

## **IMPACT OF CUSTOMER SATISFACTION ON BRAND LOYALTY: AN EMPIRICAL ANALYSIS OF HOME APPLIANCES IN PAKISTAN.**

**Prof.Dr.Abdul Ghafoor Awan,**  
Dean, Faculty of Management and Social Sciences  
Institute of Southern Punjab-Pakistan.

**Asad-ur Rehman,**  
MS Scholar, Department of Business Administration,  
Institute of Southern Punjab-Pakistan.

**ABSTRACT:** *Customer satisfaction and brand loyalty have been addressed as marketing goals for many companies. Marketing professionals consider loyalty to be a multidimensional phenomenon. Despite the findings of many researches that satisfaction has a significant favorable impact on brand loyalty and a true re-purchase behavior of same brand leads to long term business profits. Therefore, this study investigated the impact of customer satisfaction on brand loyalty for durable goods. The author used primary data in this study and for this purpose a survey has been conducted through a structured questionnaire. The view of 300 middle class households or business people were recorded. Our study results show that the customer satisfaction has significant factor that affect brand loyalty.*

**KEYWORDS:** Customer satisfaction, brand loyalty, home appliances, Pakistan.

### **INTRODUCTION**

Customer satisfaction and brand loyalty is an emerging phenomenon that is considered a vital issue for which the business firms are very sensitive. The main objective behind its improvement is to see the consumer purchasing behaviour which is very important in company's performance and maintain sustainable growth in a highly competitive environment. The concept of brand loyalty is very crucial due to its importance in business performance and benefits for an organization.

This study aims at:

- i. To examine the various factors influencing brand loyalty?
- ii. To study the impact of customer satisfaction on brand loyalty.
- iii. To investigate the role of brand performance in customer satisfaction and loyalty.
- iv. To investigate the role of brand efficiency to improves customer satisfaction and brand loyalty.
- v. Empirically investigates the role of customer satisfaction for enhancing brand loyalty.

Customer satisfaction is broadly viewed as "The most crucial route to significant and sustained marketing performance" (Piercy, 1995) and as "central into the marketing concept (Fournier and Glick, 1999).In the academic literature, the modelling of brand loyalty and customer satisfaction has a long record for frequently buying packaged goods. Similar efforts with consumer durable goods, on the other hand, are generally absent, so the goal of this present study will be to explore the antecedents of customer satisfaction's and brand loyalty in the context of Pakistani home appliances sector. Brand loyalty is not highly significant in Pakistani context because there is no proper alignment of brand performance and customer satisfaction so companies are trying hard to create alignment between satisfaction and loyalty or focusing more on the purchasing behaviour of their customers and offer the products

according to the requirement of buyers and develop strategies to retain them in the end. Empirical research has established that judgments of product performance are related to expectations that can be enhanced the customer satisfaction or brand loyalty.

## **LITERATURE REVIEW**

### **Brand Performance**

Brands can play a key role in the company's success by developing competitive advantages with brand performance and through non-brand related means. Perceived differences among products via branding deliver a number of benefits to the business companies which include building consistent quantity and income for a long time, resisting attack, getting higher fair share, plus more importantly much better cash flow and earnings (Berry, 1988; Yovovich, 1988). Powerful proof exists that up to 70 percent of earnings can be attributed to the brand (Perrier, 1997). As such, it is argued that companies overall performance and brand performance are intently entwined (Harris and de Chernatony, 2001). Importantly, the idea of brand performance resides in the marketplace while the strength of companies brand as evidenced by its current market share, sales growth and profitability. Brand performance can also be found in the brand by achieving the companies established objectives for it inside the marketplace.

Brand performance refers to the relative measurement of a brand's success in the marketplace. For instance, it has been argued that, market share is actually a measure of brand overall performance, as brand achievement is created with significant market share (Keller and Lehmann, 2003). Certainly, successful brands like Coca-Cola, IBM, and Sony are witnessed as brand leaders that attain substantial market share within their segments (Doyle, 1989). Therefore, market share has been commonly used in the marketing research as a reliable sign of brand success (see Smith and Park, 1992; Roth, 1995; Chaudhuri and Holbrook, 2001; Weerawardena et al., 2006). Similarly, sales volume is also a measure of brand performance as it displays the level of direct earnings from prospects (Lassar, 1998).

### **Customer Satisfaction**

Customer satisfaction strategy has built a great deal of consideration during the past decades (Oliver, 1996). Therefore, satisfaction is in reality probably the most unassailable concepts of the modern management field (Oliver, 1996). Not simply does the idea of satisfying customers have a good, common-sense appeal, it can be also believed that customer satisfaction would lead towards loyalty, resulting in to increase higher profit gain (Oliver, 1996). For many firms, customer satisfaction is becoming the guiding principle for establishing marketing tactics as well as developing marketing activities. Customer satisfaction must not be described as a goal in its place, it should be considered as a means for improving the company's performance (Martensen et al., 2000). During the 1990s, there was a popular realization that satisfaction ratings have been in actual fact a means for attaining strategic purposes, such as customer retention which is considered to affect companies' profits directly (Jones and Sasser, 1995; Reichheld, 1996). Now the companies are focusing to increase satisfaction strategy because satisfied customers have higher chances to repurchase the same product (Reichheld, 1996).

### **Satisfaction-loyalty to a brand alone**

Some customers choose a brand regardless of the product. For instance, customers who like the Sony brand in any product Sony may offer, televisions, disc players, photo cameras, etc.

may demonstrate brand loyalty by making subsequent purchases of Sony products without regard to other brands. Some brands are linked to products in similar lines, such as Sony or General Electric, whereas other brands relate to products in different product lines such as Nestle or the Apple. Still some customers identify themselves with a brand or adopt a brand because it reflects their personality (Aaker, 1997). Most studies have focused on brand alone emphasizing its intangible attributes or associations in various forms such as company advertising, public relations, and word of mouth communications (Biel, 1992; Krishnan, 1996) media reports on consumption (Biel, 1992), consumer's direct experience with the product (Biel, 1992; Burnkrant and Unnava, 1995; Haynes et al., 1999; Hoch and Deighton, 1989), brand-owning company's reputation (Nguyen and LeBlanc, 2001), country of origin (Erickson et al., 1984; Hong and Wyer, 1990), and product distributors (Pettijohn et al., 1992). Some studies have also emphasized the combination of tangible and intangible attributes in the product portrayals (Keller, 1993) or market equilibrium (Wernerfelt, 1991).

### **Customer satisfaction as antecedent of loyalty**

Satisfaction is often used as a predictor of future consumer purchases (Newman and Werbel, 1973; Kasper, 1988). Satisfied customers have a higher likelihood of repeating purchases in time (Zeithaml et al., 1996), of recommending that others try the source of satisfaction (Reynolds and Arnold, 2000; Reynolds and Beatty, 1999), and of becoming less receptive to the competitor's offerings (Fitzell, 1998). More specifically, satisfaction is found to be a necessary precursor of customer loyalty (Fitzell, 1998; Fornell, 1992; Reynolds and Beatty, 1999; Sivadas and Baker-Prewitt, 2000; Zeithaml et al., 1996). Whereas satisfaction and loyalty are recognized as strongly related by most studies (Anderson and Sullivan, 1993; Fornell, 1992; Rust and Zahorik, 1993; Taylor and Baker, 1994), some consider the relationship to be interchangeable (Hallowell, 1996; Oliver, 1999), and some to be unidirectional, that is, progressing from satisfaction to loyalty only (Strauss and Neuhaus, 1997). Satisfied customers tend to be loyal customers with (Rowley, 2005) or without the mediation of other variables (Coyne, 1989; Fornell, 1992; Oliva et al., 1992). Glad shoppers are likely to have a increased utilization degree of an item than those who are not satisfied (Bolton & Lemon, 1999; Ram & Jung, 1991). They usually tend to possess a much better repurchase intention and to advocate the brand name for their acquaintances (Zeithaml et al., 1996).

### **Brand Loyalty**

Brand loyalty is a sort of commitment towards the brand that induces a re-buy behavior into the customer in spite of the potential marketing attempts by competitors to break up the coalition between the brand and the consumer (Oliver, 1999). Brand loyalty is considered to provide greater leverage to trade, condensed marketing costs (Aaker, 1991) and building an augmented market share (Jarvis and Mayo, 1986).

### **Benefits of Improving Brand Loyalty**

The more loyal the customer and the longer the customer is retained, the more sales and profits the customer might generate (Edvardsson et al., 2000). The benefits of improved brand loyalty might come from retaining existing customers as well as attracting new ones. These benefits would, in turn, result in increased sales and profitability for the company. First of all, loyal customers are supposed to stick with their suppliers or service providers for a long time, and are more likely to cross-purchase (Oliver, 1996; Reichheld, 1996). Secondly, marketing literature widely supports the proposition that attracting a new customer is much more expensive than retaining an existing one (Blattberg and Deighton, 1996; Fites, 1996;

Murphy, 1996; Rosenberg and Czepiel, 1984; Vandermerwe, 1996). Loyal customers may also express their loyalty by giving a greater share of their wallets to their high-valued brands or product/service providers and by generating positive word-of-mouth referrals (Reichheld, 1996). All of these behaviours would directly affect the profitability of the company.

### **Factors Affecting Brand Loyalty**

In order to understand more about brand loyalty, several factors which may influence brands' decisions of being loyal to a specific brand. Fredericks and Salter (1995) simplified the issue of brand loyalty and suggested that brand loyalty is determined by customers' perceptions of value offered by the marketer. Five main components of the customer value perception, namely, price, product quality, service quality, innovation, and image were specified in their model (Fredericks and Salter, 1995). The model suggested that customer perceived value is affected both by individual customer requirements and characteristics, and by the nature of the business environment. Geller (1997), on the other hand, identified 15 elements which are important for improving brand loyalty. The most significant elements were quality/value of the product and service, the impression or image portrayed, the dynamism of the organization, communication, and achieving the unexpected for customers. Kandampully (1998) also claimed that, cited from Zeithaml and Bitner (1996), customers would remain loyal as long as the perceived value of products/services is relatively greater than that of competitors' offerings.

### **Conceptual Framework**

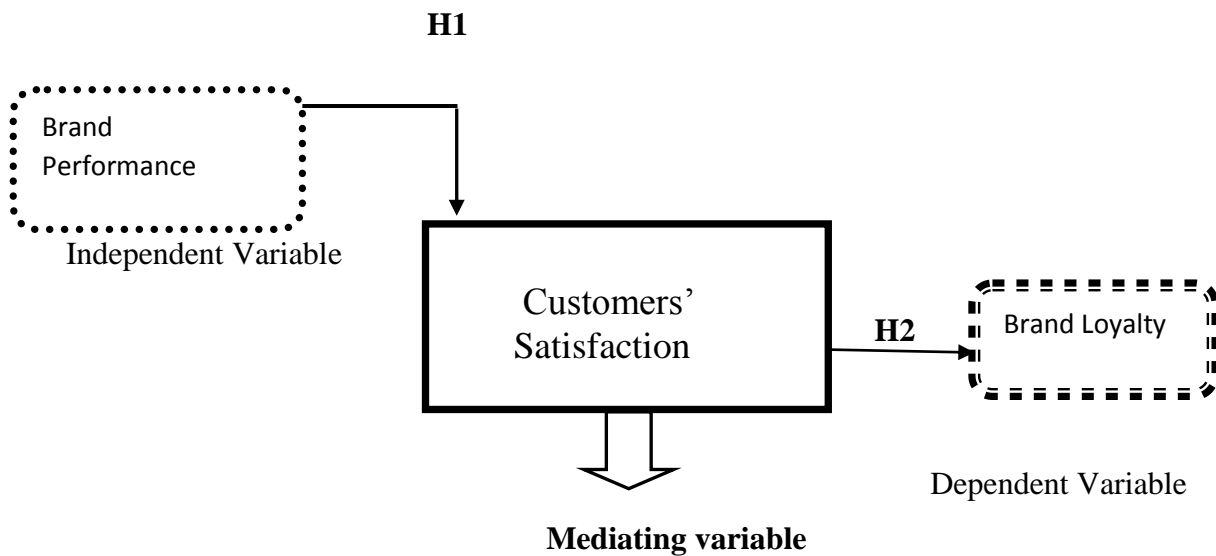
The first part of the discussion described the relationship between the brand performance and customer satisfaction. Brands can play a primary role in the customer satisfaction by creating competitive advantages with brand performance. Perceived differences among products through branding provide a number of benefits to customers. The manager who influences for the good brand performance has distinctive options to protect and promote brands. Using resources, professionals can enhance the quality, breadth and, in the long run, the effectiveness of their brands.

Different authors like Luu Trong Tuan (2012) and Noble et al, (2002) build strong brand association in consumer mindsets as a foundation for high brand performance. JE Swan (1976) proves that Product Performance is highly involved to make the customers more satisfied in their purchasing behavior. So on the basis of prior studies the proposed study hypothesizes that:

#### ***H1. Brand Performance has significant positive relation with Customer Satisfaction's in home appliances sector of Pakistan.***

The second part of the discussion focused the relationship between the brand loyalty and customer satisfaction. Marketers who want to attract/retain customers have to do their best to evoke customers' feelings of satisfaction (Oliver, 1996,1998; Reichheld, 1996). In 2013, J Lee states that the relationship between customer satisfaction is positive and most significant with loyalty because more satisfied a customer tends to be, the higher is the actual loyalty. Several empirical studies have demonstrated a positive association between customer satisfaction and brand loyalty. Because of the prior studies, the present study hypothesizes that:

#### ***H2. Customer Satisfaction has significant positive relation with Brand loyalty in home appliance sector of Pakistan.***



### Brand Loyalty Model

## RESEARCH METHODOLOGY

An empirical investigation is made using primary data. A survey was conducted through a structured questionnaire. In order to achieve the specified targets, questionnaire will probably be structured as a research tool for data assortment. To evaluate the attitude and opinions of the respondents concerning the variables or indicators of customer satisfaction questionnaire would be chosen because interviews are quiet tricky and time consuming. There are two way to collect questionnaire info: by way of self-administered questionnaires (i.e. Mail or electronically), phone interviews or private interviews .The questionnaire in this examine was circulated by mail and personally administered. This was regarded as the most beneficial suited option a result of the intensive geographical distribution of samples. A sample of 300 consumers are selected through simple random sampling in which 275 questionnaires were received so the response rate was 92%. Certain demographic profile questions are also the part of the questionnaire. All the questions are rated on ordinal or attitudinal scale where 1 represents “strongly disagree” & 5 “strongly agree”.

This study has become empirical in character so quantitative treatment has grown to be utilized. In selected prior studies like in 2012, Adi performed its investigation in Malaysia, using empirical technique (Adi, 2012). Not long ago Ling Suan Choo (2013) also used quantitative strategies to suitable describe the investigate challenge. To this point, Schaufeli (2004) also supported the usage of both of those of quantitative approaches in his conclusions. The real key purpose why to employ quantitative solutions is always to supply much better idea of the research dilemma.

In the existing study, questionnaires were being mainly staying introduced either in the home or inside the Workplace, and this technique is proved incredibly helpful to elicit responses utilizing verbal and visible communication. Although this technique is taken into account as costly and time-consuming, the usage of this process presented a substantial response rate.



Craig and Douglas (2000, pp. 249) also confirmed that this is the most effective method of questionnaire administration in international marketing research.

For the reliability of data, Cronbach's alpha check has been utilized. Right after information collection, upcoming move is to analyze the data. SPSS software program is used for analysis like correlation analysis, multiple regression and ANOVA was utilized for model suitability test. Descriptive statistics are also employed for means and frequencies computations.

### Data Analysis

**Frequencies:** Table shows the frequencies of 188 males (68.4 per cent) and 87 females (31.6 per cent) in the sample, giving a total of 275 respondents.

**Table 1 Gender response**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	188	68.4	68.4	68.4
Female	87	31.6	31.6	100.0
Total	275	100.0	100.0	

The responded has shown their purchasing behavior and attitude regarding the products like air conditioner and refrigerator from the eight well known appliances companies who offer their products in Pakistan. Table 2 shows the Brand PEL has a frequency of 37 (13.5 per cent), Philips is 11 (4.0 per cent), Haier is 34 (12.4 per cent), Orient is 29 (10.5 percent), Samsung is 29 (10.5 percent), LG is 13 (4.7 Per Cent), Sony is 29 (10.5 percent) and Dawlance is 93 (33.8 Percent) in the sample, giving a total of 275 respondents.

**Table 2 Brand loyalty**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid PEL	37	13.5	13.5	13.5
Philips	11	4.0	4.0	17.5
Haier	34	12.4	12.4	29.8
Orient	29	10.5	10.5	40.4
Samsung	29	10.5	10.5	50.9
LG	13	4.7	4.7	55.6
Sony	29	10.5	10.5	66.2
Dawlance	93	33.8	33.8	100.0
Total	275	100.0	100.0	

**Reliability Levels (Coefficient Alpha):** Cronbach's alpha value is calculated to test the reliability of all variables Coefficient Alpha for Brand Performance, Customer Satisfaction and Brand Loyalty is 72.7%, 72.3% and 75.4% respectively.

**Correlation Analysis:** Correlation analysis is use to measure the intensity and path of linear partnership amongst two continues variables. Table 3 shows all the association among the variables total brand Performance (Total BP), total Customer Satisfaction (Total CS) and total brand loyalty (Total BL) are positive and the strength of most relationships is medium to

large with few exceptions. The values of correlation from .2 to .34 show the medium relationship among variables. (Cohen, 1988). All the correlations are also significant at 0.01 levels (2-tailed).

**Table 3 Correlation between brand loyalty, brand performance and customer satisfaction**

		TotalBP	TotalCS	TotalBL
TotalBP	Pearson Correlation	1	.250**	.236**
	Sig. (2-tailed)		.000	.000
	N	275	275	275
TotalCS	Pearson Correlation	.250**	1	.348**
	Sig. (2-tailed)	.000		.000
	N	275	275	275
TotalBL	Pearson Correlation	.236**	.348**	1
	Sig. (2-tailed)	.000	.000	
	N	275	275	275

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Multiple Regressions:** As already mentioned three variables are used in this study. Brand Loyalty is dependent variable, Customer Satisfaction is mediating variable and Brand Performance is independent variable.

**Regression Model (1):** In the first step it was checked that whether total Customer Satisfaction could be predicted by brand performance. The results of standard regression in this case are as follows.

**Table 4 Descriptive Statistics**

	Mean	Std. Deviation	N
TotalCS	29.85	3.636	275
TotalBP	37.25	5.026	275

**Table 5 Pearson's Correlations**

		TotalCS	TotalBP
Pearson Correlation	TotalCS	1.000	.250
	TotalBP	.250	1.000
Sig. (1-tailed)	TotalCS	.	.000
	TotalBP	.000	.
N	TotalCS	275	275
	TotalBP	275	275

**Table 6 Model Summary**

del	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.550 <sup>a</sup>	.300	.359	3.527

a. Predictors: (Constant), TotalBP

b. Dependent Variable: TotalCS

**Table 7 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	225.973	1	225.973	18.168	.000 <sup>a</sup>
	Residual	3395.612	273	12.438		
	Total	3621.585	274			

a. Predictors: (Constant), TotalBP

b. Dependent Variable: TotalCS

**Table 8 Coefficients**

Coefficients<sup>a</sup>

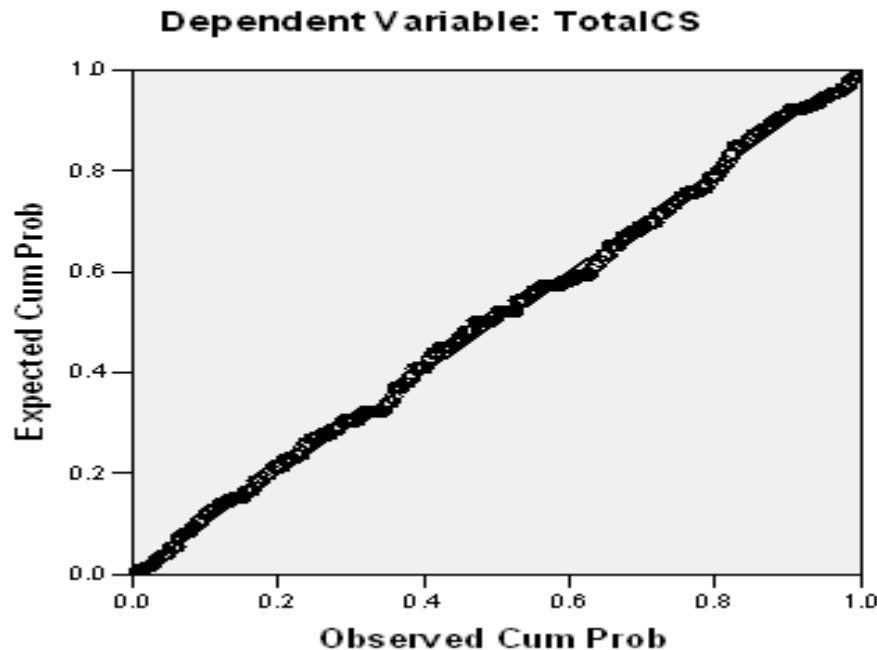
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	23.116	1.593		14.507	.000	19.979	26.253
	TotalBP	.181	.042	.250	4.262	.000	.097	.264

a. Dependent Variable: TotalCS

Correlations			Collinearity Statistics	
Zero-order	Partial	Part	Tolerance	VIF
.250	.250	.250	1.000	1.000



### Normal P-P Plot of Regression Standardized Residual



In the correlation table the first assumption about multicollinearity was checked and it was observed that the correlation of brand performance independent variables with customer satisfaction dependent variable is above .2 but less than .9 and the correlation among brand performance independent variables is less than .7 which means there is no multi-collinearity in the model according to Tabachnick and Fidell (2001, p. 84). In the coefficient table the value of tolerance is more than .10 and value of TIF is less than 10 so this also proved non multicollinearity in the model. The  $R^2$  value of 0.336 in model summary box indicates that 33.6 percent change in dependent variable Customer Satisfaction (CS) is explained by independent variable Brand Performance (BP).

In the ANOVA section, the relationship was observed significant. In the coefficient section B values under standardized coefficients have been evaluated and it was found that the value of total Brand Performance was 0.250 and this implies that total brand performance makes the strongest unique contribution to explain total customer satisfaction when the variance from other variables is controlled. The significant value is less than .05 so the independent variable Brand Performance is significantly contributing to predict the customer satisfaction dependent variable.

**Regression Model (2):** In the second step it was checked that whether Brand loyalty (Total BI) (D.V) could be predicted by total customer satisfaction (I. V). The results of standard regression in this case are as follows:

**Table 9 Descriptive Statistics**

	Mean	Std. Deviation	N
TotalBL	30.43	4.349	275
TotalCS	29.85	3.636	275

**Table 10 Correlations**

		TotalBL	TotalCS
Pearson Correlation	TotalBL	1.000	.348
	TotalCS	.348	1.000
Sig. (1-tailed)	TotalBL	.	.000
	TotalCS	.000	.
N	TotalBL	275	275
	TotalCS	275	275

**Table 11 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.348 <sup>a</sup>	.421	.418	4.085

a. Predictors: (Constant), TotalCS

b. Dependent Variable: TotalBL

**Table 12 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	628.898	1	628.898	37.696	.000 <sup>a</sup>
	Residual	4554.607	273	16.684		
	Total	5183.505	274			

a. Predictors: (Constant), TotalCS

b. Dependent Variable: TotalBL

**Table 13 Coefficients**

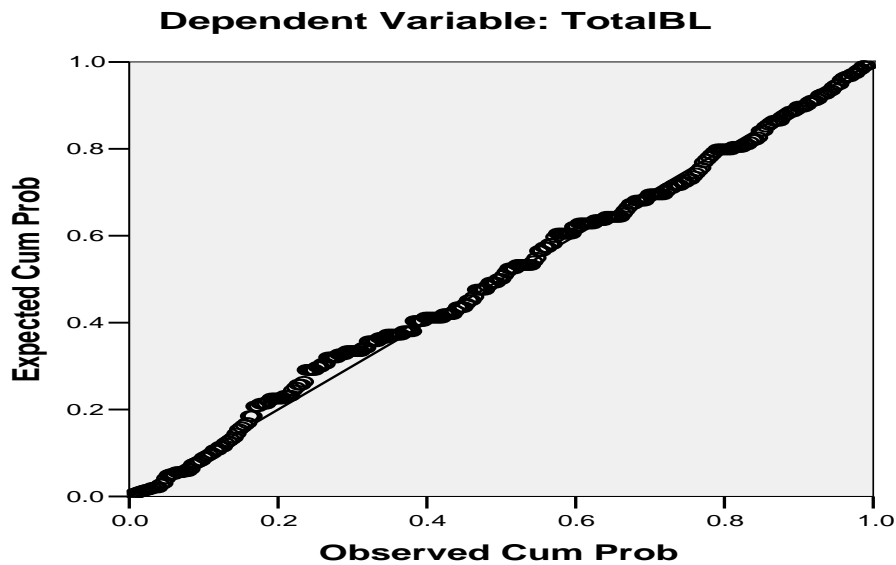
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	17.995	2.041		8.818	.000	13.977	22.012
	TotalCS	.417	.068	.348	6.140	.000	.283	.550

a. Dependent Variable: TotalBL

Correlations			Collinearity Statistics	
Zero-order	Partial	Part	Tolerance	VIF
.348	.348	.348	1.000	1.000

**Normal P-P Plot of Regression Standardized Residual**



In the correlation table the first assumption about multicollinearity was checked and it was found that the correlation of total customer satisfaction independent variable with total brand loyalty dependent variable is above .3 but less than .9 and the correlation among independent variables customer satisfaction is less than .7 which means there is no multicollinearity in the model according to Tabachnick and Fidell (2001, p. 84). In the coefficient table the value of tolerance is more than .10 and value of TIF is less than 10 so this also proved non multicollinearity in the model. The R<sup>2</sup> value of 0.421 in model summary box indicates that 42.1 percent change the dependent variable (Brand Loyalty) is explained by independent variable (Customer Satisfaction).

In the ANOVA section, the relationship was found significant. In the coefficient section B values under standardized coefficients were evaluated and it was found that the value of Brand loyalty (D.V) was 0.348 and this implies that total Customer Satisfaction (I. V) makes the strongest unique contribution to explain brand loyalty (D.V) when the variance from other variables is controlled. The significant value is also less than .05 so the independent variable is significantly contributing to predict the dependent variable.

**FINDINGS & RESULTS**

In our study it was hypothesized that:

*H<sub>10</sub>: Brand Performance has significant negative relation with Customer Satisfaction's in home appliances sector of Pakistan.*

**H1<sub>1</sub>** : Brand Performance has significant positive relation with Customer Satisfaction's in home appliances sector of Pakistan.

**From the analysis, it was found that** Brand Performance has significant positive relation with Customer Satisfaction's in home appliances sector of Pakistan. So H1 is accepted on basis of following results in the table of multiple regression the R<sup>2</sup> value of 0.336 in model summary box indicates that 33.6 percent change in dependent variable Customer Satisfaction (CS) is explained by independent variable Brand Performance (BP). This result is endorsing the results of previous studies. According to HY Wong (2008) proves that Brand Performance has taken as very important antecedents of customer's satisfaction and it shows positive behaviour for the construct Brand Performance.

In second hypothesis it was supposed that

**H2<sub>0</sub>** : *Customer Satisfaction has significant negative relation with Brand loyalty in home appliances sector of Pakistan.*

**H2<sub>1</sub>** : *Customer Satisfaction has significant positive relation with Brand loyalty in home appliances sector of Pakistan.*

From the analysis, it was found that Customer Satisfaction have significant positive relation with Brand Loyalty in home appliances sector of Pakistan. So H2 is accepted on basis of following results in the table of multiple regression the R<sup>2</sup> value of 0.421 in model summary box indicates that 42.1 percent change in dependent variable Brand Loyalty (BL) is explained by independent variable Customer Satisfaction (CS). This result is endorsing the results of previous studies as mentioned above. E.g. In 2013, J Lee states that the relationship between customer satisfaction is positive and most significant with loyalty because more satisfied a customer tends to be, the higher is the actual loyalty. (J Lee,2013).

## CONCLUSIONS

The findings suggest that brand loyalty can be generated through improving customer satisfaction and offering high brand value. Brand performance has significant positive relation with customer satisfactions in home appliances sector of Pakistan. The survey result shows that 33.6 percent customer has satisfied on the basis of brand performance. Brand performance is the fundamental motivation factor for the customer satisfaction which considered as a positive state of mind in purchasing products which relates to customer satisfaction and brand reputation is important antecedents for intended loyalty. For customer satisfaction companies should understand customer-specific needs, provide good quality products, and have the capacity to address customer complaints or problems in a friendly manner. Perceived good product performance is a key driver of brand loyalty and also significantly influences customer satisfaction.

The results, evoked from this study indicate that companies striving for brand loyalty should focus on customer satisfaction and performance of brand. The analysis from multiple regression shows that 42 percent change in dependent variable brand loyalty is explained by independent variable customer satisfaction so that the customer satisfaction has positive association with brand loyalty in home appliances. Companies are much aware of the significance of customer satisfaction and satisfied customers have a higher possibility of

repeating purchases of the appliances and of becoming less interested to the competitor's brands. This study provides many theoretical and managerial implications for marketing professionals and researchers. The strength of the proposed model was examined by means of using the most popular durable products brands. Managerially, our findings about the impact of customer satisfaction on brand loyalty can be used for the retention of acquired customers.

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