Evaluation of Effect of Brand on customer loyalty in the banking industry
(A case study of the Parsian Bank)

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Abstract: Customer loyalty is a component with considerable focus on by relationship-oriented marketing. Firm brand is one of the factors that play significant role in creating brand loyalty. Therefore in this research, we studied brand effect on customer loyalty. Also in this research, we examined customer satisfaction, loyalty, perceived quality and brand equity (brand value) in relation to customer loyalty. We have collected all required data by distributing questionnaires among customers of the Parsian Bank and also we have used the Pearson correlation coefficient and regression for data analysis. Results show that there is a positive relationship between brand of the Parsian Bank and customer satisfaction and loyalty. Brand equity or brand value satisfies the customers and leads to customer loyalty.

Keywords: Brand – Loyalty – Perceived quality – Satisfaction – Parsian Bank

1. Introduction

Now a day brand management has a growing importance in marketing, especially when companies try to transmit intangible and complex messages (Goodchild & Callow, 2001). How to prepare (provide) and develop a better understanding about the relationship between structures such as brand and customer loyalty is the main problem faced by brand managers. Marketing management literature has proposed many factors influencing customer loyalty (Taylor, 2004). Perhaps the most important skill of a professional marketer is being able to create a strong brand, protect it, and strengthen it. Today, the aim of marketing is to manage demands through growth and move of customers to maturity up the loyalty ladder. In this paradigm, we aim at establishing long-term and mutual relationships between beneficiary groups, and above all, the customers, in a way to maintain more customers and lose them less in order to make long-term profit and increase market share and firms' profitability.

A brand name is an important guide for a potential customer. Like money, a brand name can facilitate transactions (bargains). Customers will be confused when they confront (face) mute products or products that do not have anything readable or products whose function (performance) can not be assessed at a glance. Brand names and product prices make it easier for customers to understand the products. They can also eliminate uncertainty. A brand name is a summary of identity, originality, features and differences. A brand name puts and shows all these information in a word or a sign. For this reason, brand names are vital for business and transactions.

The main purpose of this study was to investigate the role of brand in customer loyalty in the banking industry, with a focus on the Parsian Bank. We then studied the role of brand in perceived quality and customer satisfaction, and finally we analyzed the effect of customer satisfaction on perceived quality and loyalty and the effect of perceived quality on customer loyalty.

Theoretical foundations and principles:
Environmental influences and marketing efforts can potentially lead to customer behavior changes. Customer loyalty to trademarks and brand names are also results of appropriate and strategic marketing activities (Taylor, 2004). Loyalty is a complex concept. Oliver (1999)

defines loyalty as: A deep commitment to repurchase at future or commitment of additional purchase of a preferred product or service, whereby a repeated or similar brand will be purchased, despite environmental influences and marketing efforts which cause potential for behavioral changes. Loyalty to a brand or a trademark is a key problem or an important issue for many marketing managers. Companies spend millions of dollars annually to follow up the level of customer loyalty to a brand through organizations which are specialized (expert) in the field of marketing (Mehrabi & Lachini, 1388).

Perceived quality:
Perceived quality is the customer's overall judgment about the general benefits (advantages) of an object (Mosavi, 1386). Perceived quality is a form of attitude
that is considered to be related to satisfaction, but in fact they are not related. Perceived quality results from comparison of expectations with performance perceptions. Perceived quality can be shown in a spectrum, one end of which is unacceptable quality and the other end (side) ideal quality. Points which are between these two bounds (ends) show various degrees of quality. Perceived quality can be represented as follows:

Actual Output Quality (AOQ) + Actual Process Quality (APQ) + Prior Customer Expectations (PCE) =Perceived Quality

Kronin and Taylor (1992) examined the causal relationship between service quality and customer satisfaction in their study. They announced that marketing researchers have different views and ideas about causal relationship between service quality and customer satisfaction. They also suggested that more experimental and empirical studies are needed to determine the true nature of this relationship. In fact, based on their analysis, they have reported that service quality leads to customer satisfaction (Palmer, 2000)

Customer satisfaction:

The success of all organizations and institutions, such as manufacturing or services, profit or nonprofit, governmental or nongovernmental is influenced by several factors and one of the most important factors is customer satisfaction in order to achieve excellence in business. Many believe that customers' satisfaction will affect their future reactions toward organizations (such as readiness and willingness to repurchase, willingness to introduce the product to others, willingness to pay the price without bargaining, not trying to find other suppliers who offer similar products with lower prices). When company performance is able to meet customer expectations, then we can say customer satisfaction is achieved. If company performance does not meet customer expectations, the customer will be dissatisfied. On the other hand, if company performance meets expectations, the customer will be satisfied and if company performance exceeds customer expectations, the customer will be very pleased (Cutler & Armstrang, 1384). Customer satisfaction means the degree of desirability which is required by customer because of various features of a product. Customer satisfaction is a source of profitability and a reason for organizations to continue their activities.

Customer satisfaction and loyalty:
Today the aim of marketing is growth and development of the customer to maturity level up the loyalty ladder in order to manage the demands.
Now a day, customer satisfaction is no longer sufficient, and companies should not only focus on customer satisfaction. They should ensure their satisfied customers are loyal too. The aim of establishing long-term interrelationships with beneficiary groups (specially the customers) is to retain and maintain more customers and to lose them less. Thus, it leads to long-term benefits that result in increase of market share and company profitability. Firms should believe that any attempt to retain and maintain the customers is useful and profitable, because research shows that the cost of new customer attraction is more than the cost of current customer retention. Because sometimes satisfied

customers repeat the purchase of a product or service despite their dissatisfaction, we should notice that customer satisfaction or dissatisfaction is the result of his/her evaluation about his/her past purchase and consumption. Therefore satisfaction cannot be considered as the only factor for retaining and maintaining the customer or for customer profitability (Mehrabi & Lachini, 1388).

Trademark or brand
Gardner and Loy have proposed the best definition for trademark (brand) in 1995: Brand is a complex concept which includes a variety of ideas and features. Brands can talk with customers not only by their rhythm (and also with their literal and lexical meanings), but also by use of any factor which they have associated with it during time and is a known identity in society (Pike, 2009). Brand is a name and a commitment which is made by a company in order to support its customers (Pikton, 2001). Keller defines a brand as: A name, a phrase, a term, a sign, a symbol, a pattern, a design or combination of them whose purpose is to introduce a product or service distinguished from the product of other competing companies (Keller, 2001).

Brand effect on customer loyalty:
Brand is an important communicative tool in customer relationship management. Brands are valuable for consumers for two reasons:
1. They reduce the risk of perceived consumption.
2. They reduce the cost of decision making (Heydarzadeh et al, 1390).
Brands are valid symbols (in other words, they are believable and reliable): they make companies honest about their products or services and take notice of customers' complaints. The importance of credit is the fact that incomplete and asymmetric information can result in customer uncertainty about the characteristic of the product. Customer uncertainty may occur after data collecting or consumption. This leads to consumer's perceived risk (Erdem and Swait, 2004).
Brand reliability will decrease the perceived risk because it increases the customer's trust

(reliance) about the firm's claims. Credit and reliability will reduce the costs of information because customers may use valid and reliable brands as a source of knowledge to reduce the cost of data collecting and data processing (the same source). It is important to understand that the main service brand and its related organization have the same meaning in the field of service. As a result, we can say that brands will have a wider concept in the area of services (in the field of services).
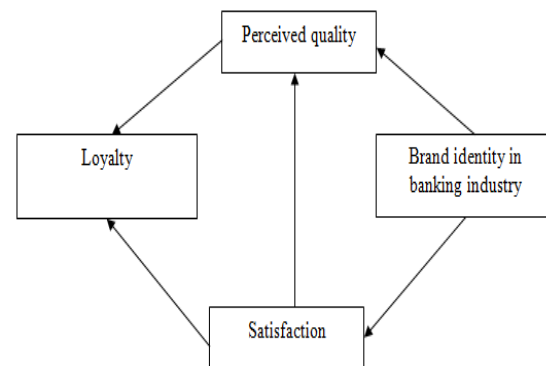

Figure 1: Research model which is derived from Esen Gurbuz model.

The brand name is the practical concept (meaning) of this model. The brand name has a direct and positive relationship with perceived quality of services and customer satisfaction. Therefore, companies should have a strong and powerful brand strategy and should protect it. Firms should achieve significant competitive advantage, implement marketing tactics, and relationships for strengthening the brand value. Finally, customer satisfaction and perceived quality will lead to customer loyalty.

Research history:
Major studies in the field of brand effect on customer loyalty in the banking industry:
Mehrabi & Lachini (1388): Results show that the brand of a store has no effect on perceived quality but influences customer satisfaction. On the other hand, the positive effect of customer satisfaction on perceived quality and customer loyalty has been proven. Finally, studies have shown that perceived quality has no effect on customer loyalty.
Mootmeni et al (1389): Research shows that brand personality (character) has a significant and positive effect on satisfaction and perceptual

value. Also satisfaction has a significant effect on trust, reliability and loyalty and perceptual value has an effect on customer satisfaction and loyalty. Finally, communication plays a vital role in creation and maintenance of a brand.

Heidarzadeh et al (1390): Brand reputation and reliability has a direct effect on loyalty commitment, continuous and permanent commitment and satisfaction, while satisfaction does not reduce the desire of brand changing. Loyalty commitment has no effect on any of the two dependent variables such as brand change tendency (willingness) and recommendation to purchase. Continuous commitment has a reverse effect on brand change tendency. In other words, continuous commitment reduces customer tendency (willingness) to change the brand.

Taylor (1992): Marketing researchers disagree about causal relationship between service quality and customer satisfaction. They suggest that more empirical studies are needed to determine the true nature of this relationship. In fact, based on their analysis, service quality leads to customer satisfaction.

Sivadas & Bikerproit (2000): They concluded that customer's perception is an important factor for his/her satisfaction, but has no direct effect on his/her loyalty.

Aidin & Ozer (2005): They concluded that perception of service quality is essential but not sufficient for creation of customer loyalty.

Beldona & wesong (2007): They concluded that internal and national brands are more powerful than foreign and external store brands.

Esen Gurbuz (2008) : The aim of this research was to build and test a model for examining the effect of store brand name on perceived service quality and customer satisfaction. Results showed both perceived service quality and customer satisfaction have impact on store brand.

Research hypotheses:

Main hypotheses

Brand (the Parsian Bank) has a positive effect on customer loyalty in the banking industry.

Subsidiary hypotheses

- Brand (Parsian Bank) has a positive effect on perceived quality.

- Brand (Parsian Bank) has a positive effect on customer satisfaction.
- Customer satisfaction has a positive effect on perceived quality.
- Customers' satisfaction has a positive effect on their loyalty.
- Perceived quality has a positive effect on customer loyalty.

Research methodology:

The aim of this research was applicable and descriptive- survey.

In this research, data was collected using the field method and through questionnaires. Statistical population of this research included customers of the Parsian Bank. Based on random sampling, sample size needed was determined to be about 120 persons. Questionnaire was designed based on proposed indices (indicators) of the Rita Martinson and Esen Gurbuz questionnaire. This questionnaire includes 20 standardized items (each question has 5 options as answers). Variables of each hypothesis, related indices (indicators) and questions are derived from two articles by Esen Gurbuz and Rita Martinson. Stability and accuracy of this questionnaire has been tested and approved previously in research of Mr. Mehrabi and Ms. Lachini. To ensure the stability of the test used in this research, Cronbach's alpha test for total questions of the questionnaire was calculated and it was 0.87 which shows that the stability of this research tool is very good and acceptable. Research data analysis is done at two levels of descriptive and inferential statistics with use of SPSS software and Pearson correlation coefficient test and simple linear regression.

Results:

After data collection through questionnaires, we have used both descriptive statistics and inferential statistics for data analysis. We also used Pearson correlation test and linear regression in order to test the hypotheses.

Table 1 shows the mean and standard deviation (SD) of the variables and Table 2 shows the variables' correlation and its level of significance (P value).

Table 1. Mean, standard deviation (SD), maximum and minimum of variables.

Minimum	Maximum	Standard deviation	Mean	variable

19.00	35.00	2.96986	28.6417	Brand name	6.00	10.00	0.95709	8.3417	loyalty
26.00	45.00	3.56862	36.5667	Perceived quality					
5.00	10.00	0.92567	8.1833	Satisfaction					

Table 2. Results of correlation test of variables.

Variable	Correlation test	Level of significance
Main hypothesis	.602	.000
First subsidiary hypothesis	.764	.000
Second subsidiary hypothesis	.406	.000
Third subsidiary hypothesis	.551	.000
Forth subsidiary hypothesis	.251	.006
Fifth subsidiary hypothesis	.538	.000

As you can see in Table 2, all the hypotheses of this research are accepted and there is a significant correlation.

The following Table shows the results of the linear regression test in prediction of dependent variables based on independent variables.

Table 3. The summary of variance analysis and regression model.

model		Sum of squares	Degree of freedom	F
Main hypothesis	Regression	39.530	1	67.153
	reminder	64.462	118	
	total	108.992	119	
First subsidiary hypothesis	Regression	884.225	1	165.291
	reminder	631.242	118	
	total	1515.467	119	
Second subsidiary hypothesis	Regression	16.284	1	23.316
	reminder	85.143	118	
	total	101.967	119	
Third subsidiary hypothesis	Regression	459.824	1	51.399
	reminder	1055.643	118	
	total	1515.467	119	
Forth subsidiary hypothesis	Regression	6.787	1	7.949
	reminder	102.113	118	
	total	103.992	119	
Fifth subsidiary hypothesis	Regression	31.580	1	48.139
	reminder	77.411	118	
	total	108.992	119	

Conclusion and Practical Suggestions:

After testing the research hypotheses, we have found that there is a positive relationship between brand name of the Parsian Bank and perceived quality. In other words, it can be claimed that brand of the Parsian Bank has influence on its customers' perceived quality. It shows that the Parsian Bank has been able to attract customers in terms of qualitative criteria such as structure, solving customer problems, reliability, immediate and prompt services, and staff knowledge (personnel knowledge). However there is a positive relationship between brand of the Parsian Bank and Customer satisfaction. In other words, the Parsian Bank has been able to satisfy its customers in the field of service delivery. There is a positive relationship between customer satisfaction and

loyalty, and it shows that customers are satisfied with services and they continue to use this bank's services. They are loyal to this bank and they recommend this bank to their friends and acquaintances. In today's competitive market, firms should retain and maintain their customers, because the cost of losing a (each) customer is higher than the cost of finding a new one. Companies should increase credibility of their brand through promises which can be implemented in the near future in order to increase their continuous and sustainable commitment to their customers. In this way, companies can keep and retain their customers and prevent them from shifting to other competitors.

Recommendations for future researches:

- Although data collection in this research was based on questionnaire which the bank customers responded to, it is recommended that in future studies, other tools be used such as structured interviews and observations in order to study and investigate the variables.

- This research is focused on customer loyalty and customer retention. Future research can determine customer profitability for service providers.

- It is suggested that future research should study increasing brand power in the area of integrated marketing communications.

- Also it is recommended, that future research uses observation methods or interviews with experts in order to identify, measure and prioritize the indices (indicators) for measuring the variables

Description:

This article related to marketing research course of MA

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Appendix:

Dear Responder!

The following questionnaire is prepared in order to evaluate the brand effect on customer loyalty in the banking industry, with a focus on the Parsian Bank. Indicators which are expressed in this questionnaire are very important according to the majority of international researchers. So we want to use your answers to test the importance degree of each indicator in relation to this issue in Iran. Therefore please help us in implementing and achieving the objectives of this study with your sincere cooperation and through answering the questions of this questionnaire. We appreciate your patience and accuracy in completing this questionnaire.

How to fill and complete:
Specify your answer after reading each sentence, considering the relevant factor

Very bad	bad	medium	good	Very good		Factor
					Reputation and credibility of Parsian bank compared with other banks	**Brand name**
					Valuable services of Parsian bank in return for its customer loyalty	
					Parsian bank provide appropriate and suitable services	
					Popularity of Parsian bank among the friends of its customer	
					The name of Parsian bank is widely recognized	
					Using the Parsian bank services is very attractive	
					Banking services of Parsian bank are harmonious (coordinate) with its customers lifestyle	
					Parsian bank is equipped with modern technology and equipments.	**Perceived Quality**
					Structure of Parsian bank is visually attractive	
					Solving the customers problem when they faced problems because of lacking experience	
					The reliability of Parsian bank for its various services	
					Prompt and immediate banking services	
					Staff willingness to help customers	
					Good behavior of bank staff	
					Bank staff have adequate and sufficient knowledge about bank services	
					The staff provide appropriate services at the right time	
					Satisfaction of Parsian bank services	**Satisfaction**
					Satisfaction of staff behavior	
					Continuous use of Parsian bank services	**Loyalty**
					Recommend the Parsian bank to friends and acquaintances	