

Brand Equity, Customer Satisfaction & Loyalty: Malaysian Banking Sector

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Services cannot be seen, felt, tasted or touched in the same manner in which goods can be sensed. Therefore, the key to success in services marketing is to 'tangibilizing the intangible' by using an extrinsic cue like a brand. Moreover, brands that are high in brand equity are organization powerful assets. They can lead to customer satisfaction and customer loyalty. This study is to explore customer perceptions on brand equity dimensions among consumers of bank services in Malaysia. The results show brand meaning is an important factor to create brand equity that will lead to customer satisfaction and loyalty.

Field of Research: Services, Banking, Brand Equity, Customer Satisfaction, Customer Loyalty

1. Banking Sector and Service branding

Malaysian banking sector is in a process of restructuring in supporting and preparing the sector towards fulfilling the World Trade Organization bank service agreement. For that, the Malaysian government has introduced Financial Sector Masterplan with guidelines and milestones to be followed (Bank Negara Malaysia, 2005). The sector is experiencing deregulation and liberalization, which also indicate more competitions, not only among the major local players but most importantly from global players. With that, it is crucial for these organizations to examine their strategy in order to survive in their businesses. One of the strategies is to understand their customers better, and this can be done through managing the brand of the organization. Branding is regarded as the tool to compete particularly in the sector that is regarded as highly intangible such as service sectors (Berry, 2000; Berry and Clark, 1986).

What is a service? Kotler and Amstrong (2006:243-244) describe four characteristics of services, they are:

- (1) Intangibility – cannot be seen, tasted, felt, heard or smelled before they are bought.
- (2) Inseparability – produced and consumed at the same time and cannot be separated

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(3) Variability – their quality may vary greatly, depending on who provides them and when, where, and how. (4) Perishability - they cannot be stored for later sale or use from their providers.

Due to the unique characteristics of services, customers have difficulty in differentiating and evaluating the content and quality of competing service offerings (Zeithaml et al., 2001). However, a key to success in services is to ‘tangibilizing the intangible’ (Berry and Clark, 1986). One way is to use an extrinsic cue like branding.

Brand is a “name, phrase, design, symbol, or some combination of these elements that identifies organizations services and differentiates it from competitors” (Lovelock and Wirtz, 2007: 626). It is supposed to appeal to the rational, logic, senses of taste and feelings of customers (Margaret, 1998). It is also intended to make them feel comfortable, as if the brand represents their personality, lifestyle, aspirations and behavior. A brand identifies the source of the product, assigns responsibility to the product maker, provides a promise, reduces customer search costs and risk (Lovelock and Weitz, 2007) and signals the quality of the product (Janiszewski and van Osselaer, 2000).

2. Brand Equity

Brands, particularly those that are high in brand equity (value of the brand) can be organizations most powerful assets (Herremans et al., 2000). It allows organizations to enjoy high brand loyalty, name awareness, perceived quality and strong brand associations with customers (Bristow et al., 2000). Besides building on long term customer loyalty, organizations with high brand equity can create differential advantage. Bharadwaj et al., (1993) stress that brand equity is important for services that are dominated by experience and credence attributes, such as banking services. Credence attributes include any product or service characteristics that customers cannot determine or evaluate even after purchase or consumption.

Berry (2000) adds that there are two components of brand equity – brand awareness and brand meaning. Brand meaning is influenced by the customer’s experience with the organization. Bank factors such as service operation, employees, environment, features, perceived fees value, self brand image, brand aroused feeling and brand personality are used to define brand meaning (Berry, 2000). Below is the brief review of these factors:

- **Service Operation** - The bank services sector is highly interactive and process-driven. In order to build a positive and lasting brand perception during the interaction, factors of service quality, such as assurance, responsiveness and empathy must be part and parcel of the customers’ experience. These factors may lead to customer trust, satisfaction (Zeithaml et al., 1990; Parasuraman et al., 1991), and loyalty (Lovelock and Weitz, 2006). Lacking these factors may create high levels of

customer dissatisfaction and generate a strong customer desire to switch to competitor.

- **Employees** - Successful service brands derived from carefully nurtured relationships between employees and customers (de Chernatony and Riley 1999). The service provided by employees play an important role in customers' evaluations of service performance. In fact, the interaction will influence customer satisfaction perception of service quality, future consumption behavior and increase profits for the service organization (Heskett et al., 1994).
- **Environment** - An effective way to make brands tangible is to use as many physical elements as possible that can be associated with the brand. Bitner (1992:62) posits that, "the service setting can affect customers' emotional, cognitive, and physiological responses, which in turn influence their evaluations and behaviors". Physical environment such as facility aesthetics, layout accessibility, cleanliness, seating comfort, electronic equipment and display (Bitner, 1990, 1992) play a significant effect on customer satisfaction, perceived service quality, intention to re-purchase and willingness to recommend.
- **Features** - Functional values such as number of branches, technology and accessibility are perceived to be more salient than emotional values in customer decision-making and will be a proxy for branding in relation to bank services (de Chernatony, 2001).
- **Perceived Fees Value** - Price has been identified as an important association in brand image evaluation and a strong quality indicator (Arora and Stoner, 1996). Price value is important point in decision making because customer choice of a brand depends on a perceived balance between the price of a service and its utilities.
- **Self-Brand Image** - Padgett and Allen (1997: 202) indicate that a service brand image is made up of "the attributes, functional consequences and symbolic meanings customers associate with a specific service". The creation of a good image is considered an intangible asset to organizations (Aaker, 1997). Thus, a brand needs to possess specific brand assets, an image and a salient positioning attribute in order to be successful.
- **Brand Aroused Feelings** - Feelings have been recognized for the role it plays in customer decision making (Richins, 1997), and have a profound effect on customer reactions (Boles et al., 2001). In fact, Boles et al., (2001) assert that feelings aroused within a services environment, especially in retail, affect perceived value and purchase intentions. Moreover, past studies on banking services indicate that emotional values or feeling is more sustainable than functional values (de Chernatony and Riley, 1999; Palmer, 2001).
- **Brand Personality** - Brand personality refers to the set of human characteristics associated with a brand (Aaker, 1997). A well established brand personality is said to heighten emotional ties with the brand, increase preference and patronage, and develop trust and loyalty (Siguaw and Austin, 1999). Aaker (1997) posits that the dimensions of human personality could be utilized to measure personality of brands. The author identifies 5 dimensions of 'brand personality', sincerity (honest, cheerful),

competence (reliable, successful), sophistication (charming, upper class), excitement (daring, imaginative) and ruggedness (masculine, tough).

Brand awareness, on the other hand, is the company's presented brand via advertising, service facilities, and the appearance of service providers, company name, and logo. Another source of brand awareness is company's external brand communications that is information customers receive about the service, such as word-of-mouth communications and public relations (Berry, 2000). The discussion on them is followed.

- **Advertising** - Advertising has always been regarded as a common factor to influence brand equity (Herremans et al., 2000). Moreover, the intangibility of the service requires organizations to promote their brand to their customers. As such, advertising is crucial to the success of any service marketing strategy.
- **Bank brand name** - A properly chosen and developed service brand name is a strategy which cannot be easily neutralized by competition and contribute to a service firm's ultimate success (Turley and Moore, 1995). If a customer believes there are true differences among brand name and becomes an important piece of information in the purchase decision, reliance on the brand name is likely to increase (Bristow et al., 2000).
- **Country-of-origin** - Johansson (2003) defines country of origin (COO) as the country where corporate headquarters of the company marketing the product or service brand is located. However, as service increases in importance globally, marketers need to be more aware of the underlying factors considered by customers when evaluating services.
- **Word of mouth** - Word-of-mouth is defined as the extent to which a customer informs friends, relatives and colleagues about an event that has created a certain level of satisfaction (Anderson, 1998). Moreover, with the intangibility and inseparability of service, customers find it very difficult to evaluate alternatives. Thus, they depend heavily on personal sources of information such as word of mouth (Brady et al., 2005).
- **Public relation** - "Public relation is the management of communication between organization and its public" (Grunig and Hunt, 1984: 481). The definition indicates a strong link between public relation and brand equity building. Reputation generated from public relation can be used to differentiate bank services (Balmer and Wilkinson, 1991).

From the above discussion on brand equity, a clear set of values that result in positive perceptions amongst customers are paramount. These well defined values must be not only consistently communicated and demonstrated by the organization but also recognized and appreciated by customers. This is crucial in service industries, such as those in banking sector, since they are facing tremendous pressure to differentiate in order to survive.

3. Customer Satisfaction and Customer Loyalty

Survival of organizations, moreover, is highly dependent on customer satisfaction and customer loyalty. Customer satisfaction, for instance, is considered as a necessary condition for customer retention, and assists in

realizing economic goals like sales turnover and profit revenue (Zeithaml et al., 1990 ; Berry and Parasuraman, 1991). Customer satisfaction is defined as “the customer’s response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product/service as perceived after its consumption” (Tse and Wilton, 1988: 204).

Likewise, customer loyalty is considered by many organizations as key to long term profitability. It is defined as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future. This leads to “repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1997: 213). Once brand loyalty is established, customers will not only continue to buy the products and services in the future but also recommend to family and friends, and choose the product over competitors.

4. Research Questions

However, given the limited resources and the focus strategy adopted by many service organizations, are there any specific features that organizations should emphasize? Moreover, brand equity has always been regarded as a tool for survival that leads to customer satisfaction and loyalty (Bristow et al., 2000). Is that the case with the banking industry in Malaysia? What are the antecedents to customer satisfaction and customer loyalty then?

5. Methodology

This study used structured questionnaire, and it was personally administered to MBA students at Graduate School of Business, University of Malaya City Campus, Kuala Lumpur. Targeted respondents are those who visited their bank to do transactions, and voluntarily agreed to fill in the questionnaire.

Three hundred postgraduate students agreed to be the respondents. After three weeks of the survey, 265 questionnaires were obtained and 6 responses were rejected because of omission and incomplete information. The survey yielded 86.3% response rate with 259 useable responses.

The constructs of the study, which were from established scales, were measured on a 6-point Likert-type scale from 1 (strongly disagree) to 6 (strongly agree). A pretest was conducted by asking expert such as 3 lecturers in Marketing and 5 MBA students in order to minimize measurement error. This was important in assuring the questions asked were understood and relevant to Malaysian consumers.

The reliabilities coefficient or Cronbach (α 's) for service brand equity are as follow. Bank advertisement (6 items) $\alpha = 0.792$; bank brand name (6 items) $\alpha = 0.907$; bank COO (5 items) $\alpha = 0.621$; word of mouth (5 items) $\alpha = 0.912$; public relation (5 items) $\alpha = 0.890$; core service operation (5 items) $\alpha = 0.899$; employees (8 items) $\alpha = 0.921$; service environment (6 items) $\alpha = 0.873$; bank features (5 items) $\alpha = 0.885$; perceived fees value (4 items) $\alpha = 0.6682$; self

brand image (5 items) $\alpha = 0.898$; brand aroused feelings (5 items) $\alpha = 0.907$; service brand personality (6 items) $\alpha = 0.872$. On the other hand, service satisfaction and service loyalty display α of 0.914 and α of 0.857 respectively. The results of the reliability range from 0.6 to 0.9. Only reliabilities of 0.70 or higher are acceptable (Nunnally, 1978). As such, items of perceived fees value were omitted.

6. Results of the Study

Table 1 shows the demographic profile of the respondents. Majority of them are female, within age of 21 to 30 years old, degree holders, working as executives, earning up to MR1,999.

Table 1: Demographic Profile of the Respondents

Demographic	Details	No.	Percent
Gender	Male	118	45.6
	Female	141	54.4
Age (years)	21-30	174	67.2
	31-40	81	31.2
	Above 41	4	1.5
Education	Up to Degree	228	88
	Postgraduate	24	9.3
	Professional	7	2.7
Occupation	Professional	30	11.6
	Executive	108	41.7
	Lecturer	16	6.2
	Manager	22	8.5
	Student	59	22.8
	Self-employed	24	9.2
Income (MR)	Up to 1999	98	37.9
	2000-3999	111	42.8
	4000-5999	25	9.6
	above 6000	25	9.7

6.1 What are the important factors to customers in determining brand equity?

Table 2 shows the importance of elements as indicated by respondents. It shows that brand meaning component such as bank service feature, service environment and service operation are the top three priority placed by respondents.

Table 2: The Ranking of Element of Brand Equity

Brand Equity Element	Mean	BA/BM
Service Feature	4.657	BM
Service Environment	4.300	BM
Service Operation	4.266	BM
Word of Mouth	4.258	BA
Public Relation	4.103	BA
Brand Aroused Feelings	4.067	BM
Employees	4.024	BM
Personality	3.947	BM
Brand name	3.669	BA
Self Brand Image	3.659	BM
COO	3.646	BA
Advertisement	3.539	BA

**Scale Used: 1 – strong disagree to 6 strongly agree*

**BA – Brand Awareness; BM – Brand Meaning*

Bank service feature represented by the number of branch, technology and accessibility are important in customers' decision making. In addition, bank environment such as layout and physical surroundings and bank service operation such as assurance, responsiveness and empathy are also critical for the customers. Bank advertisement and COO, however, are the least crucial in determining the brand equity of a bank.

6.2 What are the antecedents to customer satisfaction and customer loyalty?

Multiple regression was applied to answer above question. Table 3 shows the result.

Almost 63% of the variance in customer satisfaction was explained by Model 1 (adjusted $R^2 = 61\%$). Bank service operation, bank employees, brand aroused feelings and bank word of mouth are important factors in explaining customer satisfaction. This implies that sources of bank service operation such as assurance, responsiveness and empathy are heavily relied on as inputs towards supporting customer satisfaction. This is in line with study by Zeithaml et al., (1990) and Berry and Parasuraman (1991). Likewise, bank employees and emotional values (brand aroused feelings) such as friendliness, care and helpfulness of employees, and courtesy are also important.

Word of mouth, the uncontrollable communication element, is another factor that is crucial in explaining customer satisfaction. Band brand name, in contrary, is the most irrelevant in predicting customer satisfaction.

In Model 2, bank service operation, bank employees, bank environment and brand aroused feelings able to explain customer loyalty better compared to the rest of the factors. The Model explained almost 56% (adjusted $R^2 = 54\%$) of the variance. Besides bank service operation, bank employees and brand aroused feelings that are important in predicting customer loyalty, bank physical environment are also essential. In contrast, bank personality is irrelevant in predicting customer loyalty.

Table 3: Brand Equity and Customer Satisfaction & Customer Loyalty

Dimensions of Brand Equity	Model 1 - Customer Satisfaction	Model 2 - Customer Loyalty
Advertisement	0.108 (0.018)	0.076 (0.124)
Brand name	0.015 (0.743)	0.078 (0.127)
Word of Mouth	-0.128 (0.008)	(-0.070) (0.182)
Public Relations	0.040 (0.401)	-0.013 (0.801)
Service Operation	0.284 (0.000)	0.271 (0.000)
Employees	0.236 (0.000)	0.099 (0.134)
Environment	0.040 (0.502)	-0.142 (0.029)
Features	0.048 (0.392)	0.059 (0.332)
Self Brand Image	0.079 (0.135)	0.084 (0.146)
Brand aroused feelings	0.231 (0.000)	0.436 (0.000)
Personality	0.044 (0.471)	0.019 (0.773)
R^2	0.625	0.555
Adjusted R^2	0.609	0.535
F Statistics	37.478 (0.000)	28.008 (0.000)

Upper figures are standardized regression weights (β) and lower figures in brackets are *significant values*.

The findings show that service operation of the bank, bank employees and brand aroused feeling are central for organizations to achieve both customer satisfaction and customer loyalty. Comparing both models, it seems that brand meaning is critical in achieving customer satisfaction and customer loyalty. Only word of mouth represents brand awareness.

7. Conclusion

In trying to create strong brand equity, bankers should be interested in assessing the degree of customer brand dependence. The brand strength depends on the perceptions of customers. Satisfied and loyal customers indicate positive perceptions of the brand. In time when competition is getting intense, it is imperative for the bankers to seriously evaluate factors that are not only important in creating strong brand equity but also assist them in achieving customer satisfaction and loyalty.

The results of the study shows that brand meaning play an important role in creating brand equity. Brand awareness is secondary. However, brand awareness is needed in order to disseminate information on the brand meaning. These components of brand equity must be coherent in their actions so that consistent image of the bank is realized and valued by customers.

Perceives fees value was not significant, the same goes to COO. One possible explanation on COO might be due to no major differences between the basic functions of international or local bank in customers' perception.

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