

Customer Satisfaction and Brand Loyalty: A Case Study of Nestlé

**Daisy Mui Hung Kee¹, Zi Wei Gan², Yi Qi Chan³, Hui Tian Lee⁴, Xiang Yee Tan⁵,
Sin Wei Lee⁶**

Universiti Sains Malaysia^{1,2,3,4,5,6}

Jalan Sg Dua, 11800 Minden, Pulau Pinang, Malaysia.

Correspondence Email: daisy@usm.my

ORCID ID: 0000-0002-7748-8230

ABSTRACT

The paper aims to examine the customer satisfaction and brand loyalty of Nestlé. Nestlé is one of the world's largest food companies. The company believes in the power of food to enhance life. The mission of Nestlé is "Good Food, Good Life." Nestlé aims to provide the customer with the best tasting, most nutritious choices in a broad variety category of food and beverage, from morning to night. This study used quantitative method. Data were collected via an online survey. There are 100 consumers of Nestlé as respondents of the survey. The results of the findings indicated that over three-quarters of the customers were satisfied with the Nestlé products and over half of them believed that they were loyal to Nestlé products. Also, the findings showed that customer satisfaction is strongly linked to brand loyalty. To conclude, customer satisfaction is the crucial key driver to increase brand loyalty and retain their customers.

Keywords: Brand loyalty, Customer satisfaction, Nestlé, Malaysia

INTRODUCTION

Nestlé is one of the largest and worldwide producers of high-quality goods. They set factories in various parts of the world, such as Asia, America, Africa, Europe, and Oceania. Popularity of Nestlé results in the diversity of customers from all over the world. Due to Nestlé's consumers' ethnic diversity, Nestlé is well aware of the significance customer satisfaction can lead to brand loyalty. Among the most relevant and very well marketing strategies is customer satisfaction which plays an important key role in creating brand loyalty. Hence, the relationship between customer satisfaction and brand loyalty will be analysed in this study. Customers with high satisfaction will be happy and willing to pay extra for the advantages and consistency of their favourite company and this leads to profitability (Shahroodi, 2015). Customers buy goods that fulfil their needs as regards of money, therefore Nestlé sets their prices on the standard of the commodity which retains the consumer and ensures a long-term affiliation. Moreover, the loyal customer can continue to draw potential consumers by providing and exchanging information about Nestlé's goods and services (Khadka & Maharjan, 2017). Furthermore, customers will stay faithful as long as the perceived worth of goods and services is comparatively higher than rivals' products.

A significant shift has arisen in Malaysia's political and economic landscape during 2018, but Nestlé Malaysia generated profitable growth, have brought economic growth

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and value to customers. Furthermore, with a market share of 15.7%, Nestlé generated a leading growth of 4.9% and raised the profits before tax at 7.8% due to strong import and export sales. During the year 2018, Nestlé Malaysia's successful product developments and renovations have been essential to market growth. This was led by the MAGGI noodles collection called *Maggi Pedas Giler* versions designed to cater to Malaysian love spicy food. Therefore, innovation-led more than 10% of annual revenue during 2018, showing strong growth in excess of RM400 million instead of RM353 million in 2017.

The chairman of Nestlé Malaysia Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail stated that the world's economy is uncertain and climate of challenge in 2019, Nestlé Malaysia was managed to push through to report a further year of progress and building potential for long-term growth. Thus, to deliver strong results on market metrics, and committed to developing Nestlé Malaysia in a sustainable, polite, and eco-friendly way (Nestlé Annual Review, 2019, p.12). However, there are few major projects in 2019, which are Chembong Factory of MILO manufacturing, Chembong Icecream- New Oreo Stick and Kit Kat Stick manufacturing, Batu Tiga- Automation of the packaging device for the product of MAGGI Hot Cup and production enhancement of raw materials (Corporate Governance & Financial Report of Nestlé, 2019, p.40). Meanwhile, the main achievements in 2019 included the construction of the Chembong Factory in Negeri Sembilan, setting up the largest MILO processing site globally, and successfully implementing the divestment of the Chilled Dairy company. Also, for the financial performance of Nestlé Malaysia delivered revenue at RM5.5 billion at the same time as the prior year, with a net profit of RM673 million in 2019 (Corporate Governance & Financial Report of Nestlé, 2019, p. 39). The net profit of Nestlé for the third quarter ended in September 2020, has declined to RM128.39 million due to the outbreak of Covid-19. The revenue was affected by high operational costs that the company needed to ensure the workplace's insulation by doing disinfection for the safety purpose. Moreover, the recent Recovery Movement Control Order announced in June 2020 has dragged down the business operations as people were asked to stay at home. Nestlé Malaysia announced that there would be a program 'Rise with Nestlé' held to support local coffee shops and small restaurants impacted by the pandemic of Covid-19.

Since the organization is engaged in the food and nutrition field, it remains susceptible to becoming a food company from the outset. Nestlé's has the aim to enhance the quality of life and contribute to a healthier future. They emphasize the importance of creating a better and healthier world by inspiring people to live healthily. Hence, Nestlé wishes to help 50 million children worldwide lead healthier lives and improve the directly connected business activities with 30 million livelihoods in communities. Nestlé also hopes to strive for zero environmental impact in their operation. Nestlé company continues susceptible to culinary and eating patterns and reacts to unique nutritional issues.

Furthermore, Nestlé sets out and adapts emerging patterns, such as increasing home consumption and taking care of its customers' well-being. Nestlé Malaysia did organize health campaigns annually, and for 2020 the event underlines the importance of walk towards heart health initiated by Nestlé Omega Plus (Hassandarvish, 2020). Brand loyalty is one of the basics of human survival in buying goods regularly. However,

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customer purchasing decision-making is often considered a Nestlé brand of customer sales daily with multiple variables such as the product's price, quality of the product, brand satisfaction, and brand value.

This study mentioned that customer satisfaction is one of the critical enablers that leads to brand loyalty. We propose that customer satisfaction is an essential indicator for an organization to differentiate itself from competitors. An organization can use customer satisfaction to measure and evaluate the extent to which their products remain in the market. One of customer satisfaction is regarded as the most important driving force for organizational success and a key component of marketing (Erevelles & Leavitt, 1992; Leninkumar, 2017; Kurian & Muzumdar, 2017; McQuitty, Finn, & Wiley, 2000).

Considering that customer satisfaction is the driver for organizational success, we aim to examine how customer satisfaction influences brand loyalty. In this paper, we examine the above relationship in the context of Nestlé. Nestlé has distinguished itself with its high-quality product mix and established itself as a wellness and nutrition organization while engaging healthy consumers worldwide.

Customer Loyalty

Customer loyalty is varied, depends on the factor of product or service, customer segmentation, customer-firm, economic and industry (Morgeson, G., Hult, Mithas, Keiningham & Fornell, 2020). To understand what customer loyalty is, we started from the definition of loyalty. Loyalty is defined as a biased response by an individual, a household, or a firm towards a brand or a product after experience within a certain period or explained with decision-making units' purchase pattern (Mellens, Dekimpe, & Steenkamp, 1996). Therefore, loyalty implies the consumers' consistent repurchase towards a brand or a product after having a positive impression. However, Jacoby and Chestnut (1978) mentioned that commitment is an essential element of loyalty and repurchase, which repurchase towards a brand and product is due to inertia. Researchers and marketers consider that loyalty is the core of a company's success. Thus, we need to understand the variables that determine loyalty to the brand or product and distinguish between brand loyalty and customer loyalty, even though the two concepts are not much different. Loyalty to the brand can lead the brand to maintain premium pricing, reduced costs, have a greater bargaining power of distribution channel, and a strong potential to compete with the new products.

Oliver (1999) defined customer loyalty as a firmly held commitment to constantly repurchase a desired product or service in the future, although affected by the current situation in the market. Although customer satisfaction is a crucial part of a business that can produce a positive financial result, satisfaction alone cannot take a business to the top-level. We need to maintain customer loyalty to the product or service in the business because customer loyalty is the strength for a business to build a good relationship with customers (Griffin 2002). Thomas and Tobe (2013) emphasized that loyalty is more profitable because retaining an existing customer is cheaper than gaining a new customer. This also stated by Ardani, Rahyuda, Giantari, and Sukaatmadja (2019), customer loyalty is an important goal in the consumer marketing community as it is a key component for company sustainability. Measuring loyalty can provide a better understanding of customer retention. Retaining existing customers

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usually has a much lower associated cost than winning new ones. Thus, customer loyalty is not gained by accident. They are built over time across multiple transactions. Gremler and Brown (1999) divided customer loyalty into three categories, behaviour loyalty, intentional loyalty, and emotional loyalty. Behaviour loyalty is the customers' behaviour to purchase the product, while intentional loyalty is the customers' ability to buy the product. Emotional loyalty follows the customers' feeling that the brand corresponds with their idea, value, and passion.

Customer loyalty is very important because their role in business expansion, sustainability and survival is evidenced by much past research (Berry, Zeithaml, & Parasuraman, 1985). Now, word of mouth is even better and has rapid influence than the others. People tend to trust other customers' suggestion and recommendation more than company representatives and advertisers claiming that the loss of one dissatisfied customer means losing up to 20 more customers due to their bad experiences spreading word of mouth or post their experience through social media (Gerdt, Wagner, & Schewe, 2019; Shamsudin, Razak, & Salim, 2018)

Customer satisfaction

Achieving customer satisfaction is not easy because customers are getting more complicated and sophisticated. The longer the customer remains satisfied, the more often they will come back to the same products in the future and prefer to buy goods and services rather than from competitor products. Satisfied customers will stay in the customer life cycle and then turns into loyalty.

Customer satisfaction has been the main focus of organizations in all market sectors, including the aviation industry, the hotel, and tourism industry, and the catering service industry (Anderson & Sullivan, 1993; Churchill & Surprenant, 1982). Before the 1980s, most companies were not customer-centric. However, they focus on the product. If customer satisfaction is assessed, it tends to be measured informally (Dayr, Pena, & Lopes, 2003). Customer satisfaction refers to the perceived performance or result of comparing products relative to their expectations (Soriano, 2002; Srivastava, & Rai, 2018), the individual's sense of pleasure or disappointment (Kotler & Keller, 2011). Researchers conclude that satisfaction is a fast customer experience by determining overall satisfaction after using a product. In the past few decades, various studies have been conducted on the influence of loyalty on satisfaction. We can predict consumers' buying behaviour and purchase intentions for branded products.

In modern theory and practice, customer satisfaction is regarded as the most important driving force for organizational success and a key component of marketing (Erevelles & Leavitt, 1992; Leninkumar, 2017; Kurian & Muzumdar, 2017; McQuitty, Finn, & Wiley, 2000). In marketing results, customer satisfaction as a predictor of consumer purchase behaviour (Anderson, Fornell, & Lehmann, 1994; Anderson, Fornell, & Mazvancheryl, 2004; McQuitty, Finn, & Wiley, 2000). Some practical studies have shown that satisfaction is the forerunner of brand loyalty, product purchase intention, and brand behaviour towards its customers (Oliver, 1980; Pritchard, Havitz, & Howard, 1999; Russell-Bennett, McColl-Kennedy, & Coote, 2007).

Customer satisfaction is a summary of the psychological state. When the surrounding emotions are unclear or unsatisfactory, the customer's expected result is combined

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with the customer experience's prior (Oliver 1999, p. 28). Besides, Oliver (2014, p. 262) elaborated on the concept of customer satisfaction and provided a more comprehensive definition, pointed out that satisfaction is a response to customer satisfaction. Kotler (2000) identified an important factor when recognizing a significant component of customer satisfaction. The organization may make every effort to build customer satisfaction, but the organization has limited control over the process; customer perception is also a key factor in determining customer satisfaction.

Since people began to provide valuable things to accept the needs or expectations mentioned above, customer satisfaction has been an important part of any exchange economy (Sudiarta & Karini, 2017; Weber, Cohen & Knight, 1981). Marketing research and theories provide conceptual and operational definitions around expected customer satisfaction. In short, customer satisfaction can be achieved when customer expectations are met (Kotler, Bowen, Makens, & Baloglu, 2017).

Brand Loyalty

A brand is been one of the strategic and valuable assets that drive business organisations in modern times (Beig & Nika, 2019). In fact, a brand is defined as a name, logo, term, symbol, sign, or design belonging to a company. A brand can help to distinguish the product or service from other competitors in the market. A brand is important because it can make a memorable impression on consumers and capture consumers' hearts to repurchase the product or service after they preferred the product or service. Today, brands also can be represented by a personality to maintain loyal consumers with their brand. For example, Nestlé is a global brand in the food and beverage market because Nestlé has the power of food to enhance everyone's quality of life.

A brand can be personalized and seen by consumers as not just an inanimate phenomenon, but a curiosity that can develop relationships with them (Keller & Lehmann, 2006; Veloutsou, 2015; Su & Tong, 2015). Brand loyalty can be measured by positive word of mouth, brand trust, customer satisfaction, and price sensitivity. Brands available in the product category that consumers continue to buy to a certain extent. If a specific brand's loyalty persists, consumers will remain the same (Rizwan, Usman, Hussain, Shafiq, Rauf, & Ayaz, 2013). Nowadays, customers have more understanding of the brand. If they believe that the product has the right characteristics, quality, and price, they will buy the brand from a specific product category. Moreover, they will not buy products from other suppliers.

By attributing a human quality to the brand, brand personality refers to what consumers associate with. According to Su and Tong (2015), brand personality represents consumers' perception of brand personality characteristics and further establishes meaningful consumer-brand relationships. A good brand personality can help utilize a unique and beneficial brand image, thereby increasing brand equity. Therefore, establishing brand personality is an essential marketing process because it helps to establish the personal relationship between the brand and consumers. When there is a relationship between the brand and the consumer, loyalty will increase (Su & Tong, 2015). Brand managers must effectively formulate such marketing strategies to establish positive relationships with customers to meet customer needs and build customer loyalty (Hwang, Baloglu & Tanford, 2019). Loyal customers prefer to buy a

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specific brand, rather than buy a price because of the price because it has a perceived quality or positive image.

RESEARCH METHOD

This study aims to examine customer satisfaction and brand loyalty toward Nestlé. Data were collected via an online survey. A total of 100 consumers of Nestlé responded to the survey. One of the main reasons we employ online surveys is due to the outbreak of Covid-19. We used Google Form for data collection. The questionnaire is intended to analyse Nestlé's customer satisfaction and brand loyalty. The questionnaire consists of several parts, respondents' demographics, a survey about customer satisfaction, and brand loyalty. These questionnaires were answered on a five-point Likert scale ranging from 1 "Strongly Disagree" to 5 "Strongly Agree".

RESULTS AND DISCUSSION

Table 1. Summary of Respondents' Demographics (N=100)

RESPONSE	FREQUENCY	PERCENTAGE
Gender		
Male	40	40.0
Female	60	60.0
Age		
18 years old and below	12	12.0
18 - 25 years old	68	68.0
26 - 35 years old	6	6.0
36 - 55 years old	11	11.0
56 years old and above	3	3.0
Ethnicity		
Malay	11	11.0
Chinese	81	81.0
Indian	8	8.0
Employment Status		
Student	72	72.0
Self Employed	1	1.0
Public Sector	5	5.0
Private Sector	17	17.0
Unemployed	5	5.0
How often did you purchase Nestlé's products in one month?		
1 - 2 times	54	54.0
3 - 5 times	26	26.0
6 - 10 times	14	14.0
10 times and above	6	6.0
Why did you purchase Nestlé's brand rather than other brands?		
Good Quality	55	55.0
Reasonable Price	56	56.0

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Brand reputation	63	63.0
What do you think about the products of Nestlé?		
Satisfied	77	77.0
Neutral	21	21.0
Not satisfied	2	2.0

Table 1 showed a summary of the profile of the respondents. Over half of the respondents were female (60%). As much as 68% of them were between the age of 18 to 25 years old. The majority of respondents were Chinese and Malay with 81% and 11%, respectively, followed by Indian with 8%. In terms of respondents' employment status, students have the highest numbers (72%), followed by the private sector (17%). As much as 54% purchased one to two times of Nestlé's product in one month. Another 26% had purchased three to five times, followed by 14% purchased six to ten times Nestlé's product in one month. When asked about why the participants chose Nestlé, respondents voted brand reputation, reasonable price, and good quality. Three quarter of the respondents (77%) are satisfied with Nestlé product.

Table 2. Survey on Nestlé's Customer Satisfaction (N=100)

RESPONSE	FREQUENCY	PERCENTAGE
Nestlé's products meet my expectations		
Strongly Disagree	0	0.0
Disagree	2	2.0
Neutral	23	23.0
Agree	60	60.0
Strongly Agree	15	15.0
I have good experience with Nestlé's products		
Strongly Disagree	0	0.0
Disagree	2	2.0
Neutral	22	22.0
Agree	64	64.0
Strongly Agree	12	12.0
I am happy to purchase Nestlé's products		
Strongly Disagree	1	1.0
Disagree	1	1.0
Neutral	17	17.0
Agree	56	56.0
Strongly Agree	25	25.0
I am satisfied with Nestlé products quality		
Strongly Disagree	2	2.0
Disagree	1	1.0
Neutral	17	17.0
Agree	55	55.0
Strongly Agree	25	25.0
I am satisfied with Nestlé products design and packaging		
Strongly Disagree	1	1.0
Disagree	1	1.0

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Neutral	15	15.0
Agree	59	59.0
Strongly Agree	24	24.0

Table 2 presents a summary of customer satisfaction. Three-quarter agreed that Nestlé's products successfully meet the needs of the customer (75%). Similarly, 76% respondents had a good experience with the products, while 81% were happy to purchase the products. Another 80% were satisfied with the product quality, and another 83% were satisfied with the product design and packaging. In short, the findings suggest that many customers were satisfied with Nestlé's product, and they were regular customers.

Table 3. Survey on Nestlé's Customer Brand Loyalty (N=100)

RESPONSE	FREQUENCY	PERCENTAGE
Nestlé is my first-choice brand		
Strongly Disagree	0	0.0
Disagree	6	6.0
Neutral	43	43.0
Agree	35	35.0
Strongly Agree	16	16.0
I trust the Nestlé brand		
Strongly Disagree	2	2.0
Disagree	1	1.0
Neutral	15	15.0
Agree	63	63.0
Strongly Agree	19	19.0
I will continue to purchase Nestlé products		
Strongly Disagree	1	1.0
Disagree	1	1.0
Neutral	13	13.0
Agree	57	57.0
Strongly Agree	28	28.0
I will not buy another brand if the Nestlé product is available at the same stores		
Strongly Disagree	2	2.0
Disagree	21	21.0
Neutral	37	37.0
Agree	32	32.0
Strongly Agree	8	8.0
I recommend Nestlé brand products to other people		
Strongly Disagree	2	2.0
Disagree	5	5.0
Neutral	39	39.0
Agree	45	45.0
Strongly Agree	9	9.0

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I tell positive things about Nestlé to other people

Strongly Disagree	1	1.0
Disagree	3	3.0
Neutral	34	34.0
Agree	52	52.0
Strongly Agree	10	10.0

Table 3 shows a summary of Nestlé's customer perception of brand loyalty. Over half of the respondents voted Nestlé as their first-choice brand (51%). As much as 82% trusted the Nestlé brand, while 85% respondents would continue to purchase Nestlé products. The finding is in line with the findings in Table 2, where 81% were happy to purchase Nestlé products. The findings also reveal a positive association between customer satisfaction and brand loyalty.

In addition, 80% respondents agreed that they would not buy another brand if Nestlé product is available at the same stores. This finding lends support to the respondents' reasons on the questions "Why did you purchase Nestlé's brand rather than other brands?", The respondents voted for brand reputation, reasonable price, and good quality (See Table 1). The finding also demonstrates that consumers trusted Nestlé products. One possible reason could be that Nestlé has established its products since 1913, and therefore, the Nestlé brand has given confidence to the public generation by generation. Over half of the respondents (54%) would recommend Nestlé brand products to other people, and 62% of them would tell positive things about Nestlé. In short, consumers have strong brand loyalty to Nestlé products.

Table 4. Multiple Regression Result Between Customer Satisfaction and Brand Loyalty

Description	Beta Coefficients	t-value
What do you think about the products of Nestlé? \longrightarrow On a scale of 1-10, how loyal do you feel to Nestlé? Why?	0.142	1.464
What do you think about the products of Nestlé? \longrightarrow I will continue to purchase Nestlé brand products	0.254	1.433
What do you think about the products of Nestlé? \longrightarrow I will not buy another brand if the Nestlé product is available at the same stores	0.173	0.845
What do you think about the products of Nestlé? \longrightarrow I recommend Nestlé brand products to other people	0.004	0.021
What do you think about the products of Nestlé? \longrightarrow I tell positive things about Nestlé to other people	0.216	1.578

Table 4 presents a multiple regression result. Through the inclusion of customer satisfaction as the dependent variable and question of brand loyalty as the independent variables. The result shows the positive relationship between customer satisfaction and brand loyalty with the Beta Coefficients(b) and t-value greater than 0. Based on Oliva, Oliver, and MacMillan (1992), when satisfaction reaches a certain level, loyalty will increase, while satisfaction declined to a certain point, loyalty dropped drastically.

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Customer satisfaction is one of the keys that leads to brand loyalty in customers, and customer loyalty to the brand leads to an increase in both sales and profitability (Khadka & Maharjan, 2007; Chi, 2005). Khadka and Maharjan (2007) stated that highly satisfied customers are tending to be more loyal than the customers who are merely satisfied. Customers who use their satisfaction as important criterion for purchase are only willing to buy products, they are loyal to. With the statement "I will not buy another brand if the Nestlé product is available at the same stores" in the survey, 40% of total respondents strongly agree and agree that they would not buy another brand's similar product with Nestlé brand. This means that they will only buy Nestlé brand products in the stores, if the product is not available, they will not buy it.

The study's findings suggest that customer satisfaction is a crucial factor for any company that wishes to maximize brand loyalty and develop a more significant company accomplishment. The suggestion also suggested by prior research, so prior research given some guidelines in this research that customer satisfaction and brand loyalty have a positive relationship. Brand loyalty will improve when satisfaction is reached at a certain degree, and around the same time, brand loyalty would naturally decrease if the amount of satisfaction declines to a certain stage. High customer satisfaction indicates that to be more loyal than the customers who are moderately satisfied. In addition, high customer satisfaction and brand loyalty lead to higher revenue and profitability for the business. All in all, there is a strong positive relationship between brand loyalty and customer satisfaction.

However, the study faced limitations on the age of respondents deviation to age 18-25 years old. This limitation will influence the result of the study, because did not cover other customers of different ages. Moreover, the pandemic Covid-19 limited the type of research method in this study. The research method such as observation and interview which cannot be done will cause the result with one-sided opinion. Therefore, we suggest that future research can survey different stages of age and make observations in supermarkets and survey the customer at the supermarket to studying the relationship between customer satisfaction and brand loyalty.

CONCLUSIONS

In this study, we examine the customer satisfaction and brand loyalty of Nestlé. We use a specifically constructed dataset of 100 respondents of Nestlé's customers to conduct the survey. Our finding shows that customer satisfaction has a positive relationship with brand loyalty. As customer satisfaction increases, brand loyalty also increases. The result showed that many respondents are satisfied with Nestlé's products and will continue to purchase Nestlé's products in the future. The customers are satisfied with the quality of the products, but they are also satisfied with the price and the design of the products. Nestlé is one of the world's largest food companies that launch out different types of brand products such as Milo, Nescafe, Maggi, Haagen-Dazs, Nestlé Ice Cream, and others. From the survey, we can conclude that customers' brand loyalty toward Nestlé is positive and higher. They trust Nestlé as the highest quality brand in the food companies and recommend and tell the positive things of Nestlé to other people.

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In conclusion, as customers are satisfied with Nestlé products, they are more likely to exhibit loyalty to Nestlé. Nestlé has three competitive advantages. First, Nestlé is the largest food company that focuses on giving good food and good life to their customers. Secondly, Nestlé built its strong market base foundation since it has been established for more than 100 years. Third, Nestlé has its strong customer base that consumers trusted the brand and would repurchase the products. This study advances the literature and provides empirical support that customer satisfaction has a significant relationship with brand loyalty. Nestlé's management should continue to enhance their customer satisfaction, which eventually may lead to customer's brand loyalty and put Nestlé in a competitive advantage.

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