



Investigating the affective factors on building brand equity in banking Industry of Iran (Case study: Tosee Saderat Bank)

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Abstract

This research aimed at investigating affective factors (service experience, brand affinity and customer satisfaction) on building brand equity in banking industry of Iran. In order to conduct our research, we distributed a structured questionnaire among a sample of 220 customers of Tosee Saderat banks in Tehran. At last, SEM (Structural Equation Modeling) was used and it was found that service experience, brand affinity as the independent variables, and customer satisfaction as mediator variable, had an effect on building brand equity.

Keywords: Service experience, brand affinity, customer satisfaction, brand equity.

Introduction

Business environment has witnessed a lot of fluctuations recently. Cohen and Mazzeo¹, Tallon² and Bravo et al.³ declared that as customers and governmental agencies have become more demanding and markets more competitive, banks are adopting integrated banking strategies in order to respond to these changes. One of managers' duties is measuring brand strength especially in service industries. The goal of many organizations is to build a strong brand. What absorbs a customer to a brand and cause him/her to select a brand is its value that is known as brand equity. According to Reynolds and Phillips⁴ brand equity has become more important as the key to understanding the objectives and mechanisms of the holistic impact of marketing over the last 15 years.

Jahanzeb et al.⁵, Krishnan and Hartline⁶ argued that there is an abundance of research conceptualizing and measuring brand equity, but most of them are focusing on product-based brand equity, just some focusing on service-based brand equity. Banking industry of Iran has entered a competitive context with the establishment of private banks. Both private and governmental banks are trying not only to keep their brand position but also to promote it. This study examines brand equity through the lens of consumer behavior and psychology theories. The model in this paper was adopted from "Building Brand Equity in Retail Banks: the Case of Trinidad and Tobago".

Brand Equity: Today, firms are trying to create strong brands in order to go one step ahead from their rivals. Because a brand is not just the firm's name, logo, and color etc. actually the quality of firm's product is reflected by firm's brand. So, firms are developing strategies in order to increase their brand's equity⁷. Brand equity is one of the most important and well-known concepts in marketing which was introduced in 1980 for

the first time. It's important as powerful brands create meaningful images in the minds of customers⁸. According to Aaker⁹ brand equity create added value that one product create it by means of brands name. Keller⁸ declared that the value of successful brands encapsulates the essence of brand equity.

American Marketing Association defined brand equity as: "the value of brand. From a consumer perspective, brand equity is based on consumer attitudes about positive brand attributes and favorable consequences of brand use". Scholars have various comprehensions for brand equity. Some of them define brand equity as added value, loyalty to brand, recognition of brand, brand awareness, perceived quality, added utility, attitude fluctuation caused by brand recognition and so on¹⁰.

Some academicians suggested that consumers create brand equity through intangible and perceptual dimensions like perceived performance, perceived value, image, truth worthiness and commitment¹¹. Others mapped behavioral determinants that included loyalty, perceived quality, and brand awareness/ association¹². Belen del Rio et al¹³ and Kim and Kim¹⁴ argued that the construct of brand equity is more subjective response to social and personal elements.

Service Experience: Experiences are "processes of sensory perception, brand affect, and the participatory experiences consumers seek from a brand"¹⁵. The literature in consumer research has already shown a significant influence of service experiences on post consumption evaluations^{16,17}. Service experience affects customers' feelings, beliefs, and behavior. Berry et al.¹⁸ suggested that service cues have a "disproportionately larger effect on how customers evaluate service experiences and whether they chose to utilize the service again." Luoh and Tsaur¹⁹, Otto et al.²⁰ found that service experience has an important influence on the consumer evaluation of and satisfaction with a given service. So they

defined service experience as the subjective personal reactions and feelings by consumers when consuming or using a service.

Organization must take the quality of service experience at their center stage in order to have a competitive advantage. Experiences and expectations with service performance and quality of the services will influence customer satisfaction. As customers have a range of expectations and since expectations vary from person to person and time to time, a zone of tolerance would be confined by desired service²¹. According to Gilmore and Pine²², Lenderman²³, Marconi²⁴, O'Sullivan and Spangler²⁵, Smith and Wheeler²⁶ experience marketing has become a niche area itself. Customers' feelings and behaviors in the future will be influenced by how they experienced a service clearly.

Frow and Payne²⁷ defined customer experience as: the physical and emotional experiences occurring through the interactions with the product and/or service offering of a brand from point of first direct, conscious contact, through the total journey to the post-consumption stage. Driving brand success by creating a brand-based customer experience which is differentiated from its competitors and for which consumers are willing to pay is the aim of customer experience.

Brand Affinity Making a powerful and potentially beneficial connection with a consumer is a good thing. Customers like what firms do and come back for more. A brand can build a powerful and potentially beneficial affinity with customers by engaging with online communities in a meaningful way and forging a personal connection with consumers. Customers' emotional connection with the firm's brand shows that firm achieves brand affinity. Emotionally attached customers hold favorable attitudes toward brands which positively affect a wide range of marketing outcome²⁸. The term affinity in sociology refers to "forces that cause one person to be drawn to, and seek a relationship with another"²⁹. According to De Chernatony and Dall'Olmo Riley³⁰ in marketing, affinity is used to describe the emotional connection between customers and brands. Brand affinity goes beyond rational economic value and reflects the emotional affection consumer express for their preferred brands. Consumers interact with hundreds of brands but consciously develop emotional connections with only a few through feelings of love, affection, or belonging²⁸. The degree of emotional affection directed to any object is predicted by the nature of an individual's interaction with that object. Individuals who are strongly attached to a person are more likely to be committed to, invest in, and make sacrifices for that person, and likewise customers will depict similar behavioral traits in their brand relationships³¹.

Customer Satisfaction Erevelles and Leavitt³², Oliver³³ considered customer satisfaction as a central concept in the marketing literature. Oliver and De Sarbo³⁴, Tse and Wilton³⁵, Yi²¹ identified different kinds of customer satisfaction. On the one hand, process definitions of customer satisfaction emphasize the 'expectancy disconfirmation paradigm'. While, on the other, number of authors use advance outcome definition

according to which satisfaction may be perceived as a state of fulfillment which is connected to reinforcement and arousal. Satisfaction is a mental state of pleasurable fulfillment derived from consumption³⁶. Oliver sees satisfaction as a fulfillment of consumers' consumption goals as experienced and described by consumers. Satisfaction is consumers' judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or over- fulfillment³³. Satisfied customers create and sustain deep psychological bonds with preferred brands. Satisfied customers are able to identify preferred brands very easily and impact on market penetration and expansion strategies³⁷. The mediating role of customer satisfaction in this brand equity model is based on the recent arguments promoted by Caruana et al.³⁸ suggesting that customer satisfaction is a dynamic concept that varies with intensity, time, and circumstance. Positive thoughts and feelings toward a brand are likely to have a positive influence on the brand evaluation³⁹ and increase the level of satisfaction toward the brand and influence preferential responses³⁷.

Research Hypothesis: According to the conceptual model of this study as shown in figure 1, affective factors on building brand equity are service experience and brand affinity (independent variables), brand equity (dependent variables), and customer satisfaction (mediator variable). The aim of this study is to investigate the affective factors on building brand equity in banking industry of Iran. Based on the conceptual model and main question of the paper- "What variables are affective on building brand equity in banking industry of Iran?"- the hypotheses are as follow:

- H1: Service experience positively and directly relates to brand equity.
- H2: Brand affinity positively and directly relates to brand equity.
- H3: Customer satisfaction positively and directly relates to brand equity.
- H4: Customer satisfaction acts as a mediator between service experience and brand equity.
- H5: Customer satisfaction acts as a mediator between brand affinity and brand equity.

Research Methodology

Research type: This article in terms of objective is an applied research, and in terms of data collection is descriptive. Pierson correlation, T-test and Beta test (based on SEM) were used in order to calculate and indicate the relationship type and the goodness of fit. Structural Equations Modeling is a comprehensive statistical approach which examines the hypotheses regarding the relationship between observed and latent variables.

Data collection tools: The model of this research is derived from a model on brand equity by Meena Rambocas, Vishnu M. Kirpalani and Errol Simms. The population of interest was

defined as Tosee Saderat Banks in Tehran who had active checking account and use from the services of these banks for more than 5 years. The validity of the questionnaire was measured by some marketing experts and professors of Islamic Azad university of central Tehran (Iran), and the reliability of it was measured by Cronbach's alpha factor which resulted in following values: 0.86 for brand equity, 0.90 for service experience, 0.88 for brand affinity, and 0.93 for customer satisfaction; all in the acceptable range.

Explanation of the structural model: As mentioned before, T-test and Beta test were calculated. These values are shown on each path in figure-2. Calculated T demonstrated that which hypothesis is accepted or rejected. The hypothesis would not be confirmed if the calculated T is less than 1.96. So as shown in figure-2, one of paths (customer satisfaction to brand equity) was not confirmed.

Research hypotheses testing: At this stage, the confirmation or rejection of research hypotheses are examined by utilizing Pierson correlation and Standardized Path Coefficient. Findings are shown in table 4.

Results and Discussion

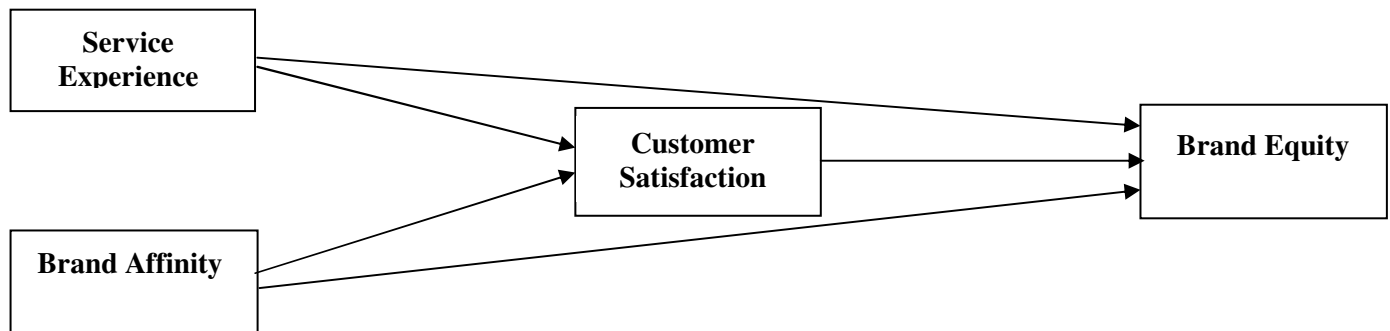


Figure-1
Research Model³⁷

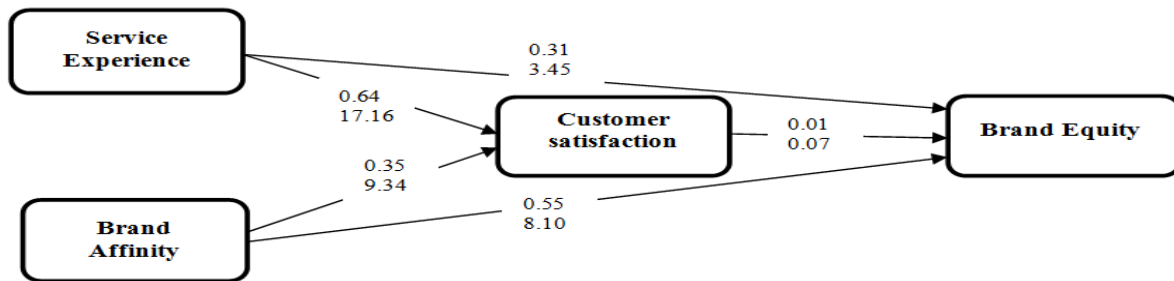


Figure-2
The structural model of brand equity

Table-1
Descriptive data analysis

Gender	%	Age	%	Education	%
Male	71.8	Under 25	7.7	Diploma and Under diploma	31.4
Female	24.5	25 to 29	24.1	BA	49.1
***	***	30 to 34	18.2	MA	14.5
***	***	35 to 39	31.4	Ph. D and above	2.3
***	***	40 and above	18.6	***	***

Table-2
Correlation coefficient between research variables
** Meaningful in Alpha level 0.01

Variables	Brand affinity	Customer satisfaction	Brand experience	Brand equity
Brand affinity	1	0.811**	0.722**	0.770**
Customer satisfaction	0.811**	1	0.893**	0.735**
Brand experience	0.722**	0.893**	1	0.725**
Brand equity	0.770**	0.735**	0.825**	1

Hypothesis	Variables	Beta	t	decision
H1	Service experience and brand equity	0.31	3.45	Accepted
H2	Brand affinity and brand equity	0.55	8.10	Accepted
H3	Customer satisfaction and brand equity	0,01	0.07	Rejected
H4	Service experience and customer satisfaction	0.64	17.16	Accepted
H5	Brand affinity and customer satisfaction	0.35	9.34	Accepted

Conclusion

This study empirically examined the casual impact of service experience and brand affinity on brand equity as well as mediating role of customer satisfaction on brand equity relationships. The results show the highest positive correlation coefficient exists, respectively, between service experience and brand equity (0.96), it demonstrates that higher service experience will result in higher brand equity and lower service experience will result in lower brand equity. This finding suggests that customers evaluate their actual experiences during consumption by subjective beliefs and connotation formed prior to consumption. The results also suggest that customer satisfaction mediates the relationship between service experience and brand equity, and also between brand affinity and brand equity. At the second step, positive correlation coefficient exists between brand affinity and brand equity (0.91), this relationship can be improved through customer satisfaction. The mediating role of customer satisfaction in our brand equity model suggests that service experience and affinity toward a bank increase customer satisfaction and in turn increase the attractiveness of banks. This finding suggests that consumers who are emotionally tied to a brand are likely to hold favorable attitudes toward the brand and is in line with contribution in the attachment literature. On the other hand, there exists no correlation between customer satisfaction and brand equity.

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