A study on the effect of Brand experience on Customer loyalty in the Iranian Banking industry: A Case study on Melli bank

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Abstract

With the aim of studying the effect of brand experience on customer loyality in the Iranian banking industry the current study was carried out. The research method employed was an applied survey. The statistical universe of the study included all the individual and legal customers of Melli bank, with active current accounts for more than 5 years; a total of 1203117 customers. Research model was assessed through a 250-customer sample of Melli Customers chosen through random sampling. The independent variable was the brand experience including such factors as: sensory, affective, intellectual, and behavioural. The moderating variables were the customer satisfaction and brand personality, including such factors as sincerity, excitement, competence, sophistication, and ruggedness. The dependent variable was also the customer loyality. The data needed for the study was gathered through standard questionnaire. Through Lisrel, various structural equilibrium models as well as factorial analysis were carried out. The findings of this study do not show any effect of the brand experience on customer satisfaction and loyality. Brand personality, however, positively effects customer satisfaction and loyality. Finally, it should be mentioned that, customer satisfaction effect his loyality in a positive way.

Keywords: Brand, brand experience, brand personality, customer satisfaction, and customer loyalty.

Introduction

For many companies brand functions as their major capital these days[1]. Brand has become so important in business that we might name the modern business management 'brand management'[2]. Brand is not a mere physical product; it is rather a unique trait that develops in the course of time and achieves some tangible and intangible assets. By the passage of time the brand causes the products to be distinguished as different[1]. A powerful brand has a positive effect on the perception of the customers of the company's identity. This positive perception is the result of a good experience. Awareness towards a brand affects perceptive qualities of the customers in a way that they change to be loyal customers[2] . Based on the studies, consumers look for those brands that give them homogeneous and memorable experiences. Brand experience is defined as the feelings, excitements, understandings and behavioral responses evoked by brand sitmulators. It forms a part of the design, personality, packaging, and environment associated with a product[3]. Brand experience affects customer satisfaction and loylty. From the consumers' perspective, brands are the consturctors of communication. As a criterion, Brand experience entails four dimensions including sensory, affective, intellectual, and behavioral dimenstions[4].

In addition, brand experience affects customer loyalty through associating brand personality, directly or indirectly. According to Aaker, brand personality plays a focal role on customer decision as the closest variable in decision making. Save for the

5 major personality features of individuals – including extroversion and introversion, adaptability, emotional stability, and awareness- he introduces 5 other major features as related to brands. There include sincierity, excitement, competence, sophistication, and ruggedness[5]. Brand experience and personality might not be the same for all goods and services. Goods are mostly tangible and real. Shoes, computers, furniture, and coke are some examples of goods. Services, however, are not as like as goods. Banking, insurance, and interior designing are some of such services. Nonetheless, these differences between goods and services are not always clear. At a restaurant, for example, one might witness both goods and services. The foods on the menu are tangible, while professional behavior of the waiters is not. Producing a good experience as well as a positive mentality within the customer is not always easy. This is especially difficult for the brands that have a special attention to services. As with the services, the customer experience of services and its relationship to the brand is not necessarily the outcome of what is going on at the factory. Instead, it is directly related to the people who provide the services and to the extent they keep their words. It is therefore that hundreds of people all over a nation or the world are assigned to provide services and keep up to the claims of a brand to its customers. In iran, brand experience has never been comprehensively studied. In addition, the position of banking industry in the economic and business sectors is so undeniable that this study on brand experience and its effect on customer loyalty as the first study on this topic, aims at studying the effect of brand experience on customers loyality in the banking industry of Iran. The statistical universe of

this study included customers of Melli bank, of the Tehran branches with an active current account with more than 5 years of experience with this bank.

The independent variable was the brand experience including such factors as: sensory, affective, intellectual, and behavioral. The moderating variables were the customer satisfaction and brand personality, including such factors as sincerity, excitement, competence, sophistication, and ruggedness. The dependent variable was also the customer loyalty. Fullerton suggested that
loyalty should not be viewed only as repurchase behavior, but in the studies on loyalty, some other terms of consequences such
as repurchase intention, loyalty intention, intention for developing relationships and buying the certain product or service at a higher price may also be considered as signs of loyalty[6].

Review of the related literature

Brand is a name, an expression, a sign, a badge, or a mixture of all these at the service of distinguishing goods or services of a sellor or a group of sellers from those of other competitors[7]. As marketing assets with real market value, brands has the essential function of introducing the products of firms to the general public in a way that their names are itched in their minds[8]. Product brands form a type of loyalty amongst the customers[9].Brand loyalty is directly impressed by customer satisfaction in the course of time, affected by product quality[10].

The meaning of brand experience within the consumer and its relation to market research: Marketing research on consumers have proved that the brand experience happens when the consumers carry out research on the products, buy them, and receive the after-sales services of theirs as they use them[11,12].

Product experience: It happens as the customers establish a relationship with the products. When, for instance, the consumers study the product and evaluate it, they establish a product experience[13]. Product experience can take place in two forms; on the one hand, direct physical contact with the product takes place. On the other hand, introducing the product through advertisements, in an indirect way, is the second type of product experience formation. Responses to these two are normally used to better study the factors affecting customer judgement, idea, preference, intention, and memory[14].

Shopping and services experience: Shopping and receiving services happen when the consumers establish a rapport with the physical environment, staff, policies, and functions of the store[15]. According to the studies, the experience on the environmental variables and the impact of the shop keepers are of focal importance to the studies in this area of marketing. Some researches have studied the customer/ shop keeper relations and the effect of experience on customer feelings, stances, and brand satisfaction[16].

Consumption experience: Consumption experience happens when the consumers start product consumption. It is a multi-dimensional issue, including various aspects of desirability including emotions, luxurious quality, and entertaining nature of the products[17.] Most of the information on consumption experience have analyzed the desirability goals. This experience takes place during and after the product use. Going to a museum as well as surfing, baseball, and diving are examples for consumption experience[18].

In summary, experiences of shopping is a set of various cases. Most of the experiences happen in the real time in the way that the consumer goes shopping at a shop, does the shopping, and finally consumes it. Shopping experiences, too, can happen indirectly; when, for example, the consumer faces an advertisement or marketing contacts online, he is experiencing indirect shopping experience. As with the brand experience, there are many explanations proposed by such people as philosophers and etc. following a list of these ideas are proposed[19].

Philosophical studies on brand experience: John Dewey (1922-1925) believed that experience is the result of human and environment being intertwined[20]. He criticized Kant's experientialist perspective, considering knowledge a part of the human's understanding of the world around[21]. To him, save for the mental experiences of knowledge, experience as well as perceptions are resulted from emotions and excitements. In addition, humans do basically establish social relations with others. Following Dewey's remarks, Dube and leble (2003) distinguished the 4 aspects of desirability as mental, emotional, social, and physical[22,23].

Cognitive Science: Logicians have studied the mental models or specific goals of estimating orders (regimes) which were the responses to the environment signs, as responses to a limited set of problems. Pinker recognized 4 mental models with close relation to the experiences accepted by dewey as principles. These include sensory perception, emotion and excitement, creativity and reasoning, and social relations. It should be mentioned that Pinker never made a model of separate activities. Basically, what he did was considering motor and behavioral activities as a part of the sensory-motor model which is similar to the concept of cognition proposed by Johnson[24].

Practical texts in experiential marketing and management: Pine & Gilmore (1999) studied step-by-step experiences in minute environments. In this regard, they could distinguish aesthetic experiences (visual, auditory, gustatory, and tactical issues), educational, entertaining, and escapist experiences[25].

Although Pine and Gilmore's research framework was limited to limited and minute situations, its 4 experiential dimensions overlap with the findings of some of the older research in the literature. It is therefore that there is no need for creating concepts of perceptory-aesthetic, mental-educational, and emotional- entertaining[25].

Scmith (1999) suggested 5 experiences including Emotions, Excitement, intellect, action, and communication[26]. This perceptory experience included emotional and aesthetic aspects. Based on recent research on consumer behavior, Richins (1997), stated that excitement experience include emotions and moods, while intellect experience entails convergent, divergent, and analytical thoughts[27]. Action experience includes motor activities and behavioral experiences. Finally, contact experience refers to experience on socialization, such as experience with reference groups. If we specifically consider Pinker's perceptive model (with its perceptive, and behavioral factors), the 5 aforementioned experience, according to Dewey's classification is closely related to Pinker's intellectual model. Generally speaking, amongst philosophers, logicians, and management authorities, there is a unanimous consensus on the classification of experiences[28].

Research Methodology

According to what was stated in the review of the related literature, the research hypotheses are as follows: i. Brand experience has a positive effect on customer satisfaction. ii. Brand experience has a positive effect on customer loyalty. iii. Brand experiences has a positive effect on brand personality. iv. Brand personality has a positive effect on customer satisfaction. v. Brand personality has a positive effect on customer loyalty. vi. Customer satisfaction has a positive effect on customer loyalty.

Research method and conceptual model: Figure 1 depicts the conceptual model of the current study. In this model the independent variable is the brand experience, including sensory, affective, intellectual, and behavioral factors. The moderating variable is the customer satisfaction and brand personality. Brand personality includes such factors as sincerity, excitement, competence, sophistication, and ruggedness. Dependent variable of this study is customer loyalty.
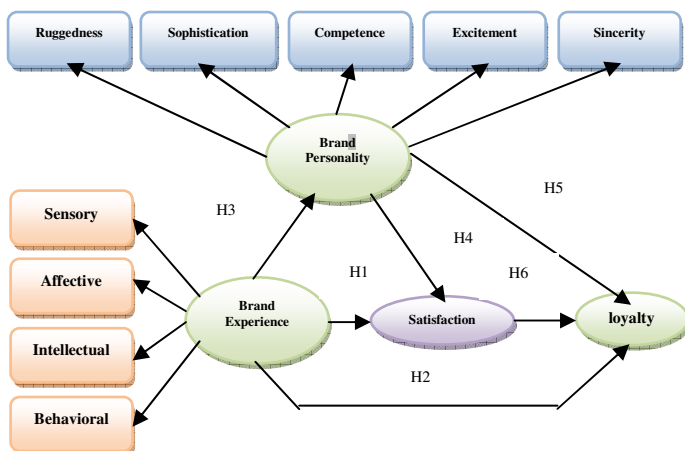

Figure-1
Conceptual model of the study

The statistical universe of the study included all the individual and legal customers of Melli, bank with active current accounts for more than 5 years; a total of 1203117 customers. Research model was assessed through a 250-customer sample of Melli Custoemrs chosen through random sampling.

If the success ratio of the society (p) is 50% , the error level (α) equals 0.05 and the estimation precision was 5%, the minimal sample size is calculated to be 384 in the following way:

$$n = \frac{(z_{\alpha/2})^2 \times p \times (1-p)}{\varepsilon^2} = \frac{(1.96)^2 \times 0.5 \times (1-0.5)}{0.05^2} = 238$$

In order to be on the safe side, the population of the sample was decided to include 250 customers.

In order to gather the required data, a valid and reliable, standardized questionnaire was administered. a 7 scale likert was employed in this questionnaire. Likert scales, summated scales, would normally require the answerer to sign his level of agreement with any of the corresponding attitude objects[29]. There were 42 items in the questionnaire. The first 6 were questions on the personal information, sex, age, eduction, bank type, and the number of years of the customers' use of the bank services. The rest of the items were on the research variables, stated in table 1.

Table-1
The research variables

	Variable name	Number of items	Item number
Brand experience	Sensory	3	7-8-9
	Affective	3	10-11-12
	Intellectual	3	13-14-15
	Behavioral	3	16-17-18
Brand personality	Sincerity	4	29-30-31-32
	Excitement	4	33-34-35-36
	Competence	3	37-38-39
	Sophistication	2	40-41
	Ruggedness	2	42-43
satisfaction	Satisfaction 1	3	19-20-21
	Satisfaction 2	2	22-23
loyalty	Loyalty 1	3	24-25-26
	Loyalty 2	2	27-28

Data analysis: The suitable method for data analysis was decided upon according to the variables and stated factors. In this way, measurement model and structural equations were decided to be employed through SPSS and LISREL. First, exploratory factor analysis was carried out through SPSS. Then, emphatic factor analysis was carried out on measurement equations. Finally, programmed structural equations were used to measure the effect size of each of the effective variables.

As the correlation level amongst the variables and the Goodness of fit.

Index for the model are of importance, following the correlation matrix between the principal variables of the research and Goodness of fit.

Index is provide for all of the banks under study within the tables.

The results of testing hypotheses: In order to analyze the data as well as test the research hypotheses, structural equations method was applied. The structural equations model as well as the meaningfulness index model are stated in figure 2.

Table-2
Correlation matrix among the principal variables of the research

Variable	Brand experience	Brand personality	Customer satisfaction	Loyalty
Brand experience	1	0.618^{**}	0.591^{**}	0.627^{**}
Brand personality	0.618^{**}	1	0.467^{**}	0.602^{**}
Customer satisfaction	0.591^{**}	0.467^{**}	1	0.590^{**}
Loyalty	0.627^{**}	0.602^{**}	0.590^{**}	1

**meaningful at α level of 0.01.

Table-3
Goodness of fit index for the model (all banks)

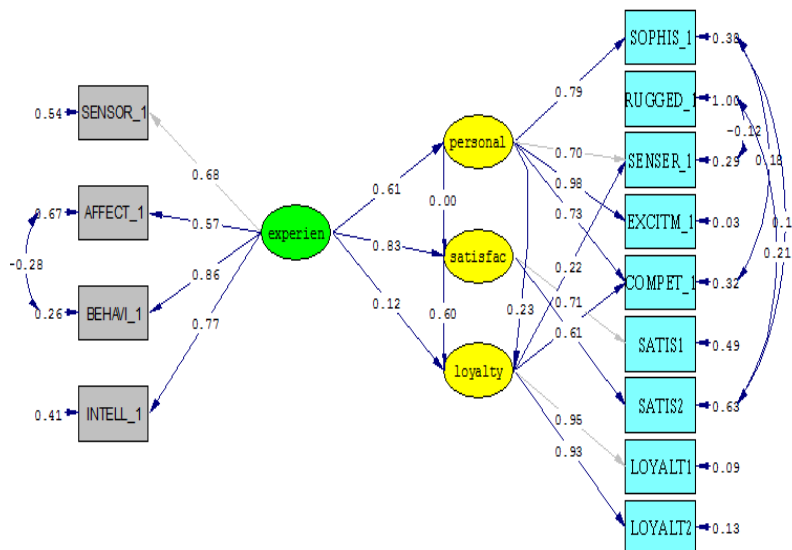| Criterion	Accepted level	The achieved value
Chi-Sqvare to df.	3<	0.08
GFI	$0.90 \geq$	0.99
NFI	$0.90 \geq$	0.99
CFI	$0.90 \geq$	1
RFI	$0.90 \geq$	0.99
RMSEA	$0.80 \leq$	0.000

Figure-2
Evaluating the model on the effect of brand experience on customer loyalty in the banking industry of iran, based on standardized coefficients

As can be seen in figure 2, route model entails 4 hidden variables as well as 13 overt variables. One of these variables, the brand experience, is an external variable, while the three others, brand personality, customer satisfaction, and loyalty, are internal. All of the route coefficients in the model are positive, signifying that the relationship amongst the variables within the model is direct.

The largest coefficient within this model, the effect of the brand experience on customer satisfaction, equals 0.83 (beta= 0.83). Brand experience, also, has a significant effect on brand personality, with a value of 0.61. the smallest effect size belongs to the effect of brand personality on customer satisfaction, 0.00. in addition, according to these coefficients, customer satisfaction, brand experience, and brand personality, customer satisfaction, brand experience, and brand personality respectively have the biggest effects on customer loyalty. The β coefficient for these three variables were 0.23, 0.12, and 0.60 respectively. Route coefficients , except for the effect of brand personality on customer satisfaction, are all meaningful at the level of 95%. In addition,

Factor loading for the dependent variables and independent ones were mostly above 0.5 that can be considered an acceptable level, signifying the representativeness of the introducers for the hidden variables. Table 4 indicates the standard factorial weightings of the introducers for dependent and independent variables as well as determination coefficient of each of the indices for the hidden variables. Majority of the introducers managed to realize 30% of their variable variance of theirs.

Table 5 includes information on the structural equations for the cause model and R^2 for each of the intrinsic variables for the model. The results show that brand personality clarifies 50% of the brand experience variance. Brand personality and experience simultaneously clarify 63% of the bank customer satisfaction. Finally, 73% of the customer brand loyalty variance, which is a large amount, is clarified by brand expreince, brand personality, and customer loyalty.

In developing structure models more information can be produced on the relationship between the variables within the model. This information can be provided through calculating direct and indirect effects as well as the sum of these two. Direct effect is the effect of one variable on the other without any intervention within the model. The indirect effect, on the other hand, is the effect of one variable on the other through an intervention. The total effect, then, is the sum of both direct and indirect effect. The table below depicts the direct, indirect and total effect of the variable within the model.

Table-4
Determination coefficient and factorial weightings for the hidden variable indices

	Variable name	Model	standard	Determination coefficient
Brand experience	Sensory	Sensor 1	0.69	0.47
	Affective	Affect 1	0.57	0.33
	Intellectual	Intell 1	0.74	0.81
	Behavioral	Behave 1	0.90	0.55
Brand personality	Sincerity	Senser 1	0.88	0.77
	Excitement	Excitm 1	0.83	0.68
	Competence	Compt 1	0.85	0.72
	Sophistication	Sohpis 1	0.84	0.70
	Ruggedness	Rugged 1	0.46	0.21
satisfaction	Satisfaction 1	Satis1_1	0.72	0.52
	Satisfaction 2	Satis1_2	0.58	0.33
loyalty	Loyalty 1	Loyalt 1	0.86	0.74
	Loyalty 2	Loyalt 2	0.89	0.80

Table-5
Information on the structural equations for the cause model and R^2 for each of the intrinsic variables for the model

route equation	(R^2)
personal [1]=0.64*experien[2]	0.50
satisfac [3]=0.68* experience+0.13* personal	0.63
loyalty [4] =0.29* experience+0.20* personal +0.47* satisfac	0.73

Table-6
Structure equations for the cause model

effect size	variable internal	variable external	effect type
0.61	personality brand	experience brand	direct
0.83	satisfaction		
0.12	loyalty		
0.000	satisfaction	personality brand	
0.23	loyalty		
0.60	loyalty	satisfaction	
---	personality brand	experience brand	indirect
0.00	satisfaction		
0.23	loyalty		
0.000	loyalty	personality brand	
0.61	personality brand	experience brand	total
0.83	satisfaction		
0.76	loyalty		
0.000	satisfaction	personaltiy brand	
0.23	loyalty		
0.60	loyalty	satifaction	

Conclusion

The research aimed at studying the effect of brand experience on customer loyalty in the Iranian banking industry. The findings of this study, achieved through factor analysis and structural equations, prove that brand experience has a positive effect on brand personality, loyalty, and customer satisfaction. Brand personality does also have a positive effect on loyalty and satisfaction of customers. In addition, customer satisfaction has positive effects on his loyalty. To put it in a nutshell, as banks are basically service providers and have a direct interaction with their customers, brand experience of these banks has an impression on customer satisfaction, loyalty, and personality. In addition, brand experience for the banks under study was directly proportional to their level of customer satisfaction and loyalty. Customers satisfaction of the services provided was effective on their loyalty to the banks. In this study, the total effect of brand experience on customer satisfaction is 0.83 which is above all other variables present in the present model. This issue signifies the close relationship between brand experience and customer satisfaction in the banking industry. The total effect of brand experience on brand personality was 0.61. it was 0.60 for the effect of satisfaction on customer loyalty. The total effect of brand experience on brand loyalty was 0.12. The total effect of brand personality on loyalty and customer satisfaction was all in all 0.23 and 0.00 resepctively which depicts that the total effect of brand personality on loyalty, brand experience on loyalty, and brand personality on satisfaction stand next in the ranking of the current study. It can be stated, then, that the research variables have positive effects on each other. Referring to Brakus, Schmitt, and Zarantonello (2009) , it can be stated that customer sensory of the banking services provided, his intellectual attachment, his way of thinking of the quality of the services provided, the quality of the relationship between bankers and customers, and the physical environment of the bank affect customer behavior in a way that, in the course of time, it forms the various dimensions of the customer experience with the bank brand. This experience has an effect on the level of customer loyalty and satisfaction with bank services so that, in line with the findings of the current study, brand experience has a bigger effect as compared to customer satisfaction in the Iranian banking industry. In other words, bank sincerity in interacting with the customers, customer's excitement in receiving banking services, bank competence in providing services, customer sophistication through bank brand, and bank ruggedness in interacting with customers entail the brand personality. Brand personality, in interaction with customer satisfaction and loyalty establishes a meaningful relationship and leaves a positive effect. In conclusion, it is suggested that customers considered the prime factor, effecting brand experience in banking industry as their level of satisfaction and loyalty affects brand experience, forms it, and gives bank brands a new identity.

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