A conceptual framework to examines brand equity in bank and financial firms

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Abstract

In this study, the conceptual framework of brand equity is a combination of antecedents that create differential effects to customer response on customer-based brand equity in the banking and financial industry in Batam. By constructing a conceptual framework of the factors affecting brand equity, company will build a competitive advantage in the banking and financial industry that will increase their long-term sustainability in Batam. The recent trends of banking industry have changed tremendously, and studies of a brand equity in the banking industry at Batam and Indonesia is increasingly becoming considerable to keep pace with this change. In this conceptual paper, we have summarized the literatures on currently prevailing concepts and approaches on brand equity that will allow us to identify the conceptual framework of brand equity including all the factors affecting the customer response namely brand image, brand loyalty, brand awareness, and perceived quality and therefore will facilitate banking and financial firms to enhance their marketing efficiency and effectiveness in Batam.

Keywords: Brand Equity, Brand Image, Brand Loyalty, Brand Awareness, Perceived Quality

Introduction

Nowadays the behavior of bank customers everywhere is increasingly unpredictable, there are a customers who want low interest rates (for loan products) or high interest rates (for savings, current and deposit products), low administrative costs and there are also customers who want financial transactions that are fast, efficient, convenient and easy to access, anytime, and anywhere (Mohammad, 2017; Sandhe, 2016).

To survive in an increasingly tight business environment, companies including banking sectors must be able to create a competitive advantage that is better than competitors and increase the market share of their products. To achieve that, companies usually begin to focus on designing new products, improving existing products, and building brand image (Ahmed et al., 2018; Pinar et al., 2012; Subramaniam et al., 2017).

A well-known brand with a positive image is one of the most valuable assets for companies anywhere in the world because it can be a determinant for increasing customer loyalty, higher profits, and improving the effectiveness of marketing communications (Keller, 2013; Pride & Ferrel, 2016).

According to Subramaniam et al., (2017) and Yunus et al., (2016), many organizations try to build a strong brand image by compiling a series of effective marketing programs to position a strong brand in consumer perception.

Brand equity is a marketing and financial value associated with strengthening a brand in the market, including in brand assets, brand name awareness, brand loyalty, perceived brand quality, and brand association (Dua et al., 2013; Pinar et al., 2012; Pride & Ferrel, 2016).

When a company introduces a strong brand equity, it has an effect on reducing marketing costs for the company, because consumers are getting to know and loyal to the brand (Pouromid & Iranzadeh, 2013). Moreover, since loyal consumers only buy the products they want, at that time companies increasingly have a high bargaining position with their distributors and retailers.

Brand equity, according to Jalilvand et al., (2011) is related to additional utility or added value for a product from its brand name. This is often believed to contribute to the company's long-term profitability. Brand equity is also defined as the main capital for many industries because strong brands can increase customer confidence in purchasing products and services and make it easier for them to understand intangible factors (Kazemi, 2013).

Many service companies such as banking, telecommunications, aviation, and hotels facing business competition and it is important for companies to develop strong brands (Ahsan et al., 2020; Ishaq et al., 2014; Khan & Khan, 2017; Nadernezhad & Vakilalroaia, 2013; Subramaniam et al., 2017; Thakshak, 2018). Understanding brand equity from a customer perspective can help marketing managers to develop purchasing behavior and design effective marketing programs (Kimpakorn & Tocquer, 2010).

As more varied products offered by many service companies including banks, building a strong brand image is certainly a complicated task. However, this situation certainly must be faced by service companies in order to stay in business by staying focused on strengthening brand image (Subramaniam et al., 2017).

The banking industry in Batam City which consists of 70 branch offices also faces the same thing, which is increasingly fierce competition with product offers that are almost similar to each other and in the same market segment.

Brand equity is becoming increasingly important in achieving customer satisfaction which is an effective tool for banks to enhance competitive advantage in the banking market (Gauthami et al., 2018; Sardar &

Shahraki, 2015). The banking sector in many countries is a competitive sector because the products offered are relatively similar, so it is crucial for banks to build brand equity to be able to compete.

This research was proposed a conceptual framework to gain an understanding of different aspects of a brand and its relationship with customers in designing effective marketing tools and adequate allocation of resources. The focus of this research is the determination of the brand equity level of banking firms in Batam City through the dimensions of brand loyalty, brand awareness, brand image, and perceived quality.

Literature Review

Brand Equity

Brand equity arises when consumers are willing to pay more to find a brand at the same level of quality compared to products that are unfamiliar. Consumers are willing to pay premium prices only to get the value of a brand that is attached to an item or service. (Longwell, 1993; Bello and Holbrook, 1995, at Rego, 2015).

The concept of brand equity has been explored since 1990 by Aaker (1991) and its role is increasingly important both in the management theory and marketing. This concept is still developing and the company is starting to pay attention and focus in its application in marketing programs (Khan & Khan, 2017; Rego, 2015; Subramaniam et al., 2017). According to Davcik & Sharma, (2015), brand equity as a value of brand implanted in customer's mind and emerged in his or her perceptions and expectations, and the term of the influence of brand-related knowledge on customer response (Ahmad & Hashim, 2011).

Aaker (1991) defines brand equity as a set of assets and liabilities related to brand names and symbols added or subtracted from the value provided by products or services to companies and customers. These assets can be grouped into five dimensions, namely brand awareness, brand association, perceived quality, brand loyalty, and other assets.

Keller, (2013) developed a concept called Customer-Based Brand Equity (CBBE) which has a definition as a distinguishing effect of consumer knowledge of the brand as a form of response from brand marketing. Brand equity is also a multidimensional variable relating to brands that are increasingly recognized (Keller, 2003).

Keller become the first major and significant work in the field of measuring brand equity from customers mindset (Das, 2012). Keller viewed the concept of brand equity from the perspective of the consumer – basing his approach on customer knowledge of a brand, familiarity with the brand and associations with the brand. According to this approach customers" brand knowledge can be expressed as a sum of brand awareness and brand image. Keller's conceptualization of brand image is considered a perception about a brand as reflected by the brand associations held in consumers' memory. Within brand awareness there are two variables: brand recall and brand recognition. While, within brand image there are variables such as brand association, brand attitude, brand quality, brand attachment, and brand activity.

Ukpebor and Ipgah (2008) indicate brand equity consists of three dimensions namely perceived quality, brand loyalty, and brand image. According to Yasin & Aziz, (2013), to identify brand equity in the service sector, it is necessary to develop a brand resonance model that consists of six issues namely brand performance, brand judgment, brand feelings, brand resonance, and brand salience.

This study considers the determinants of brand equity in the service sector, where to achieve high brand equity, the organization needs brand recognition from customers in order to obtain a positive brand image and ultimately a repeat purchase of the product or service (Ahmed et al., 2018; Pinar et al., 2012; Subramaniam et al., 2017).

Brand Image – Brand Equity

Referring to American Marketing Association as quote on Laiho & Inha, (2012), brand image is defined as a perception of a brand in the minds of people. AMA also states that brand image is described as a mirror reflection of the personality of the brand or product's existence.

Pars & Gulsel, (2011) also defined that brand image is an impression made as a consequence of numerous factors (e.g., associations linked with a given brand name, purchasing experience, reputation of a given company, forms and measures of advertising, promotion, etc.), which means that from the perspective of various recipients it is a complex, inhomogeneous and quite abstract category.

While (Zhang, 2015) and (Barich & Kotler, 1991) mention full definition of brand image as a system of images and thoughts existing in human awareness, expressing information concerning a given brand and basic attitude towards it. It can be concluded that brand image is created by a set of features of an extraordinary nature, unique for a given brand, which cause its differentiation, simultaneously ensuring the desired market recognition.

Research by Alhadad (2014) found a significant effect between brand image on brand equity of bank customers. As the same study conducted by (Subramaniam et al., 2017) which traced the influence of brand image and loyalty to brand equity in banking customers in Malaysia.

Another study from Milanloo et al.(2016) show that to avoiding the customer churn on banking industry, firms should improved the practice of brand equity dimension. The study found the significant contribution of brand awareness, perceived quality and brand image on avoiding the customer churn in bank.

In the other study, (Sallam, 2016) found no significant impact between brand image on brand equity of 105 respondent as smart mobile phone consumer. (Switała et al., 2018) also indicate the relationship of brand image and brand equity on logistic service providers. They concluded that influence between these variables are weak and statistically not significant.

Brand awareness – Brand Equity

Brand awareness is a capacity of a given customer to recognize or recall that a given brand belongs to a particular category of products (Romaniuk et al., 2017). Brand awareness is the first and fundamental attribute of customer brand equity, and sometimes it is underestimated component of brand equity (Tong & Hawley, 2009). Implicitly, brand awareness precedes building brand equity in the consumer mind set (Huang & Sarigollu, 2012).

Research conducted by Dua et al., (2013) which specifically observed the interrelation of the dimensions of brand equity formation towards banking customers, one of which brand awareness gave significant results. Meanwhile Alexandra & Cerchia, (2018) in their literature study emphasized the role of brand recognition variables in shaping and increasing customer brand equity.

Perceive Quality – Brand Equity

According to Tuan & Rajagopal, (2017), perceived quality is a bridge between the business organization and customer in the service interaction, when the business organization creates the good quality of services or products, their consumer will feel happy; then they continue to buy again their services or products. Study by Shrestha et al., (2013) and Piaralal & Mei, (2015) traces the relationship of quality and brand equity formation to banking customers. The results of the study confirm a significant relationship between the importance of companies improving quality standards to achieve better brand equity.

Shrestha et al., (2013) found positive role from dimension of services quality namely unique physical environment, exclusive tangible atmosphere, employee courtesy and serive reliability in the way to lead a strong brand equity of bank customer in Nepal. In another study, Nath Sanyal & Datta, (2011) emphasized the role of perceived quality in the formation of brand equity even though it had no direct effect.

Brand Loyalty – Brand Equity

Studies conducted by Thuy et al., (2019) of financial institutions in Vietnam reinforce factors that brand loyalty strongly influence brand equity. Likewise, research by Emari et al., (2012) and Subramaniam et al., (2017) shows the direct effect of brand loyalty on brand equity. This research empirically indicates brand loyalty is an important component of the formation of brand equity for companies. Meanwhile Alhadad (2014) in his study also managed to conclude the importance of achieving brand loyalty in the perspective of consumers to increase brand equity.

Conceptual framework

Conceptual framework proposed in this study taken from (Aaker, 1991) and (Keller, 2013) model of brand equity as a foundation and from several researchs conducted from (Alexandra & Cerchia, 2018; Alhaddad, 2014; Dua et al., 2013; Emari et al., 2012; Milanloo et al., 2016; Nath Sanyal & Datta, 2011; Shrestha et al., 2013; Subramaniam et al., 2017). The previous study introduced five element in the model; perceived quality, brand loyalty, brand awareness, brand image and other proprietary brand assets such as patents, trademarks, or channel relationships.The conceptual framework presented in figure 1.

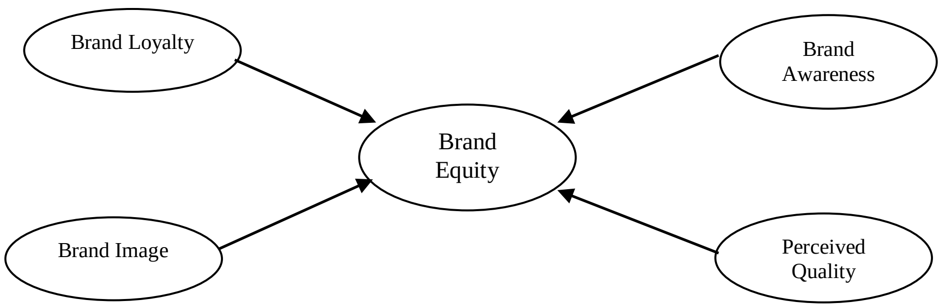

Figure 1. Conceptual Framework

Conclusion

The purposed of this study is to observes the concept and theoretical from literatures and proposes a conceptual framework for examines customer base brand equity in banking and financial sectors. Brand awareness, perceived quality, brand loyalty, and brand image are extensively used construct and are deployed in the study. To investigating how brand equity shapes consumer behavior and relationship between the four dimension, the further study need to conduct to found better understanding.

Conceptual model proposed in this study can provide the concept for managers with useful insight in effort to build strong brand in the competitive financial market. As authors such as Subramaniam et al.,

(2017) noted that brand loyalty and brand image has positive contribution to improving brand equity. Also (Dua et al., 2013) confirmed the brand awareness significant role on formation of brand equity towards banking customers.

As Shrestha et al., (2013) found positive role from dimension of services quality namely unique physical environment, exclusive tangible atmosphere, employee courtesy and serive reliability in the way to lead a strong brand equity of bank customer.

Finally, we hope this study supported (Keller, 2003, 2013) who noted that brand equity can help marketers focus, giving them a way to interpret their past marketing performance and design their future marketing program, and after all they can win the competition.

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