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The Impact of Brand Loyalty on Product Performance

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***Abstract*—**This research investigates the impact of Brand Loyalty on the product performance and the factors those are considered more important in brand reputation. Variables selected for this research are Brand quality, Brand Equity, Brand Reputation to explore the impact of these variables on Product performance. For this purpose, primary research has been conducted. The questionnaire survey for this research study was administered among the population mainly at the shopping malls. For this research study, a sample size of 250 respondents has been taken into consideration. Customers from the shopping malls and university students constitute the sample for this research study using random sampling (non-probabilistic) used as a sampling technique for conducting the research survey. According to the results obtained from the collected data, it is interpreted that product performance shares a direct relationship with brand quality, brand quality, and brand reputation. Result also showed that brand quality and brand equity has a significant effect on product performance, whereas brand reputation has an insignificant effect on product performance.

***Keywords*—**Product performance, brand quality, brand equity and brand reputation.

I. Introduction

ONE of the significant factors that can reduce the cost of marketing a product is brand loyalty. For this reason, brand loyalty is observed to have a strong impact on the product performance. Positive word of mouth (WOM) is what the loyal customers spread about the product [1]. These customers make suggestions to their friends and family to purchase a specific brand, as this brand assures satisfaction among loyal customers. Customer satisfaction is one critical factor in this entire process and is known to be one of the most important concerns for the marketing managers. Customer satisfaction acts as marketing benchmark for most of the companies to measure their performance [2]. In addition, it is believed that satisfied customers show more loyal behavior towards the brand and this makes them to adopt a repeat purchase behavior. This customer also shows willingness to provide positive word of mouth about the product [3]. Despite this fact, companies observe that are losing the customer even though there is customer satisfaction. This makes the organization analyze the factors pertaining brand loyalty to analyze the impact it can have on product performance to increase customer satisfaction [4].

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Reference [5] explains brand loyalty as a marketer’s Holy Grail. Brand loyalty acts as an ideal measure of the company’s health. According to [6], the studies report an increase of almost 5% in the rate of retention of consumer would lead to almost 25-95% profit in more than 14 industries. These industries include brand deposits, grocery chain stores, software and many more. Moreover, loyal customers are the ones that are likely to advocate for their loyal brands and make recommendations to their friends, family and other potential customers.

Flourishing brand image enables the customers to differentiate the brand that satisfies their needs from its competitors and increase the chances of consumers making the purchase of the particular brand they are loyal. In most of the cases, the products competing enjoyed similar standards when it comes to product price, quality and product performance. This makes customer loyalty erode when the customers deal with numerous products and retailers sharing similar nature [1].

Brand loyalty is observed to have a strong impact on the perception customers holds about the quality and satisfaction related to a particular brand. Most of the research work examines the quality of products and their impact on customer satisfaction [2].

This research works on examining the brand reputation that can be affected by the performance of the product. This study explores the impact of Brand Loyalty on the product performance and the factors those are considered more important in brand reputation.

II. Literature Review

A symbol, logo, name or a product designs that differentiates one product from other is a brand. Brand is the identity of a good or service. Brand is the life of an organization. Brand is for the customer and if the brand gives value to the customer and that value is beneficial so the customer ends up being happy and satisfied and this would result in becoming a hardcore loyal customer of that specific brand. This is known as Brand Loyalty [7]. Brand increases the product value and creates a competitive advantage for the organization. It differentiates it from its competitors and creates a strong bond with the customers. Without a brand name, the product goes into commoditization. Branding gives a sense of identifying a generic product and make it different from others. Branding is all about differentiating the product. Branding comes from the brand strategy. Efficient and accurate branding is the core function of an organization. A company’s success lies on the brand loyalty of customers, it results into long term profitability and customer loyalty. For instance, if someone asks which place one prefers for fast food? And the answer is “KFC”, so this shows the power of a brand loyalty and at the same time the customer is also marketing that brand. Brand loyalty makes positive stories [8].

A customer satisfaction, purchasing behavior and loyalty depends upon the quality of service provided by products [9]. A buyer pays higher prices for the products that maximize their utility with a high quality delivered by the product. Customer brand loyalty affects on financial stability, financial performance and financial standing of a company. Researchers have proved that a brand loyal customer of a brand gets satisfied with the specific brand and repurchase it in future. Pre-purchase behavior and post-purchase behavior of customers is interlinked with this concept.

Before consuming product, customer buy product on basis of its image, brand name, price and benefits exposed, whereas, in after consumption behavior, customer finally consumes the product and then makes evaluation on quality achieved [10]. When the post-purchase behavior succeeds, then customers are likely to repurchase that product and thus, customer becomes loyal to a certain brand. Although, it is not necessary that customers repeat their purchasing behavior even if they are satisfied with the product.

Reference [11] stated that the product performance is the product value and product demand in the market. Performance of a product is measured through the customer demand for the product, customer review, sales of a product, market share of a product, and product / brand image. Brand equity is the worth of a brand. The customers who are loyal to a brand repurchase that brand and raise its performance in the market, in terms of a brand sales and revenue generated from that brand. One should take care of a brand in the terms of holistic marketing; activities should be designed in a way that it gives value to the brand. It follows the following steps;

Personalization ⟹ Integration ⟹ Internalization ⟹ Brand Equity

Brand equity contains two terms brand inventory (identified characteristics) and brand exploratory (unidentified characteristics). For instance, Unilever made ice cream and packed it in plastic pots so the inventory was only ice-cream and plastic pots were to dispose but consumers used it in different ways, thus it increased the Brand Equity [8]. Brand equity is measured by the Brand Asset Valuator model. This model measures the financial standing of a brand. Hence, the financial performance of a product is measured by this model [12]. BRANDZ model is used for assessing the performance of a product. This model measures the strength of a brand and it depends on series of steps and each step is contingent upon the other step. It makes a pyramid of brand difference of expected and actual performance gives a brand performance, if actual performance is greater than expected performance than it creates bonding. This model illustrates the performance of a brand which is due to the brand loyalty. If a customer is loyal to a brand, his or her bonding with that brand is stronger. Thus, it shows the strength of a product’s presence and hold in the market. Brand Resonance measure the performance of a product on the basis of customer expectations and loyalty of a customer with the product or brand. Brand Resonance measure model measures the increase in brand equity over the period of time and reaches at extreme point [13]. This model measures the brand identity, performance, image, judgment and feelings that customers hold for the brand.

All competitive organizations like Apple, combines the marketing and branding concepts and gets benefit in the form of increased market value from brand loyalty and strong brand image build by the loyal customers. Marketing promotes the brand. Brand identity leaves an image on the consumer mind and while choosing between different alternatives, the customers prefer that brand which has strong brand identity. For example, if a child is asked for the hamburger, the answer would be McDonalds; this shows the brand consumer association with the brand. This strong association is due to the powerful brand identity. Rivals can copy the techniques or the product but they cannot copy the brand identity and that makes a successful brand different from other products [14]. Brand that has a global presence and is known in the market expand its brand through extension. Brand extension is useful for those brands that have coherent image in the market. Consumers trust on brand helps in accepting the brand extensions.

Although there is always a risk of purchasing extended products but loyal customers of a specific brand do buy the same brand extensions. Customers with knowledge of products and innovations accept the brand extensions [15]. It is a growth strategy practiced by firms. The unfit categorized extensions hit the current brand. Apple is regarded as the best brand; it follows the brand extension strategy in horizontal and vertical direction. Brand extension creates a sustainable and long term business and it also measures the consumer loyalty with the existing brand. Customer purchases and repurchases a product of a brand to which they are loyal and perceives the product quality in a positive way.

Brand image and brand identity is created by the branding strategies. These strategies are successful because it gives an identity to the brand. To name the brand in a simple and unique way is one of the strategies followed by the firms that create a simple, strong and long lasting image on the mind of a consumer. Moreover, a brand is the valuable asset of an organization, which tells the stories about the product, organization and its characteristics therefore it should be designed in a way that carries unique value proposition, which differentiates it from its competing brands. To make a brand successful in the market, branding terms are used for enhancing the brand image and brand equity. There are twelve strategies. These strategies are followed by all the firms to make the business sustainable and profitable. Extension strategies are commonly used to increase the sales volume at lower cost, less communication and marketing investment. The existing brand has an image in the market and consumers have brand association therefore extensions get the same value but if extensions are of high quality then customers switches to brand extensions [16]. These strategies are successful in the business world because it creates a competitive, sustainable and profitable environment for the firms who follow these strategies. It makes the brand unique and differentiated in the market. If there is no competitive branding, then the product moves towards commoditization and brand loyalty deteriorates.

Brand loyalty increases the worth if a brand that is the monetary value of a particular product belonging to specific brand. Brand loyalty is a competitive advantage for the brands. Brand loyalty is found to have a positive influence on the performance of the product. it is known to increase the financial benefits associated with the product. brand loyalty has a positive and direct relation with the financial performance of the company. The revenue generated from a product increases. When a customer buys a product and product satisfies the consumer need, the customer become satisfied. The satisfactory post purchase behavior of a consumer propels the consumer for buying a product again and again. This repurchasing behavior of a consumer increases the sales of a product and ultimately increases the revenue of a product. The financial performance of a product enhances as the revenue increases; the profitability of the product also increases. Brand loyalty sticks consumer to a brand and does not switch to other brands.

Brand loyalty reduces the marketing cost of a product. Hence, brand loyalty has a positive and influential impact on the performance of a product. [1] analyzed that loyal customers spread positive words about the product. Loyal customers recommend others about a brand they use and to whom they are loyal to. Customers suggest other to buy and use a brand which satisfies the need of loyal customers. Loyal customers hold positive view and they talk about the benefits of a product. For instance, a consumer purchased apple phone and its unique selling proposition satisfied their need of the customers. Such customers recommend others to buy apple phone. In this way, a customer himself does marketing of a product by recommending and suggesting others to use a brand [17].

Thus, the marketing cost of a product reduces due to brand loyalty. Mouth to mouth communication is an effective way for marketing the product. Marketing takes place through communication. Communication should be effective that positions the brand in buyers' mind because it is used for familiarizing customer with the brand.

Nowadays extensions are widely practiced for branding the products. There are three types of extensions i.e. line extension, category extension and the third type is known as brand extension. The first two types namely line and category extension comes under the domain of brand extension. When brand is extended horizontally, it is known as Category Extension and when a product is extended vertically, it is known as Line Extension [18].

Brand extension is a common way to enhance the profitability in short term as well as in long term. It needs less promotion and marketing because of the existing brand and brand loyalty of customers. Organization needs not to create brand awareness and it may reduce the risk of failure because of the existing brand. But sometimes it may lead to failure if the extended brand has inconsistent attributes and can badly affect the brand image which can cause loss. Strong customer association with the brand can be beneficial for the extension, it is a motivational factor. The brand extension quality should be matched with the basic brand quality [19]. Creating products under the same brand name captures the customer attention and saves cost. Market share can be reduced by implementing wrong extension. It increases brand equity, brand association and brand awareness. Strong existing brand has a strong brand image therefore brand extension can get the high value and helps in enhancing the brand equity.

III. Methodology

This research is explanatory and quantitative in nature. Self-administered survey was conducted through structured questionnaire. Primary data was collected through random sampling. This technique was helpful in the conduction of questionnaire surveys that were self-administered. The data was collected from 250 respondents selected from targeted population. In that way every single person had an equal opportunity to participate in this study. Customers from the shopping malls and university students constitute the sample for this research study.

The questionnaire works on analyzing brand loyalty on three main fronts including the brand quality, brand equity and brand reputation. These variables are used in the research instrument to find the impact they have on product performance.

IV. Results and Discussion

This chapter discusses the analysis of the results obtained from the collected data. Moreover, the data is interpreted obtained from the Regression Analysis Technique which was used to check the impact of band loyalty on the performance of a product. There are certain factors which are considered important for evaluating the brand loyalty and brand performance, hence the statistical results findings related to the hypotheses are presented below.

To examine the hypothesis H_{a1} multiple linear regression is applied using enter method.

The un-standardized regression coefficient for predicting product performance from brand quality, brand equity and brand reputation, are .777, .138 and -.135 respectively; the standardized coefficient are .603, .114, and -.094; the significance level (sig.) or *p* of brand quality and brand equity predictors are reported as significant since both values are less than .01 except brand reputation which is insignificant and the degree of freedom for the F test are 3 for the regression and 246 for the residual. Hence it may be reported as B= (.777 + .138 - .135), F (3, 246) = 59.607, p < .000; r = .649. The summary of the results are presented in Table I.

TABLE I
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	df	F	Sig.
product performance	.649[a]	.421	.414	.92769	3 246 249	59.607	.000[a]

a. Predictors: (Constant), brand reputation, brand quality, brand equity
b. Dependent Variable: product performance

TABLE II
COEFFICIENTS SUMMARY

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.040	.337		3.084	.002
brand quality	.777	.071	.603	10.929	.000
brand equity	.138	.071	.114	1.951	.052
brand reputation	-.135	.075	-.094	-1.804	.072

a. Dependent Variable: product performance

The multiple regression predicting product performance from the two antecedents i.e. brand quality and brand equity are statistically significant because the 'Sig.' is less than .01, therefore, we partially accept the hypothesis H_{a1}. Thus, we accept the hypothesis and state that product performance is statistically significant predictor of brand quality and brand equity. Brand reputation has an insignificant and negative impact having sig value greater than .05; therefore, we state that brand reputation statistically has a negative impact on product performance. Using the R^2 from the model summary Table I, we can say that $r^2 = .421$, indicating that 42.1% of the variance in product performance is predicted by three independent variables i.e. brand quality, brand equity and brand reputation.

Following is the regression equation obtained from regression analysis:

$$\hat{Y} = 1.140 + 0.777 \text{ (brand quality)} + 0.138 \text{ (brand equity)} - 0.135 \text{ (brand reputation)}$$

The above equation is interpreted as: 1 percent of the product performance increase, if the brand quality is increased by 0.777 percent. Secondly, the product performance increases by 1 percent, if the brand equity is increased by 0.138 percent. Lastly, there is not a significant relationship between brad reputation and product performance; therefore, there is a negative slope that is product performance increase by 1 percent with the decrease in brand reputation by 0.135 percent.

V. CONCLUSION

Brand loyalty is the purchasing behavior of a consumer that how repeatedly he or she buys the product of brand when there are others suppliers also in the same category of product. It reflects that a customer sticks to one brand regardless of change in price, quantity, features, distribution channels, and communication channels. The performance is the worth of a brand and it is commonly known as Brand Equity. To create a strong brand identity, it is necessary to make the product differentiated. Brand loyalty has positive impact on the performance of product. For marketing the brand, customers talk to the other customers and convey messages about brand benefits, attributes, functions and values. Mouth to mouth communication decreases the marketing budget of a product. There are two reasons for the decline-taking place in the brand loyalty. The first reason is the rise in the quality levels of the products. These quality levels are now at those standards where it becomes difficult for the customers to differentiate among the product offering by brands that compete in the same product category. Thus, the repurchasing behavior of a consumer increases the market share of a product in the market because of increased sales of a product. It increases the market value of a product. Moreover, financial performance increases with the increased price of a product also. When sellers increase the price of a product, loyal customers pay premium prices for the products to which they are loyal. Loyal customers are not price sensitive. The higher prices paid by the consumers stabilizes and amplifies the cash flow of a business.

It is recommended to the companies that their brands position themselves based in quality and reduction of risk, which is not associated with the modern consumer because this results in the consumer risk to switch brands to be a lot lower in today's era as they are no longer concerned with the quality of the substitute brand. A second reason for decline in brand loyalty is pertaining to brand positioning. This research can be implicated to those companies where product development and radical changes occurs more rapidly where sustaining a consumer loyalty is a challenge because modern consumers have a different perception about the brands and they look for product performance in order to become brand loyal.

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