Product or Brand? How Interrelationship between Customer Satisfaction and Customer Loyalty Work

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Abstract:  
The purpose of the article is based on the assumption that there is a theoretical link between brand satisfaction and consumer loyalty. The article includes brand satisfaction and loyalty research links in the theoretical studies. Based on the analysis of scientific literature, stated that the brand is a key factor, it generates customer satisfaction. The paper analyzes and summarizes Sivadas and Baker-Prewitt (2000), Vasquez-Parraga and Alonso (2000), Zamora et al (2004), Bravo et al (2005) and Rowley (2005), Torres-Moraga et al (2008) and other scientists’ research results, demonstrating satisfaction of brand impact on consumer loyalty. According to the summary methodological elements, a theoretical model is created on consumer satisfaction and loyalty link based on brand aspects.

Keywords: consumer satisfaction, consumer loyalty, preferences, product, brand, Lithuania.

JEL classification: M31, P2.

1. Introduction

Fitzell (1998), Reynolds and Beatty (1999) Sivadas and Baker-Prewitt (2000), Bravo et al (2005), Vasquez-Parraga and Alonso (2000) Zamora et al (2004), Torres-Moraga et al (2008) theoretical and empirical studies have shown that consumer satisfaction is one of the loyalty enhancing factors. The company’s market success depends on being able to attract, satisfy and retain customers. This requires an understanding of what factors affect consumers’ satisfaction with a product or service and what determines their decision to purchase a product or use a service and their loyalty to the company. It should be noted that Torres-Moraga et al (2008) and other scientists believe the brand has an impact on customer satisfaction. Essentially, it can be stated that the impact on customer satisfaction of brand factor in setting loyalty is becoming an important marketing aspect of the investigation. Identifying a problematic situation provides the opportunity to formulate a scientific problem question: what impact does brand satisfaction have on customer loyalty?

A loyal consumer of the firm is extremely important for several reasons. First of all, it is often cheaper to maintain a loyal consumer than to find a new one. Secondly, it is easier to maintain a loyal consumer. In addition, a loyal customer’s feedback is often positive; it means positive “mouth-to-mouth” communication.

Loyalty benefits are constantly growing and growing. Consumers’ brand loyalty influence marketing actions. Consumers’ satisfaction is also important.

The article deals with the concepts: product, brand and consumer loyalty, satisfaction. The object of the research is consumers’ satisfaction and loyalty to product or brand. The research goal of this article is to research the correlation between a product and a brand, when building customer satisfaction and consumer loyalty. Methods of the
research: the following *methods* are employed: methods of scientific literature analysis and generalisation; comparable and systematic analysis and modelling.

The logical outline of the current study is presented in Figure 1.

**Figure 1: The Logic of the Current Research**

The logic of the current research

1. Defining a product and a brand
2. Defining customer satisfaction and customer loyalty
3. Modelling the relationship between customers’ satisfaction and loyalty through the product-brand paradigmatic perception
4. Examples of product, brand and product-brand paradigms from the Lithuanian market

2. Concepts of Product and Brand: Definitions

Product (*Table 1*) and brand are not synonymous. The importance of brands is growing rapidly. Previous research into customer satisfaction and loyalty has exclusively focused on brands.

*Table 1. Defining a Product*

<table>
<thead>
<tr>
<th>Source</th>
<th>Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kotler <em>et al</em></td>
<td>2003</td>
<td>Product is everything that can be offered in market, which attracts attention and satisfies needs. Products are not only material products.</td>
</tr>
<tr>
<td>Vijeikis and Vijeikien</td>
<td>2003</td>
<td>Products or services have tangible and intangible attributes, which define them in their market</td>
</tr>
<tr>
<td>Kim and Maulborgne</td>
<td>2006</td>
<td>Different types of products or services which have the same function usually are substitutes.</td>
</tr>
<tr>
<td>InvestorWords</td>
<td>2010</td>
<td>The end result of the manufacturing process, to be offered to the marketplace to satisfy a need or want.</td>
</tr>
<tr>
<td>BusinessDictionary</td>
<td>2010</td>
<td>Good, idea, method, information, object, service, etc., that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase.</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors.

Authors describe products similarly. They stress that a product is everything that can be offered in the market. Also, different products which have the same function usually are substitutes (Kim and Maulborgne 2003). The main thing – products satisfy customers’ needs and wants. On customers’ needs and customization of processes of globalization, evolving products that are very similar in features. Then the brand for consumers is becoming one of the most important steps to identify, but for the company it is to stand out from the crowd. Authors’ concepts of the brand are illustrated in *Table 2*. 
Table 2. Defining a Brand

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kapferer</td>
<td>1997</td>
<td>First, brands are <em>intangible assets</em>, posted eventually in the balance sheet as one of several types of intangible asset (a category that also includes patents, databases and the like). Second, brands are <em>conditional assets</em>.</td>
</tr>
<tr>
<td>Keller</td>
<td>1998</td>
<td>A brand is a set of mental associations, held by the consumer, which add to the perceived value of a product or service.</td>
</tr>
<tr>
<td>Chernatony and McDonald</td>
<td>2003</td>
<td>A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique, sustainable added values which match their needs most closely.</td>
</tr>
<tr>
<td>Kotler and Pfoertsch</td>
<td>2006</td>
<td>Chief Marketing Officer Arun Sinha elaborated that a brand is more than a product – it is a shorthand that summarizes a person’s feelings toward a business or a product. A brand is emotional, has a personality, and captures the hearts and minds of its customers. Great brands survive attacks from competitors and market trends because of the strong connections they forge with customers.</td>
</tr>
<tr>
<td>Chernatony</td>
<td>2006</td>
<td>Brands are valuable to organizations and customers. Their wealth generating capabilities result from the way organizations seek to add value to customers’ lives. Essentially, brands are clusters of functional and emotional values.</td>
</tr>
<tr>
<td>BusinessDictionary</td>
<td>2010</td>
<td>Unique design, sign, symbol, words, or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors. Over time, this image becomes associated with a level of credibility, quality, and satisfaction in the consumer’s mind (see positioning). Thus brands help harried consumers in crowded and complex marketplace, by standing for certain benefits and value. Legal name for a brand is trademark and, when it identifies or represents a firm, it is called a brand name.</td>
</tr>
</tbody>
</table>

Source: compiled by the authors.

Each expert comes up with his or her own definition, or nuance to the definition. As indicated in Table 2, Kapferer (1997) distinguishes the *intangible* and *conditional* brand assets.

All brands are not so successful. Chernatony and McDonald (2003) accent that a good brand must give for the consumers’ the unique values that correspond to the consumer’s needs and desires. Also, Chernatony (2003) reminds that brands generate emotional values. For Kotler and Pfoertsch (2006), a brand has a personality and has a great connection with customers.

Figure 2. Ways of defining a concept of brand (selection of five authors)

Source: Created by the authors.
Various authors describe a different brand concept. Some of them stress brand architecture, and other functions. According to different authors’ opinion the system of classifying concept was made. Authors’ concept of the brand is illustrated in Figure 2.

Product and brand are two stages in the development of the benefits destined to satisfy customers’ needs and preferences. It is assumed that product is an initial stage in the product offering whereas brand is a mature stage (Torres-Moraga et al 2008).

3. Concepts of Loyalty and Satisfaction: Definition

As Table 3 indicates, different authors have different opinions about satisfaction and loyalty, also about connection of consumers’ satisfaction and consumers’ loyalty.

### Table 3. Defining Satisfaction

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fornell</td>
<td>1992</td>
<td>Loyal customers are not necessarily satisfied. Their satisfaction influences loyalty.</td>
</tr>
<tr>
<td>Anderson</td>
<td>1993</td>
<td>Customers’ loyalty helps to keep customers loyal. Also, it affects company’s profit and gives a competitive ability.</td>
</tr>
<tr>
<td>Taylor and Baker</td>
<td>1994</td>
<td>Satisfaction and loyalty are recognized as strongly related.</td>
</tr>
<tr>
<td>Jones and Sasser</td>
<td>1995</td>
<td>High customer loyalty guarantees security to customers’ loyalty and financial results.</td>
</tr>
<tr>
<td>Heskett et al</td>
<td>1997</td>
<td>Profit, growth, customers’ loyalty, customers’ satisfaction, products’ and services benefits, employee facilities are directly related.</td>
</tr>
<tr>
<td>Sivadas and Baker-Prewitt</td>
<td>2000</td>
<td>Satisfaction is found to be a necessary precursor of customer loyalty.</td>
</tr>
<tr>
<td>Reynolds and Arnold</td>
<td>2000</td>
<td>Satisfied customers have a higher likelihood of recommending that others try the source of satisfaction.</td>
</tr>
<tr>
<td>Giese and Cote</td>
<td>2000</td>
<td>A summary affective response of varying intensity with a time-specific point of determination and limited duration directed toward focal points of product acquisition and consumption.</td>
</tr>
</tbody>
</table>

*Source: Compiled by the authors.*

### Table 4. Defining of Loyalty

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newman and Werbel</td>
<td>1973</td>
<td>Loyal customers are those a) who rebuy a brand; b) think before buying one brand; c) do not search any information about brand.</td>
</tr>
<tr>
<td>Pine et al</td>
<td>1995</td>
<td>Loyalty can be measured in two ways: rebuys dynamic and recommendation.</td>
</tr>
<tr>
<td>Hammond et al</td>
<td>1996</td>
<td>Customer’s tendency to repurchase a brand revealed through behavior which can be measured and which impacts directly on brand sales.</td>
</tr>
<tr>
<td>Schiffman</td>
<td>1997</td>
<td>Consistent preference and/or purchase of one brand in a specific product or service category. Brand loyalty is not a simple concept. The complexity in terms of whether it should be viewed in terms of behaviour or attitude. Brand loyalty is a function of attitude that should not be measured via purchase levels to account for cognitively captured consumers, habitual purchases and no, or minimal, alternative situations.</td>
</tr>
<tr>
<td>Oliver</td>
<td>1999</td>
<td>A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.</td>
</tr>
<tr>
<td>Dalton</td>
<td>2003</td>
<td>Three factors that drive customer loyalty – value, trust and going the extra mile.</td>
</tr>
<tr>
<td>Reichheld</td>
<td>2003</td>
<td>Customers’ loyalty is much more than rebuys. Customers may buy because of inertia, indifference or other barriers.</td>
</tr>
</tbody>
</table>

*Source: Compiled by the authors.*
Satisfaction is essential for consumers to become loyal (Sivadas and Baker-Prewitt 2000). For Taylor and Baker (1994) satisfaction and loyalty are recognized as strongly related. Consequently, satisfied customers are inclined to be loyal customers (Reynolds and Arnold 2000).

Hammond et al (1996) emphasize that sales have a great impact on customers’ loyalty (see Table 4). Loyalty comes after value, trust and the extra mile (Dalton 2003). Oliver (1999) underlines that to re-buy and re-patronize are very important for customers’ loyalty.


Satisfaction and loyalty are two stages in the customer’s response to the company offerings. Satisfaction is an initial stage in the customer response to a company offering whereas loyalty is a mature stage in such a response (Torres-Moraga et al 2008).

As indicated in Figure 3 there is a direct relationship from satisfaction to brand loyalty (Figure 3a) (Cronin et al 2000). There could be customer’s satisfaction to product, to brand or to product-brand (Figure 3b).

Also, there could be another model of customers’ satisfaction and loyalty, when a customer perceives service quality, than feels satisfaction and after that he is loyal to brand. First of all, customer orientates towards the product (Figure 4).

The customer orientation, perceived service quality, satisfaction and brand loyalty linkage is necessary to understand the full process of brand loyalty work (Andreassen 1994).

When customers perceive that the firm is customer oriented, they are more likely to be brand loyal to the firm. The effects of the customer orientation of a firm as perceived by their customers on brand loyalty are significant and complex (Youl et al 2009).

Figure 3. The relationship between satisfaction and loyalty

Source: Created by the authors after Torres-Moraga et al 2008.
Figure 4. The relationship between satisfaction and loyalty

Source: Created by the authors after You et al 2009.

Figure 5. Four components of brand value

Source: Created by the authors after Trasorras, Weinstein and Abratt, 2008.

The four components of value – customers’ service, quality, image and price – are each directly related to customer retention (Figure 5) (Trasorras et al 2008).

Keller (2004) excludes more components of brand value: image, awareness, truth, quality. Trust is usually related to a combination of brand and product or service (Garbarino and Johnson 1999). When companies compete in global markets and the customer becomes aware of the country of origin, there is a chance that the place where the product was made could affect product or brand image (Cateora 1996). Other authors stress association as one of the main element in brand value (Aaker 1991).

Oliver (1999) gives a loyalty model of four different levels of loyalty (Figure 6). Different loyalty levels come in the course of time.

Figure 6. Customers’ loyalty levels by Oliver (1999)

Source: Created by the authors after Oliver (1999) Whence consumer loyalty? p. 33-44.
There are few loyalty levels. Each of them has its own factors. These different factors cause different customers’ loyalty.

Cognitive loyalty is the first level of loyalty. The main factor is the information about product: price, quality, etc. (Oliver 1999). There is no loyalty to brand and loyalty is very poor. Evanschitzky and Wunderlich (2006) emphasize that cognitive loyalty depends on customers’ experience. This means that there is a relation between product’s benefit and price.

Emotional loyalty. There dominates a positive relation to brand or product. Oliver (1999) says that when wants are met this causes satisfaction and then emotional loyalty. Loyalty is an emotion expression.

Behavior loyalty. Loyalty calls action. This loyalty level is stronger than the emotional loyalty. Despite this fact, this loyalty level may be affected. It is very possible, that customers may search alternatives when something negative will appear. Also, it is possible that customers can be influenced by competitors (Oliver 1999).
Action loyalty. This loyalty level when customers look for products they want despite of all effort they will need to do. This customer retention is named an action of inertia (Oliver 1999).

Value, satisfaction and loyalty continue to play major roles in customer retention (Figure 7). Clearly, value creation is one of the main forces behind customer retention. Adding value for customers should be paramount in the minds of professional service firms; and, they should avoid gimmicks in doing so to build a lasting client base. The creation of client satisfaction and loyalty is impossible without first creating superior value for customers.

Customers with high or true loyalty are characterized by strong attitudinal attachment and high repeat patronage. They almost always patronize a particular company or brand and are least vulnerable to competitive offerings (Baloglu 2002).

5. Levels of Product and Brand Relationship

A typology including the product and the brand in their various levels of recognition, such as single product, product mix, and no presence, is developed and presented below and the relationships emerging from it are tested (Torres-Moraga et al 2008).

1. Product alone – when consumers’ evaluation occurs for the first time;
2. Brand alone – when the user has a choice from all the brand range. For example, Samsung, those who distinguish this brand purchase television sets, compact disc players, video cameras or numerous other devices only with this brand;
3. Product and brand combination – previous research accented only this combination. However, at this stage there is no significant gap between the product and the brand. For example, choose a Samsung TV, but CD players – Phillips.

Table 5. Examples of product and brand relationship from the Lithuanian market

<table>
<thead>
<tr>
<th>A product paradigm</th>
<th>A brand paradigm</th>
<th>A product-brand paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Kijev kotlets¹</td>
<td>• TELE2 (telecommunications)²</td>
<td>• Švyturio alus (Švytury beer)³</td>
</tr>
<tr>
<td>• Norwegian herring⁴</td>
<td>• BITE (telecommunications)⁵</td>
<td>• MAXIMA Optima Linija⁶</td>
</tr>
<tr>
<td>• Dutch bacon⁷</td>
<td>• OMNITEL (telecommunications)⁸</td>
<td>• A&amp;J (chocolates)⁹</td>
</tr>
<tr>
<td>• Ukrainian borsch¹⁰</td>
<td>• EFFIGY (upper- and under-wear)¹¹</td>
<td>• IKI Gurmans¹²</td>
</tr>
<tr>
<td>• Lithuanian white cheese¹³</td>
<td>• Magija (a product line of diary products)¹⁴</td>
<td>• Rokiškio naminis pienas (Rokiškis home-made milk)¹⁵</td>
</tr>
</tbody>
</table>

Source: compiled by the authors.

¹ http://commons.wikimedia.org/wiki/File:Chicken_Kiev.jpeg referred on 04/03/2010
² http://www.tele2.lt/ referred on 04/03/2010
³ http://www.svyturys.lt/lt/main/info/production/svyturio referred on 04/03/2010
⁴ http://www.seafoodfromnorway.com/Fishlovers/Seafood+facts/View+article?key=44476 referred on 04/03/2010
⁵ http://www.bite.lt/ referred on 04/03/2010
⁶ http://www.maxima.lt/prekiu-zenklai/optima-linija/ referred on 04/03/2010
⁷ http://media-cdn.tripadvisor.com/media/photo-s/01/01/1a/ce/dutch-babies-with-bacon.jpg referred on 04/03/2010
⁸ http://www.omnitel.lt/ referred on 04/03/2010
⁹ http://www.ajsokoladas.lt/index.php?page_id=8 referred on 04/03/2010
¹¹ http://www.effigy.lt/ referred on 04/03/2010
¹² http://www.gurmans.by/?content=page&Id=234&lng=en referred on 04/03/2010
¹³ http://jogosmityba.files.wordpress.com/2009/05/panyras1.jpg referred on 04/03/2010
¹⁴ http://www.zpianas.lt/lt/produktu-katalogas/magija-pieno-desertai/magija-glaistyti-sureliai/ referred on 04/03/2010
Customer satisfaction and loyalty can be achieved by either emphasizing the product or the brand. Also, it is possible emphasize both product and brand.

As Table 5 indicates, Lithuanian products and Lithuanian brands show relationships between brand and product. These examples (Table 5) reveal that three different levels (product alone, brand alone, product and brand combination) affect customers’ satisfaction and loyalty in Lithuania too. For example, if a customer wants beer he will buy only “Švyturys”, if he wants cheese he will choose “Rokiškio naminis pienas” products.

Also there are few products or services for which brand is the most important element for customers’ loyalty. Usually services are really similar and services quality also is almost the same and then brand brings value and satisfaction (TELE2 – telecommunications sector, BITE – telecommunications sector, OMNITEL – telecommunications sector). Sometimes the product is the important item (customers do not care about brand).

At the introduction stage of the product, usually the product and the tangible aspects of it are emphasized. Satisfaction and loyalty could be achieved at this stage if there is a fit between the customer need and the product offering. Satisfaction level at this introduction stage, however, is not high. This is because of the absence or scarcity of the psychological benefits included in the product offering. Later at a more mature stage of the product, there are given opportunities for the brand to excel in intangible benefits to the product. This new package (tangible and intangible benefits) can produce higher customer satisfaction, which could generate higher customer loyalty in the long term. Moreover, in a mature stage of product-brand tangible and intangible benefits are foremost without any package (tangible or intangible) dominant over the other (Torres-Moraga et al 2008). Also, in this stage of the product the intangible benefits could be emphasized. In addition, product-brand or brand alone on customer satisfaction, however, could be distinctive and original: the brand alone can produce a stronger satisfaction and loyalty relationship than the product-brand combination.

6. Conclusions

1. Cognitive loyalty is addressed to fundamental product’s characteristics, emotional loyalty to brand, behavior to want to buy product and action loyalty means that a customer is loyal to the company. Customers’ retention does not prove customers’ loyalty.

2. Consumers’ satisfaction and loyalty appear much earlier than was thought before. Satisfaction is essentially viewed as the result of loyalty. Consumer satisfaction and consumer loyalty depends on a product type, is it a new and innovative one or a traditional one. Satisfaction is more significant for innovative products than for traditional ones.

3. Customers’ satisfaction is essential for customers’ loyalty. Loyalty and satisfaction have a strong relation. Some authors claim that the relation between loyalty and satisfaction may be replaced, others think differently.

4. As Lithuanian examples of product, brand and product-brand paradigms proved, three different levels affect customers’ satisfaction and loyalty and this is manifest in practice. Most Lithuanian producers and retailers are adopting product, brand and product-brand paradigms in their product development, branding, and promotional activities.
5. Satisfaction in the primary stage is possible if the product suits the needs of users. However, scarce intangible benefits or the lack of them means that the satisfaction is not high. But that diminishes the importance of this stage, because consumer loyalty and satisfaction can be increased over time.

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http://www.tele2.lt/ referred on 04/03/2010

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http://www.omnitel.lt/ referred on 04/03/2010

http://www.ajsokoladas.lt/index.php?page_id=8 referred on 04/03/2010


http://www.effigy.lt/ referred on 04/03/2010

http://www.gurmans.by/?content=page&Id=234&lng=en referred on 04/03/2010

http://jogosmityba.files.wordpress.com/2009/05/panyras1.jpg referred on 04/03/2010

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