiti Dinars (Kd). Respondents were also asked to estimate the number of visits to each of the coffee shops within a three month period, which tells us the coffee shops the respondents are using along with how often. The MS_TSPEND was calculated for each retailer by dividing the specific sales of a retailer by the total spending in the category: $MS\_TSPEND_i = TSPEND_i/Sum$ (TSPEND). Within the sample, the three month average total spending for each coffee shop retailer was about Kd 27,904, while the total for the thirty-nine stores was about Kd 1,084,276. The range was from Kd 4,638 to Kd 354,008. The MS_TSPEND variable ranged from less than 1% to 31%.

The second share indicator, MS_TCUST, refers to a given retailer's share of the total customers at coffee shops within the sample. Although the sample size was 618, each respondent is most likely to be a customer at more than one coffee shop. Therefore, for this indicator there were more total customers than the sample size. The total customers for each coffee shop retailer were found by summing those respondents who had visited the coffee shop retailer within the previous three months, as noted previously. Totals were added for all thirty-nine coffee shops brands to arrive at total category number of customers. The MS_TCUST was calculated for each retailer by dividing the specific number of customers of a retailer by the total customers in the category: $MS\_TCUST_i = TCUST_i/Sum$ (TCUST). Within the sample, the average number of customers for each store was about 143, while the total number of customers for the thirty-nine stores was about 5,606. The range was from 11 to 567. The MS_TCUST variable ranged from less than 1% to 28%.

The third market share indicator, MS_SPND/ST, refers to a given retailer's share of the estimated total spending at coffee shops on a per outlet basis, when compared to the other stores averages and not to total outlets. Total spending at each coffee shop retailer brand was calculated as indicated above with MS_TSPEND. Then these values were divided by the number of outlets for each of the coffee shop retailers. Within the sample, the three month average total spending for each store was about Kd1, 632, and MS_SPND/ST ranged from less than 1% to 14%.

Seven customer loyalty indicators were used in the study: (i) Top favorite (LY_%FAV1), (ii) Top Three (LY_%FAV3), (iii) Top Five (LY_%FAV5), (iv) Top Visited (LY_%VIS1), (v) Top Three Visited (LY_%VIS3), (vi) Top Five Visited (LY_%VIS5), and (vii) True Loyalty (LY_TRUE). The first six indicators were used to test the share – loyalty relationship, while the seventh was used to assess buyer volume. The loyalty indicators were derived from both perceptions (LY_FAV1, LY_FAV2, LY_FAV3, LY_TRUE) and behavioral estimates (LY_VIS1, LY_VIS2, LY_VIS3, LY_TRUE). It was expected that this would provide a more reliable measure for the construct of customer loyalty. The average correlation between the first six indicators of loyalty for the thirty-nine coffee shop retailers was approximately +0.84. The average correlation between the seventh indicator and the other six for the thirty-nine coffee shop retailers was approximately +0.85. The high correlations provide evidence of validity for the loyalty measures, suggesting they are equivalent forms of the same construct.

The first customer loyalty indicator, LY_%FAV1, refers to the percentage of the sample which ranked each coffee shop retailer as their favorite. Respondents were asked to rank their top five favorite coffee shop retailers by placing the numbers five to one in front of their favorites. It was not necessary to note five favorites; rather five was the maximum to be ranked. The LY_%FAV1 variable was calculated by counting the number of times a coffee shop retailer was listed as the top brand and dividing by the number of respondents. Thus, LY_%FAV1 = (# top rankings)/618. The average number of top rankings was 15.51 with a range from 0 to 205. Therefore, LY_%FAV1 had a range from 0% to 33%.

The second customer loyalty indicator, LY_%FAV3, refers to the percentage of the sample which ranked each coffee shop retailer as one of their top three favorites. The LY_%FAV3 variable was calculated by counting the number of times a coffee shop retailer was listed as one of the top three brands and dividing by the number of respondents. Thus, LY_%FAV3 = (# top three rankings)/618. The average number of top three rankings was 46.81 with a range from 1 to 385. Therefore, LY_%FAV3 had a range from less than 1% to 62%.

The third customer loyalty indicator, LY_%FAV5, refers to the percentage of the sample which ranked each coffee shop retailer as one of their top five favorites. The LY_%FAV5 variable was calculated by counting the number of times a coffee shop retailer was listed as one of the top five brands and dividing by the number of respondents. Thus, LY_%FAV5 = (# top five rankings)/618. The average number of top five rankings was 76.33 with a range from 2 to 488. Therefore, LY_%FAV3 had a range from less than 1% to 79%.

The fourth customer loyalty indicator, LY_%VIS1, refers to the percentage of the sample which indicated a given coffee shop retailer as their most visited. Respondents were asked to indicate the number of visits they made to each of the coffee shop retailers in the past three months. The LY_%VIS1 variable was calculated by counting the number of times a coffee shop retailer was the most visited coffee shop for the respondents. Thus, LY_%VIS1 = (# most visits)/618. The average number of top visits was 17.67 with a range from 0 to 349. Therefore, LY_%VIS1 had a range from 0% to 56%.

The fifth customer loyalty indicator, LY_%VIS3, refers to the percentage of the sample which indicated a given coffee shop retailer as one of their top three most visited. The LY_%VIS3 variable was calculated by counting the number of times a coffee shop retailer was included in the top three most visited coffee shops for the respondents. Thus, LY_%VIS3 = (# top three visits)/618. The average number of top three visits was 46.18 with a range from 1 to 475. Therefore, LY_%VIS3 had a range from less than 1% to 77%.

The sixth customer loyalty indicator, LY_%VIS5, refers to the percentage of the sample which indicated a given coffee shop retailer as one of their top five most visited. The LY_%VIS5 variable was calculated by counting the number of times a coffee shop retailer was included in the top five most visited coffee shops for the respondents. Thus, LY_%VIS5 = (# top five visits)/618. The average number of top five visits was 74.10 with a range from 2 to 525. Therefore, the LY_%VIS3 variable had a range from less than 1% to 85%.

Consistent with the Dick and Basu (1994) loyalty framework, which defines true loyalty as a function of both attitude and behavior, the seventh customer loyalty indicator, LY_TRUE, refers to the number of people who both rank a coffee shop in the top five and also rate that coffee shop as one of their top five most visited. Thus, LY_TRUE =# [(top five rankings) and (top five most visited)]. Note that the total of LY_TRUE are many more than the sample size, as it is possible for respondents to have more than one coffee shop having both a top five ranking and being within the top five most visited. The average number of LY_TRUE was 53.46 with a range from 1 to 453 for the coffee shops. The LY_TRUE variable is used to identify loyal customers for each coffee shop retailer in order to distinguish the loyal users from the other users for each coffee shop retailer. The use of LY_TRUE is relevant to the volume indicators outlined below.

Three buyer volume indicators were included in the study: (i) Average Spent (SPND/VIS), (ii) Average Minutes per Visit (MIN/VIS), and (iii) Usage Occasion (USOCC). As with all measures in this study, the data were aggregated across the retail coffee shops to present an average for the customers of each retailer. These items were included in the study to test H_1 that those brands with higher shares have more brand loyal customer. These items were also used to determine if those loyal customers not only purchase more often than other customers, but also tend to purchase at a higher volume on each purchase occasion, which could be one explanatory mechanism for the DJ phenomenon.

The first volume indicator, SPND/VIS, refers to the average monetary amount that the customer of each coffee shop retailer spends on the typical visit. Respondents were asked to indicate an estimated amount in Kuwaiti Dinars for the average that they spend in a typical visit to a coffee shop. The SPND/VIS variable averaged Kd 4.76, with a range of Kd 3.73 to Kd 5.84. The second volume indicator, MIN/VIS refers to the average time that the respondents are in a coffee shop during the typical visit. Respondents were asked to estimate this amount in minutes. The MIN/VIS variable averaged 61.47 minutes per visit, with a range from 52.29 to 76.14. The third volume indicator, USOCC, refers to the number of usage occasions that the respondents identified as instances during which they consumed coffee. The possible occasions were the following: at home, for dessert, at work, when tired, at school, when alone, with a meal, before work, with friends, after work, after a meal, to relax, or other occasions. Thus, the potential range of USOCC was from one to twelve. The USOCC variable averaged 5.43 occasions, with a range from 3.91 to 6.36.

Analysis

Two specific hypotheses were addressed in the study. H_1 proposes that retailers with higher market shares will also have a higher percentage of brand loyal customers. In other words, is Double Jeopardy evident in the coffee shop retailer market? This was tested by correlating the loyalty indicators with the market share indicators. This test was performed for all thirty-nine coffee shop retailers, and again for each of the submarkets: standard coffee shops, specialty coffee shops, and eatery coffee shops. In order to address H_2, the loyalty – share relationship was again tested, but this time while controlling for distribution intensity. In addition, the question of whether loyal buyers are better customers than other buyers in terms of both the number of

purchases and the volume of purchases was also addressed. Two-tailed tests were used in the correlation analyses.

The investigation into the existence of DJ was done by correlating the six loyalty indicators with the two market share indicators. These analyses are shown in Table 3 for the overall category of coffee shops, Table 4 for standard coffee shops, Table 5 for specialty food coffee shops, and Table 6for eatery coffee shops. The results indicate that Double Jeopardy is evident in these coffee shops, yet more so at the category-level as a whole than in the various submarkets.

Regarding the DJ test for H_1, using Pearson's *"r"*, which includes all thirty-nine coffee shop retailers, the data in Table 3 indicate that there is a definite and strong DJ effect among all coffee shops. As noted, all twelve correlations are significant and positive at the "*p"*=0.001 level.

Table 3: Correlation Analysis for Loyalty and Market Share: All Coffee Shops

		LY_ %FAV1	LY_ %FAV3	LY_ %FAV5	LY_ %VIS1	LY_ %VIS3	LY_ %VIS5
MS_TSPND	***"r"*=**	0.986	0.943	0.895	0.867	0.894	0.776
	***"p"*=**	0.000	0.000	0.000	0.000	0.000	0.000
MS_TCUST	***"r"*=**	0.860	0.780	0.734	0.815	0.774	0.638
	***"p"*=**	0.001	0.001	0.001	0.001	0.001	0.001

Regarding the DJ test, using Spearman's "*rho"* (Spearman, 1904), which includes only the twenty-four standard coffee shop retailers, the data in Table 4 indicate that there is a definite and strong DJ effect among the standard coffee shops. As noted, eleven out of twelve correlations are significant and positive at the "*p"*=0.030 level.

Table 4: Correlation Analysis for Loyalty and Market Share: Standard Coffee Shops

		LY_ %FAV1	LY_ %FAV3	LY_ %FAV5	LY_ %VIS1	LY_ %VIS3	LY_ %VIS5
MS_TSPND	***"rho"*=**	0.882	0.912	0.950	0.442	0.462	0.778
	***"p"*=**	0.000	0.000	0.000	0.030	0.023	0.000
MS_TCUST	***"rho"*=**	0.567	0.595	0.618	0.263	0.563	0.589
	***"p"*=**	0.004	0.002	0.001	0.214	0.004	0.002

Regarding the DJ test, using Spearman's "*rho"*, which includes only the nine specialty-food coffee shop retailers, the data in Table 4 indicate that there is a moderate DJ effect among the specialty-food coffee shops. As noted, five out of twelve correlations are significant and positive at the *"p"*=0.01 level. The remaining seven out of twelve are positive but not significant.

Table 5: Correlation Analysis for Loyalty and Market Share: Specialty Coffee Shops

		LY_ %FAV1	LY_ %FAV3	LY_ %FAV5	LY_ %VIS1	LY_ %VIS3	LY_ %VIS5
MS_TSPND	**"*rho*"=**	0.904	0.933	0.967	0.583	0.950	0.767
	"*p*"=	0.001	0.000	0.000	0.099	0.000	0.016
MS_TCUST	**"*rho*"=**	0.282	0.410	0.360	0.017	0.293	-0.100
	"*p*"=	0.463	0.273	0.342	0.966	0.444	0.797

Regarding the DJ test, using Spearman's "*rho"*, which includes only the six eatery coffee shop retailers, the data in Table 5 indicate that there is a minimal DJ effect among these coffee shops. As noted, only three out of twelve correlations are significant and positive at the "*p"*=0.042 level. The remaining nine out of twelve are positive but not significant.

Table 6: Correlation Analysis for Loyalty and Market Share: Eatery Coffee Shops

		LY_ %FAV1	LY_ %FAV3	LY_ %FAV5	LY_ %VIS1	LY_ %VIS3	LY_ %VIS5
MS_TSPND	**"*rho*"=**	0.928	0.829	0.986	0.257	0.257	0.657
	'*p*'=	0.008	0.042	0.000	0.623	0.623	0.156
MS_TCUST	**"*ho*"=**	0.134	0.088	0.224	0.177	0.177	-0.088
	"*p*"=	0.800	0.868	0.670	0.738	0.738	0.868

In testing H_2, we use Pearson's "*r"* to determine if distribution intensity might be the primary explanation for the DJ phenomenon. This was performed by correlating the six loyalty indicators with the third market share variable, MS_SPND/ST, which is market share on an average per store basis. This eliminates the effect of multiple outlets from the analysis. The data are shown in Table 7 and reveal that four out of six correlations are significant at the "p"=0.030 level and another at the "p"=0.075 level. Only one correlation exhibited no relationship. Contrary to the explanation posited by Kucuk (2008), the data indicate that DJ is not entirely dependent on distribution intensity. Rather, DJ is evident even after controlling for the number of outlets/shops, lending support to H_2. However, it must be noted that the DJ effect is much stronger when not controlling for distribution intensity. Therefore, distribution is probably an important determinant or moderator in the DJ phenomenon, but not the primary determinant.

Table 7: Correlation Analysis for Loyalty and Market Share: Controlling for Distribution

		LY_ %FAV1	LY_ %FAV3	LY_ %FAV5	LY_ %VIS1	LY_ %VIS3	LY_ %VIS5
MS_SPND-STR	**"*r*"=**	0.289	0.442	0.486	0.106	0.350	0.532
	"*p*"=	0.075	0.005	0.002	0.522	0.029	0.000

One additional test was conducted to determine if loyal buyers are also high volume buyers. This was done by performing a *t*-test of the mean differences on the three volume variables (SPND/VIS, MIN/VIS, and USOCC) based on their loyalty category as outlined in the seventh loyalty variable, LY_TRUE. In order to perform this test, the means for the respondents (both true loyal users and other users) were aggregated for each coffee shop retailer and then compared. The results of this test are shown in Table 8. The data do not support the notion that loyal customers are necessarily higher volume customers, at least within this category. As noted, the tests for SPND/VIS ("*p"*=0.68) and MIN/VIS ("*p"*=o.48) are both in the anticipated direction, but insignificant. This indicates that loyal buyers neither spend more nor do they stay longer when visiting coffee shops as compared to other buyers. The third variable, USOCC, shows a significant difference ("*p"*=0.05); however, contrary to what might be expected, loyal buyers use coffee on fewer occasions than other buyers. Therefore, no support is offered to suggest that loyal buyers are necessarily higher volume buyers.

Table 8: *t*-Test of Consumer Volume for Loyal Buyers vs. Other Buyers

	Mean Diff. $(X_{loy} - X_{other})$	***t***	**"p"**
SPND/VIS	0.06	0.40	0.68
MIN/VIS	2.43	0.70	0.48
USOCC	-0.28	-1.99	0.05

Implications for Business Marketing Practice

The findings of this study reveal that the concept of Double Jeopardy (DJ) does apply to coffee shops in the State of Kuwait for the given sample. The correlations analyses between market share and loyalty indicate that the two variables are significantly and positively related, especially in the overall category and in the case of standard coffee shops. It is less apparent that DJ is evident in the other sub-sectors by which the coffee shops were disaggregated. However, the small number of retailers competing in these areas may not offer a large enough sample to accurately test these submarkets. Nevertheless, the use of multiple indicators (and thus the multiple tests) for both loyalty and share allows greater confidence in the conclusions of the study. Thus, we can conclude that coffee shops with larger shares also have larger percentages of loyal buyers, whereas coffee shops with smaller shares tend to also have smaller percentages of loyal buyers.

Additionally, the finding that DJ is evident even after controlling for distribution intensity is highly important. One possibility is that the DJ effect is simply derived from distribution intensity (Kucuk, 2008). This study finds that not to be the case. Although the DJ effect was shown to be weaker after controlling for distribution, the effect was still evident. This suggests that distribution, although not the sole driver of the DJ phenomenon, is nevertheless important, either as a moderator variable or as one of many determinants of the DJ effect. It should be noted, however, that the quality of distribution was not included in this study. Quality of distribution, such as appealing physical facilities, better shelf space, or better locations may be another determining factor in the DJ effect.

Finally, we examine the possibility that loyal buyers are higher volume buyers, therefore helping to reinforce the DJ effect. However, no evidence was found in this study to support this idea. In fact, one of the variables studied suggested otherwise; that the loyal buyers actually used this type of product on fewer occasions than other buyers. Regardless, the results point to the fact that DJ is evident even without a reinforcing mechanism related to purchase volume.

As DJ patterns are shown to be evident in this sector of the retail food services market, there are definite implications for the various competitors within the industry. The existence of DJ patterns may reveal a future problem for the smaller Kuwaiti service providers in both the food services category and possibly other retail categories as well. Our research suggests that smaller Kuwaiti coffee shop retailers are faced with not only lower market shares, but also with smaller numbers of brand loyal buyers. According to Bandyopadhyay et al. (2005), the result of having fewer loyal buyers is that the smaller-share businesses will gradually lose market share to the larger businesses as time progresses.

With fewer buyers switching to the smaller share coffee retailers, in the long run these small retailers may end up with even smaller shares. By recognizing the existence of the DJ pattern, retailers may be able to take a variety of proactive measures designed to minimize their disadvantage in the marketplace. Specifically, the long-term digression in market share may be prevented with an active marketing program aimed at increasing loyalty among the consumers of those smaller businesses.

The prognosis for larger businesses is much more favorable. Larger share coffee retailers, assuming continued high-quality managerial decision making, should end up growing even larger in the long-term. Overall, the large-share coffee shops enjoy a distinct competitive advantage in the marketplace. Due to the advantages of having a large share to begin with, which include stronger brand names with higher levels of brand recognition, better financial performance, and more favorable distribution, these larger retailers are not as likely to face the digression in market share expected with the smaller competitors. On the contrary, the large-share coffee shops should instead increase market share due to gaining switchers from the small competitors, as well as attracting a larger share of new customers.

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