Leveraging Brand Loyalty in Service Branding: The Role of Satisfaction

Heang Sotheara¹, Dr. Zhang Jing², Yen Yat³

¹PhD Candidate, School of Management, Huazhong University of Science and Technology, China
²Professor of Marketing, School of Management, Huazhong University of Science and Technology, China
³PhD Candidate, School of Public Affairs, University of Science and Technology of China, China

ABSTRACT

The paper is aimed to explore the impact of perceived quality, customer-brand relationship and derived-positive experience on brand loyalty from consumer banking perspectives. It extends to investigate the mediating effect of customer satisfaction on brand loyalty in service branding. The study provides further insight into the mediating role of customer satisfaction toward brand loyalty giving important theoretical contributions and managerial implications in the marketing domain. The finding confirms significant contributions to perceived quality, customer-brand relationship and derived-positive experience which add extra values to service brand loyalty. The result extends to the mediating role of customer satisfaction confirming partial and full mediation effect that facilitates the value in determining the degree of brand loyalty. The finding suggests practical implication for marketing practitioners to realize every single effort that communicates the values to the customers and only applies the most relevant branding strategies that fit service domains the most.

I. Introduction

While perceived is risk higher in service, uncertainty may arise creating asymmetry information between buyers and providers. For example, customers are reluctant to buy a product or to consume a service if they do not know much about it. This implies the significance of brand to convey information about product or service quality (Erdem & Swait, 1998). Keller (2013) viewed that branding is all about choices, and it serves bi-function both defensive and offensive (Sweeney & Swait, 2008). De Chernatony and Riley (1999) considered brands as the combination of functional and emotional attributes symbolizing a promise for future customer satisfaction that helps build brand image. However, this would be achieved only with those who have the sense of brand loyalty at least some certain level that tends to express such commitment toward a brand. Within this context, the significant role of brand loyalty has answered the question why it is worth studied.

For many years, studies on customer brand loyalty and satisfaction have provided insightful implications on customer retention and market share (Hansemark & Albinsson, 2004; O'Loughlin & Szmigin, 2005), indicating how customers formulate brand association that extends its influence upon consumer’s attitude and behavior (Krystallis & Chrysochou, 2014).

Because service is acquired through experience, its quality is more difficult to standardize (Maio Mackay, 2001) as compared to products. Similarly, Turley and Moore (1995) emphasized that although studies associated with the influence of branding on consumers’ behavior have increased in recent years, the vast majority of these studies have focused on tangible goods rather than intangible services that further development of service classification system should be explored the degree to which diverse strategies are used by different types of services. Moreover, studies also indicated that service brand is less successful than product brand (Balmer, McDonald, de Chernatony, & Harris, 2001; Sandbacka, Nätti, & Tähtinen, 2013), yet only a few empirical studies have been made and addressed branding issues and challenges faced by financial services organization. It also limits to address customers’ perspectives using brand equity and its dimensions in financial service on brand performance and brand equity (Pinar, Girard, & Eser, 2012). From brand equity perspective (Keller, 2012; Lane Keller & Moorthi, 2003; Na, Marshall, & Keller, 1999), there have been considerable efforts to conceptualize and measure each facet of brand equity across a wide range of context (Romaniuk & Nenycz-Thiel, 2013).

According to Krystallis and Chrysochou (2014), the importance of service branding has been highlighted by several authors as the
key success of service organization, and it must be the “cornerstone of service marketing in the 21st century”.

2 Literature Review

The Value of brand loyalty

The development of brand loyalty has extended widely in academic research. Some authors viewed it as the desirable outcome of consumer-based brand equity (Romaniuk & Nenycz-Thiel, 2013) that goes beyond repurchase repetition. It holds deep commitment inside consumers toward a brand consistently for future purchase intention despite situational influences and marketing efforts (Oliver, 1999). Customer brand loyalty is formed generally by favorable outcomes from strategic marketing activities and is reflected by repeated purchases. Loyalty form includes both attitudinal and behavioral components. Firms, for example, tend to enjoy the benefit of greater market share and resistance of price sensitivity once loyalty is enhanced among the targeted customers. Also, the term "Loyalty" may extend to a wider range from effective to behavioral loyalty or from "what I feel" to "what I do" (Morgan, 1999).

Keller (2012) acknowledged that some certain brands underlie effectiveness, efficiency, reliability, and values, creating a strong emotional connection that influences consumers both rationally and emotionally. These functional and emotional considerations form the strongest consumer loyalty relationship which ultimately leads to brand resonance. The influence and mediating role of brand loyalty have been the source to create brand equity (Rios & Riquelme, 2008). Krishnan (1996) emphasized the considerable role of behavioral loyalty that 100% behaviorally loyal receive direct experience reinforcement for only one brand and only indirect experience reinforcement for competitor brand, adding that stronger brand reinforcement should increase their propensity to give associations for that brand.

Why is satisfaction still worth studied?

Identified as the principal component of customer loyalty, customer satisfaction is defined as the outcome of purchase and use, resulted from buyer’s comparison of rewards and cost in relation to anticipated consequences dependent on consumption circumstance (Giese & Cote, 2000; Pieters & Zeelenberg, 2005; Rambocas, Kirpalani, & Simms, 2014). According to Bloemer and Kasper (1995), and Oliver (1999), customer satisfaction not only links to the economic performance given the relationship with profitability, market share and return on investment but also links to non-economic performance in relation with behavioral and attitudinal loyalty. Satisfaction is unique from other closely related concepts such as quality, loyalty, and attitude. It has been hypothesized in the literature to have a direct effect on customer loyalty and repurchase intention (Taylor, Celuch, & Goodwin, 2004).

Bloemer and Kasper (1995) distinguished two types of satisfaction: Manifest Satisfaction and Latent Satisfaction. Manifest satisfaction is the result of evaluation which is well elaborated. Latent satisfaction is the result of an implicit evaluation which is not elaborated. Although the differences may occur, they are not absolute and assumed, here is a continuum between manifest and latent satisfaction (Bloemer & Kasper, 1995). Although business growth can be predicted by sales volume or market share, customer satisfaction is still perhaps one of the strong indicators that predict the strength of brand equity. Moreover, managerial implications also suggest that customer satisfaction acts as significant the barrier to product switching, but the height of switching depends on the intensity of satisfaction and quality expressed in one of the three satisfaction types – Demanding Customer Satisfaction, Stable Customer Satisfaction and Resigned Customer Satisfaction (Stauss & Neuhaus, 1997). This concept also leads to the extension that consumers emotionally tied to a brand tend to hold favorable attitudes toward the brand which implies the significance in the context of retail banking given its credence and complex nature (Rambocas et al., 2014).

Complexity of relationship between satisfaction and loyalty

For years, academicians and marketers have put remarkable efforts on satisfaction studies because customer satisfaction is a necessary condition for realizing economic success (Stauss & Neuhaus, 1997). For this reason, some studies have been concluded on the relationship between customer satisfaction and loyalty. Although the studies suggested that satisfaction is a strong antecedent of loyalty, yet very limited studies provide a precise and empirical distinction between re-purchasing behavior and true brand loyalty, or the effects of satisfaction degree on loyalty.

Bloemer and Kasper (1995) emphasized that the relationship between satisfaction and loyalty would depend on types of satisfaction; whereas, the consequences of manifest satisfaction differ from the consequences of latent satisfaction in term of true brand loyalty. Loyalty is a concept that goes beyond repurchase repetition. It holds the deep commitment to consumer’s preferred service consistently in the future despite situational influences and marketing efforts having potential to cause switching behavior (Oliver, 1999) while satisfaction is more relatively involved with both cognitive and affective components in consumer-related other than product-related which is mainly transactional and incorporating appraisal of both benefits and sacrifices (Bowen & Chen, 2001).

Though brand loyalty has been emphasized, Bloemer and Kasper (1995) reaffirmed that only true loyalty will result in brand commitment with clear emphasis that customers with true brand loyalty are committed to a brand, and insist on buying the same brand in the future, while spurious brand loyal consumer is not committed to the same brand and easily make brand switching once he or she is influenced by brand choices. True brand loyalty can be stimulated by convincing the consumers that it is important to make the best brand choice and to evaluate that best brand choice extensively so that it results in as much satisfaction as possible. Thus, it is important not only to know how satisfied consumers are but also important to know what consumers express. For example, marketers should not only concern with the amount of consumer satisfaction with their brands, yet the...
degree of satisfaction or types of satisfaction that matter. In this sense, the commitment of brand loyalty is imperative to be studied and understood as it varies across product categories, and it is, even more, worth study in service industry due to the complexity of service characteristics.

3. Hypothesis Development

Service quality, incorporated with physical quality and staff behavior, is contributed to preventing from losing certain types of customers due to external factors such as technology innovation advancement and the impact of marketing activities (Nam, Ekinci, & Whyatt, 2011). Service quality is considered as the heart of the service-oriented organization that is associated with concerns and expectation of service consumers. It indicates the acceptance level of customer's judgment of overall excellence, esteem or superiority of a brand on its intended purpose of alternative brands (Netemeyer et al., 2004). In the banking industry, service quality plays a significant role in achieving the aspired positioning, building brand image and customer loyalty, reflecting brand equity dimensions (Pinar et al., 2012), and deriving long-term corporate profitability. Marketing scholars believe that investments in product quality will pay off in the long term even and may reduce the need for product replacement (Frank, Herbas Torrico, Enkawa, & Schvaneveldt, 2014).

In the bank, service is characterized by high customer contact with individually customized service solution where customer satisfaction and perceived quality largely contribute to determining loyalty in retail banking (Omar, Ensort, Hinson, Owusu-Frimpong, & Dasah, 2011). Though the nature of the relationship between customer satisfaction and service quality has been wondered if they are identical in marketing literature, it has been revealed that the two constructs are inter-related supported by empirical estimation demonstrating that they are distinct (Namkung & Jang, 2008). Also, Namkung and Jang (2008) also noticed that a more cognitive service quality evaluation leads to an emotive satisfaction assessment, supporting the role of service quality as a core determinant of overall satisfaction. For example, the available options may not be explored if consumers are satisfied with service provided. Similarly, consumer satisfaction mediates the relationship between the two components of service evaluation – service quality and self-congruence- which are the core determinants of intention to return, noticed by Nam et al. (2011). Thus, it is hypothesized:

H1: Perceived quality is positively associated with customer satisfaction

Relationship marketing has been conceptualized as a cognitive and affective commitment to an active relationship with the brand (Mollen & Wilson, 2010) by which its relationship with service satisfaction has been emphasized as fairly rife(Omar et al., 2011). Relationship marketing is not only aimed at increasing customer profitability while providing better services (Leverin & Liljander, 2006) but also demonstrated a positive association with business performance (Palmatier & Gopalakrishna, 2005). Maintaining relationships with customers is the main antecedent and asset of brand image management in the service-oriented organization (Yoganathan, Jeyarajakirthy, & Thaichon, 2015). Also, developing the relationship with carefully targeted customers may maximize customer's values, corporate profitability, and corporate value through improving customer's experience of how they interact with firms which tend to turn into more satisfaction, and finally increase loyalty (Anabila & Awunyo-Vitor, 2013). Establishing customer relationship leads to achieving competitive advantage, superior financial performance, increasing the level of customer satisfaction, and decreasing uncertainty (Kleinaltenkamp, Ehret, Hunt, Arnett, & Madhavaram, 2006).

In addition, building a strong relationship with customers can help build a sustainable competitive advantage including strengthening brand loyalty, benefiting both consumers and firms (Huang et al., 2015). From stakeholders' perspectives, relationship marketing orientation adoption is a more important relevant strategy for achieving competitive advantage in service marketing as it creates and maintains a mutual relationship between service providers and customers through developing the desire to be mutually empathic, reciprocal and trust. It forms bonds and building a long-term relationship with customers (Yoganathan et al., 2015). It also captures the required emotional state and the interactivity with the brand through emotional connection and communication which improve the customer-brand relationship (Veloutsou, 2007). Thus, it is hypothesized:

H2: Customer-brand relationship is positively associated with customer satisfaction

Customer experience has a strong and positive effect on customer satisfaction, revealing the perceptual consequences of service experience which in turn it influences on brand equity (Rambocas et al., 2014). Brand experience captures and describes what customers think about the brand connecting the bridge between firms’ efforts and brand equity (Kumar, Dash, & Purwar, 2013). Moreover, the brand experience is positively contributed to the satisfaction that company such as Starbucks has articulated the importance and necessity of brand experience in the mission statement to build strong brand loyalty among competitors (Lin, 2015). Researchers also noticed that the firms should ensure that perceived value of a product is greater than perceived value of other alternatives experienced by consumers, and it will determine the greater or lesser willingness toward purchase decision which subsequently generates satisfaction that will have an influence on purchase repetition, loyalty and personal communication (Spry, Pappu, & Cornwall, 2011). Besides from giving deep meaning and memory that affect their trust and willingness to shop with the brand, customer experience positively influences brand equity that firms can exploit the biggest advantage from brand experience commitment such as improving customer satisfaction and loyalty, strengthening customer-brand relationships and enhancing brand values (Lin, 2015). Quality judgment may be inferred via direct experience with a brand, resulted in stronger relation and more easily accessed from memory (Fazio & Zanna, 1981). Brakus, Schmitt,
and Zarantonello (2009) emphasized brand experience as a stronger predictor of actual buying behavior than brand personality which in turn it is a better predictor of satisfaction and loyalty. Thus, it is hypothesized:

**H3: Derived-positive experience is positively associated with customer satisfaction**

The literature reviews highlight positive relationship between satisfaction and loyalty demonstrating that satisfaction is post-consumption while attitudinal loyalty is pre-consumption in first purchase situation; however, both of them may be described as both pre-consumption and post-consumption in a repeated purchase (Bennett & Rundle-Thiele, 2004). The relationship between brand satisfaction and loyalty has been generally estimated both empirically and conceptually. Similarly, customer satisfaction is found to have a positive effect on brand loyalty in different service sectors where their predictive ability of customer satisfaction is empirically confirmed (Faullant, Matzler, & Füller, 2008; Kandampully & Suhartanto, 2000). In addition to the benefit of extremely satisfied customers, the service industry can manage to save marketing expense due to the power of the extremely satisfied customers (Bowen & Chen, 2001).

In this regards, satisfied customers easily identify preferred brand, and their satisfaction impacts market penetration, improve cash flow linked to the long-term financial relationship and reduce overall cost (Rambocas et al., 2014). Nam et al. (2011) agreed that consumer satisfaction is regarded as a fundamental determinant of long-term business success, widely accepted that satisfied customers are less price sensitive, less influenced by competitor’s attack and loyal to the firm longer than dissatisfied one. Customer satisfaction also emphasizes the emotional construct and brand relationship quality that forms brand relationship quality predicting brand satisfaction in a long-lasting relationship (Lin, 2015). Creating and sustaining long-term customer satisfaction is a prerequisite of predicting brand success.

**H4: Customer satisfaction is positively associated with brand loyalty.**

4. Methodology

The study adopted deductive approach by testing hypotheses whether they were significantly confirmed or rejected at any given circumstance (Snedler & Larner, 2009). This approach deduced from theory by using relevant methods to modify the theory from hypothesis estimation. The research instruments were adapted from previous studies. The questionnaires were distributed via Facebook, LinkedIn, E-mail and by the self-administered method to collect data from customers of banking in Cambodia. The research items were adopted using 7-likert scales (7=strongly agree, 1=strongly disagree). Respondents were asked to recall the bank they preferred and answered the questions. The study used non-probability sampling, purposive technique, to identify selected samples which were very common in marketing or business study. Finally, the sample of 168 was obtained for analysis.

5. Analysis and Results

Indicated in Table 1, derived-positive experience (DPE) has a mean value of 4.62 with the standard deviation of 1.43, while perceived quality has a mean value of 4.55 with the standard deviation of 1.32. Customer-brand relationship (CBR) has a mean value of 4.40 with the standard deviation of 1.36 followed by customer satisfaction with the mean value of 4.37 with the standard deviation of 1.35. Brand loyalty has the lowest mean value of 4.22 with the standard deviation of 1.27. The mean score in overall indicates somewhat positive perspective toward each variable. To examine the linear relationship among variables, Pearson's correlation was used to indicate the strength of the relationship between the two variables where correlation could range between -1 and +1. The significance of p=0.05 was generally accepted conventional level with a confidential interval of 95%. The table indicated that all variables were highly correlated, among which customer satisfaction had the highest correlation with brand loyalty (r=.893, p<.01). Perceived quality had a strong correlation with brand loyalty (r=.820, p<.01) followed by derived-positive experience (r=.794, p<.01) and customer-brand relationship (r=.788, p<.01).

<table>
<thead>
<tr>
<th>Table 1: Pearson’s Correlation Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Perceived Quality</td>
</tr>
<tr>
<td>CBR.</td>
</tr>
<tr>
<td>DPE</td>
</tr>
<tr>
<td>Satisfaction</td>
</tr>
<tr>
<td>Brand Loyalty</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed), N=168**

6. Structural Model

Indicated in Figure 2, perceived quality (H1, β=.353, p<.001), customer-brand relationship (H2, β=.274, p<.001) and derived positive experience (H3, β=.363, p<.001) exert a positive and significant influence on satisfaction. Thus, H1, H2, and H3 were all supported. The model predicts the path from satisfaction to brand loyalty and shows a high positive and significant relationship (H4, β=.839, p<.001). Thus, H4 gains supported.
The mediating effect of satisfaction was tested. As seen in Figure 3, the direct path between perceived quality and brand loyalty. After introducing satisfaction as a mediator, the indirect path for the effect of perceived quality on brand loyalty is significant yet weaker than the direct path ($\beta=.152<\beta=.784$). Thus, the test indicates partial mediation of satisfaction.

The same procedure was applied to test mediation effect of satisfaction in the relationship between customer-brand relationship and brand loyalty. As seen in figure 4, the direct path between customer-brand relationship and brand loyalty is significant. After introducing satisfaction as a mediator, the indirect path for the effect of customer-based brand relationship on brand loyalty is significant; but it decreases from $\beta=.734$ to $\beta=.074$ indicating the partial mediation effect of satisfaction.

The last mediation effect of satisfaction was tested. As seen in figure 5, the direct path between positive experience and brand loyalty is significant. However, after introducing the mediator, the indirect path for the effect of positive experience on brand loyalty becomes non-significant. This result suggests that satisfaction has a full mediation effect on positive experience and brand loyalty.

7. Discussion and conclusion
Consumers evaluate a brand using brand attributes from both tangible and intangible. In most research, the subsets of attributes are used when consumers do any specific brand assessment. In this regard, perceived quality, brand experience, and customer-brand relationship are used as the basis for customers satisfaction which is being presumed to create emotional bonds that link to loyalty commitment for this study. Numbers of studies highlighted the significance of these attributes in products, yet limited in service. Because service is assessed through aggregated experience consumptions, these cognitive evaluation components have been identified as strong antecedents in predicting loyalty level. Thus, the inter-correlated effects of the combinations of perceived quality, customer-brand relationship, and derived-positive experience should generate certain degree in leveraging loyalty dimension in service marketing.

The study provides further insight into the mediating role of customer satisfaction toward brand loyalty giving important theoretical contributions and managerial implications in the marketing domain. For theoretical contribution, the study first confirms that the significant contributions of perceived quality, customer-brand relationship, and derived-positive experience which add extra values to service brand loyalty. Secondly, the results introduced the mediating role of customer satisfaction between perceived quality, customer-brand relationship and derived positive experience and brand loyalty emphasizing that once customers have strong satisfaction, the satisfaction itself may facilitate the value in determining the degree of brand loyalty. This supports the work of (Kandampully & Suhartanto, 2000; Kim, 2007; Nam et al., 2011) that customer satisfaction not only has a significant effect on future purchase intention but also acts as the mediating role to predict loyalty. In addition, customer satisfaction fully mediates the relationship between derived...
positive experience and brand loyalty whereas it partially mediates between perceived quality, customer-brand relationship, and brand loyalty.

Also, the findings from this study provide the practical implications for marketing practices. First, it is to notice the significance of the quality of the brand which exerts positive and significant influence on loyalty. Marketing practitioners should realize this essential role and make every effort to deliver what is a so-called high-quality value to customers. The degree of quality that customers perceived may form the association bonding customers with the brand which may result in developing brand resonance. Secondly, marketing practitioners should focus on developing satisfaction tool and apply the most relevant strategies which fit in service domain the most. It is also important to notice that due to some facts that there is criticism with regards to their application in service offering, it is suggested that a better understanding of a brand association formed is crucial, and there is a need for customer-based information on which brand dimensions hold the meaning for service users. Therefore, it forms a challenge for service marketers.

Thus, marketers should focus on the development of brand loyalty adopting satisfaction principle as suggested by Oliver (1999) that the proportion of satisfaction not only leads to the development of loyalty but also leads to the reduction of brand switching. The impact of satisfaction (Azadi, Yosefi, & Eydi, 2015) will form an effective bond that well communicates between customers with the brand. This may extend to the assumption that customers with loyalty have routinized purchasing the brand and become resistance force against consumers’ willingness to brand switch (Geçti & Zengin, 2013).

Effective prediction on consumer's evaluation is imperative in understanding consumer behavior. Knowing what are the most important attributes allow marketers to develop and apply marketing strategies more effectively, especially in the complex marketing service because higher positive evaluation not only affects customer's satisfaction but affects also loyalty. In such environment, the combination effects of the three anticipated attributes tend to primarily share their critical roles in predicting customer or brand satisfaction.

8. Limitation and future direction

Before addressing the limitation of the study, directions for future study are considered. First, the study only investigates a few variables adopted from literature. More rigorous model is welcomed to create stronger evidence for service branding which is somehow considered less successful than products. A conceptual paper is recommended to provide a more insightful contribution to the service branding in order to create a complete understanding. The study primarily comprised of small sample size, the finding may not be completely generalized to the population at large. A scientific-sound methodology is most welcomed in an empirical study.

Acknowledgment

This research is sponsored by the National Natural Science Foundation of China under Grant 71272125 and 71672068.

Reference


