CUSTOMER SATISFACTION AND CUSTOMER LOYALTY: A STUDY PROPOSING BRAND IMAGE AS A MODERATOR

OMOLADE OLAJIDE
Department of Business Administration
Kaduna State University, Kaduna
mldtemi002@gmail.com

&

YUSUF ABDULRAHIM OTORI
Department of Actuarial Science and Insurance
Ahmadu Bello University Zaria
abdulrahimotori@gmail.com

Abstract

In this present era each and every industry try to present better services and quality of product as well as some additional features in their product which give additional weight in the market. Thus, customer loyalty has drawn significant interest among marketing practitioners and marketing literature for over decades. A number of studies have been conducted to empirically examined the effect of customer satisfaction on customer loyalty, findings have revealed inconsistencies thereby suggesting incorporation of a third variable which may be responsible for such non conformity among research findings. Base on this and other revelations from past empirical studies, the current paper proposed brand image as a possible contingent variable in the relationship between customer satisfaction and customer loyalty. This model has provided the needed arguments and empirical supports for which future studies can be based.

Keywords: Customer Loyalty, Customer Satisfaction, Brand Image

1. Introduction

The business paradigm in marketing is shifting as importance is being given to customer loyalty instead of customer acquisition in order to create long lasting relationships with customers. For an organization to succeed in the market place, Sasmita, Sankar, & Jyotirmaya (2019) argued that what is more important to a business is the number of customers who carry out regular purchases rather than those customers who do not. The proof of customers’ frequent buying and repeat purchase of service or product of an organization and constant recommendation of same to other customers is known as customer loyalty (Leninkumar, 2017). It is considered as the plan of the buyers to carry out repeat purchases to build a continuous relationship with the organization. This emphasizes the major role customer loyalty plays in different organizations. It may also be viewed as favorable word of mouth extended by a customer to other potential customers which create more buying and buying intention of the products or services (Liu, Tsai, Xiao, & Hu, 2020). In this present era, every organization are trying to provide superior services and products in other to acquire more
market share in their industry. Increase in customer loyalty means a higher market share and an ability to demand relatively higher prices compared to those of competitors (Chaudhuri & Holbrook, 2001 & Hsieh & Li, 2007)). Low cost of marketing, effective trading leverage as well as more customer base among others are possible results of this rise in customer loyalty (Aaker, 1997). Further to this, retained customers have the ability to foster positive word of mouth as a way of promoting and communicating the product to other customers, sideline other competing products (Dick & Basu, 1994) and create large amount of profits (Fornell & Wernerfelt, 1988). Given this significant role played by customer loyalty among businesses, studies have suggested factors capable of improving the loyalty of customers. These factors include customer satisfaction as examined in the studies of Ghafoor, Iqbal, and Murtaza (2012), Kumar, (2018) and Sasmita et al., (2019) and brand image as investigated in the works of Andreani, Taniaji, Natalia, and Puspitasari, (2004), Ghafoor et al., (2012), Sulibhavi and Shivashankar (2017) and Tu, Li, and Chih (2013).

A thorough research has been conducted in customer satisfaction and thus, the concept has grown to be considered as key in organizational marketing in the last decades. Firms can speed up their competitive advantage over competitors by generating higher customer satisfaction (Minh & Huu, 2016). Most frequently customer satisfaction is considered as an important antecedent of customer loyalty. Customers who are pleased with the service provided to them will most probably inform other people about their encountered; however, customers who are not pleased with the services will also communicate same to others. One of the major business objectives is achieving higher customer satisfaction and to make this come through, firms must ensure clear assessment and understanding of customer needs and consequently provide these needs at the lowest possible price. Thus, establishing and sustaining long customer favourable relationship is encouraged (Leninkumar, 2017).

Brand image on the other hand has been researched widely by scholars; it has specified impact on loyalty intentions that is customer repurchase intentions. Social, confident and special brand image has positive impact on loyalty intention. Corporate brand image is created when evidence of the service or product is retained in the mind of customers, this is mostly what arise to the mind when a product is positioned in front of the customers (Saleem & Raja, 2014). The image of brand plays significant role in assisting customers in perceiving the value link with the provisions (Forozia, Zadeh & Gilani, 2013). Brand Image and satisfaction contributes to the loyalty intention (Nchay Kumar & shiplap (2014). With loyal customers company will get benefit were loyalty customers willing to purchase more frequently, spend more money on products and services, recommend products and services to others and suggest sincerely to others.

Given this backdrop, it can clearly be seen that customer satisfaction and customer loyalty cannot be over emphasized in the current business competitive environments. However it may have been emphasized, it should be noted that satisfaction alone may not always result to customer retention or repurchase intention (Tweneboah-koduah, Yuty, & Farley, 2016 & Yuen & Chan, 2012; Khan, 2012). This is so because satisfaction is a reactive situation; whereas, loyalty is an active or proactive link with a customer. Though studies have consistently link customer satisfaction with customer loyalty, however the results produced contradictory evidences. While some studies have reported significant effect of customer satisfaction on
customer loyalty (see., Ghafoor et al., 2012; Khan & Fasih, 2014; Leninkumar, 2017; Youcef, Djelloul, & Abderrezak, 2019), others reported insignificant effect of customer satisfaction on customer loyalty (see., Sasmita et al., 2019; Yuliyasti, Masdupi, & Abror, 2018). Further, researchers probed into the factors that can affect the aforementioned relationship in the capacity of a moderator and presented mixed findings (Chandrashekaran et al., 2007; Srivastava, 2015 & Evanschitzky & Wunderlich, 2006). With this backdrop, it becomes imperative to build a clear conceptual understanding of customer satisfaction - customer loyalty relationship and exploring possible external influences which hold the potential to alter this relationship by affecting its form or strength or both.

This study bridges the gap in the literature by proposing brand image as a possible contingent variable in the customer satisfaction and loyalty link. Hsieh and Li, (2007) noted that some studies show that the inconsistent results might be caused by a moderator such as brand association or brand image. Existing brand image especially brand image impacts on customer satisfaction. Brand image has served as moderator in various related studies (e.g., (Hsieh & Li, 2007; Rahi, 2017; Wang & Yang, 2010). Given this disclosure in the literature, the current paper suggest brand image as a probable moderating variable on customer satisfaction and loyalty relationship.

2. Literature review and Proposed Hypotheses
This section reviews literatures on the various relationships of the variables of this study. The section begins by reviewing literatures on the relationship between customer satisfaction and customer loyalty, brand image and customer loyalty and empirical studies on instances where brand image has served as a moderator.

2.1 Customer satisfaction and Brand loyalty
In many studies, customer satisfaction has been advocated as an easier and reliable source of profits by preventing customers from defecting to other competing brands. A number of studies have been carried out on the association between customer satisfaction and customer loyalty.

Leninkumar (2017) in his assessment of the factors affecting customer loyalty, examined customer satisfaction, trust and loyalty links in the commercial banks of Sri Lanka. The study disclosed a significant effect of satisfaction on trust and loyalty. Customer satisfaction has identified to have important influence on customer loyalty.

Chuan, Imrie and Mansori, (2018) assessed the effect of service recovery and customer satisfaction on customer loyalty and findings showed positive and significant relationship between satisfaction and customer loyalty. In a similar study, El-adly (2018) investigated the association between perceived value and customer satisfaction on customer loyalty and discovered that perceived value dimensions of hedonic, price, quality, transaction indirectly and significantly affect customer loyalty just as customer satisfaction does.

Kumar (2018) examined the relationship customer satisfaction and customer loyalty in commercial vehicle industry in India, the study concluded that businesses need to increase customer satisfaction in order to boost loyalty for their product. Also, Al-msallam (2015)
examined the basic factors which affects customer satisfaction towards services of Bank by employing empirical research design on the sample of 401 respondents, the findings from his analysis supported significant effect of customer satisfaction on customer loyalty.

Zehir and Kitapçı (2011) seek to respond to the question of whether different consumer prefer different experiential appeals and whether experiential types create the relationships between brand experiences, satisfaction, trust and loyalty. The behavioral responses, sensations, feeling and cognitions stimulated by brand and other stimuli which are components of design of brand and identity, the packaging, communication and environments are viewed as brand experience. It usually influences contentment, confidence and loyalty among customers.

In their study of role of brand experience and its association with customer satisfaction, trust and service quality in creating brand loyalty, Moreira, Freitas, Moutinho (2017) employed SEM to analyze 690 users of telecomm in Portugal. Their findings among others revealed significant effect of brand experience and customer satisfaction on loyalty of customers. Similarly, Dergisi (2017) in his study of the direct and indirect effects of brand experience on consumer satisfaction, brand trust and brand loyalty, disclosed that brand experience directly and positively influences consumer satisfaction and customer satisfaction in turn affect loyalty.

2.2. Brand Image and Brand loyalty

Brand image refers to the totality of brand variety and associations in the memory of customers that make him/her develop brand perception and associations including features, brand advantage and brand attitude (Keller, 1993). Brand image according to Kotler (2001), refers to the thoughts, reflection and mind-set of person for a specific brand or product thing or object.

Hsieh, Pan and Setiono (2004) in their argument, observed that brand image aid consumer in choosing their needs and satisfaction with respect to product lines, and that also distinguishes the brand from other rivals motivating customer to buy the brand. According to Bloemer and Ruyter (1997), the effect of store image associates to store satisfactions. Other factors like social motives, relationships with customers have inverse effects on customer loyalty.

Nazir, Ali, and Jamil, (2016) assessed the mediating effect of customer satisfaction in the relationship between brand image and customer retention. Brand image was discovered to have significant effect on customer loyalty. To them, the awareness of the product or services for the customer through which the image of the organization is built has connection with satisfaction and retention. Similarly, Gulzar (2018) explored customer loyalty as mediating factor in the relationship between brand image, brand trust and brand affect on brand extension attitude. The study discovered that all the factors studied in the research have significant link with extension attitude and customer loyalty.

Neupane (2020) in his examination of brand image on satisfaction and loyalty intention, employed survey research design and percentages including regression and correlation analysis, it was discovered that overall brand image has significant effects on customer
satisfaction. Similarly, the overall brand image has significant effect on overall customer loyalty.

2.3 Brand Image as a moderator

Studies have enlightened that brand image differentiate your product by making promise with customer to make product reliable, durable, and quality effective, moreover research shows that those companied who are committed with services and are providing distinctive product feature get higher customer satisfaction and customer retention.

El-said (2020) tested the relationship between star category and price using brand image as a moderator. The findings were that brand image established a moderately fair moderating effect owing to the factor’s intrinsic subjective nature. A moderating effect was also observed for both price importance and star category on the relationship.

Also, Hsieh and Li (2007) examined the moderating effect of brand image on the association of customer perceptions of public relations and customer retention. The findings revealed that consumers’ perception of an organization’s practice is a determinant of retention. The impact of public relations perception (PRP) on customer loyalty is stronger and more significant when the brand image is favourable. Since brand image in this study boost the relationship between PRP and customer loyalty, we propose that brand image is capable of playing the same role in the relationship.

In 2010, the effect of brand credibility trustworthiness, attractiveness, expertise on the intention of customer to purchase certain brand was investigated by Wang and Yang. The result obtained also showed that brand credibility exerts a significant positive influence on consumers’ brand purchase intention. Brand image and brand awareness are found to positively moderate the relationship between brand credibility and consumers’ brand purchase intention. Consistent to this finding, is the study by Sasmita et al. (2019) whose work was directed at the effect of service quality, perceived brand image, customer satisfaction and customer loyalty. In the findings, brand image significantly moderates while customer satisfaction significantly mediates the link between service quality and loyalty.

Brand image as a moderator in the relationship between internet banking and customer loyalty was also investigated by Rahi (2017). The study is conducted using positivism paradigm and deductive quantitative methods of inquiry. A theoretical framework is proposed to suggest the links among variables. Simple and Moderating regression analysis is used to examine hypothesized relationship. The study revealed that there is significant moderating effect in the relationship between Internet banking and customer loyalty and that positive brand image would provide strong relationship between internet banking and customer loyalty.
2.4 Proposed Framework

3. Conclusion
This paper presented a proposed model for brand image as moderator in the relationship between customer satisfaction and customer loyalty. This model if proved to be valid will provide significant insight to firms into the significant brand image and customer satisfaction play in affecting customer retention. It will also alert businesses and marketers that with positive brand image, the relationship between customer satisfaction and customer loyalty is strengthened. The paper if validated will serve as stepping stone for future studies that may be interested in the proposed framework. The results of the study are expected to develop better understanding how to manage the brand extension attitude keeping in view the brand trust, image and affect while keeping main focus on the brand loyalty in industries. The study would create a significant effect on the future strategies of the organization.

References


