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Brand Identity, Regulatory Policy and Firm Effectiveness: Empirical Evidence from Quoted Commercial Banks in Nigeria

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Abstract
Much thought and research are increasingly directed at the study of brand identity because of its effects on banks performance. No much reliable statistics exist on the value of brand identity and effectiveness of banks in Nigeria. Thus, the purpose of the study is to examine the extent of relationship between brand identity and firms' success of quoted commercial banks in Nigeria. This study develops and refines parsimonious measures of brand identity specifically for the banking context. The authors conduct series of multi method studies of banks stakeholders to validate the role of brand identity in financial organizations. The results yield three dimension of brand identity for banks; product design, brand image and company logo. Thus, current and potential customers ascribe identity to banks and differentiate between banks on the basis of the banks identity. Finally, commercial banks brand identity may influence potential customer's likelihood to purchase from the identified banks.
Keywords*:* Brand Identity, Bank Performance, Brand Image, Company Logo, Regulatory Policy

1. INTRODUCTION

Sheldon, (1972) defined a banking business as to receive money from customers and to collect instruments representing money from customer on the understanding that the money will be refunded or collected either on demand or at some definite date agreed upon between union and his customers. From the above, the core activity of a bank is funds intermediation which entails mobilizing funds from surplus spending unit and channeling such funds to the deficit unit. This activity facilitates capital formation which generates growth and development in the economy. How Nigeria banks have fared along the lines of the above function has been an issue of unresolved debates in the banking domain, as their effectiveness has been consistently criticized. Perhaps the fallout of this argument led to the banking sector reforms.

The current banking sector reforms in Nigeria was designed to promote the viability, soundness stability of the system to enable it meet the aspiration of the economy in term of accelerated growth and development (Nwachukwu and Peterson,2007) for bank in the industry to acquire effectiveness within the sector, banks must compete vigorously using their competitive strategies. One such competitive strategy would be the development of superior brand identity, brand image and brand personality. These marketing concepts are usually noted as a prerequisite for achieving sustainable competitive advantage.

Given these trends after the bank consolidation, marketing strategy has become a fundamental tool in the banking sector. Indeed, both the application of marketing concepts to the banking firms and the understanding of customer behavior have been subjects many research works in many decade ago (German and Hunt, 2003; Jessica and Pius 2008; and Kotler et al 2006). Banking industry have aggressively pursued various marketing strategies to enable firms succeed, a good example of such are market segmentation (Harvey 1990 cited in Denmasks, 2010; Nichols 1991 cited Nubam 2008), relationship marketing and database marketing (Amett et al 2003) and other marketing activities that will enhance performance.

Although these strategic issues in marketing are important to the banking sector researchers and practitioners, the understanding of the unique nature of how these strategies enhance performance need to be explicated. Several studies in relationship marketing and many in branding has focused on brand equity, brand personality and brand image. This study departs from previous research in that we are looking at using brand identity as a specific strategy to differentiate our service from other of our competitors. Our examination of brand identity in the banking context aims to extend prior research on brand identity and firm performance (Jackson and Smith 2006; Manson et al 2008; and Mubok 2010). Of key interest of our study is the examination of whether and how brand identity is used in the banking sector as a strategy. Thus, we aim at answering the following research questions; (1) Do banks use brand identity as a competitive strategy? (2) If they use it, in what way do they use them? (3) In what ways are brand identity related to firm performance? And finally, how can brand identity help the banks to achieve their competitive advantage?

The purpose of this paper is to investigate the relationship between brand identity and firm performance of quoted commercial banks in Nigeria. Thus, our specific objectives are fourfold: first we determined how product design affects firm performance in the bank context. Second, we evaluate how brand name affects performance outcome, we also ascertain the extent to which central bank regulatory policy moderate the influence of brand identity efforts of commercial banks in terms of their firm performance outcome.

2. CONCEPTUAL FOUNDATION

2.1 Brand Identity

According to scholars, brand identity is how brand strategists want the brand to be perceived. It is a set of unique brand associations that represent what the brand stands for. These association imply a promise to customers from organizations' member. Brand identity is the visual aspect that forms part of the overall brand (Koneonit, 2002). However, brand identity is seen as what the owner want to communicate to its potential consumers. Leclere and Schmitt (2007) submitted that consumers brand knowledge consist of two measures, brand awareness and brand image. Brand awareness refers to the strength a brand's present in the consumer's mind. Aaker (1996) therefore defines brand awareness as the ability of a certain product category. Brand image increases the produce in marketing efforts. This fit is between brand image and brand choice, psychological needs and buying power. Perhaps that is the reason why Trout, (2007) states that the ultimate marketing battle ground is the mind. The cycle continues with research in order to monitor the brand's progress. A change in consumer profile or consumer need is addressed through fine-tuning of the brand positioning. For successful brands, the personalities and the brand positioning are inextricably linked (Hankinsion and Cowking, 1997) brand identity and brand image including brand personality refers especially to types of association that the brand develops with a type of person or even another product. Forquher, (1990) states that product are like people, they all have personalities so also do services. The brands emotional characteristics are what we refer to as brand personality which amongst other sources, evolve from the brand core values, personality traits are further developed through association with the typical user imagery, endorses consumers contact with the company's employee (Aaker 1996) managers therefore need to ensure that a brands personality is conveyed consistently by both its employees and external communicator. Having nurtured a brand personality, a relationship between the brand and the consumers evolves, which is characterized by the values inherent in the brands personality consistent with Foumier (2008) consumer brand relationship are portrayed "as being reciprocal through their interaction employee significantly affect a brand relationship with its consumers. The final component of brand identity involves the identification of presentation styles to present the brand identity so as to reflect consumers aspiration (Kapferer, 1997) the importance of brands identity cannot be over emphasized. According to Kakferer (1997) brands identity help in positioning of companies goods and services in the market place, it help in differentiating a company goods or product from its competitors. It serves as competitive tools. A strong and well positioned brand has the potential of enhancing loyalty, market share and profitability of companies. Amue (2012) opined that a good brand enhance the relationship once established with consumers it also make consumers to stick to it and ensure consistent patronage. However, it is the opinion of the researchers that brand identity if well positioned has the capability of retaining and attracting consumer over a long period of time. This view was supported by Aaker (2007) when he assent that the principal mission of a company's identity is to foster recognition. However, a review of works by previous researchers on the study under investigation reveals that there are many models of brand identity and are tailored to give explanation on the meaning of the concept and the conceptual frame work for the study. From the foregoing, this study will focus attention on the following operational conceptual framework developed for the study as a means of capturing the operational link existing between the variables of study

Henderson (1998) posit that the essence of brand identity is to foster recognition and create awareness of existing product or company brands, thereby increasing firm's effectiveness (market share, customer retention, profit). However in a competitive marketing environment brand identity can be used to position a company and its competitors (Kapferer 1997) A company's identity is communicated to the external world through branding. A specific brand usually functions as the central manifestation of company's identity. Effective brand names build connection between the brand personalities as it is perceived by the target audience and the actual product services. The brand identity is fundamental to consumer recognition and symbolized the brands differentiation from competitors. However Aakar (1996) argue that brand identity is what the owner wants to communicate to its potential consumers. Finally, the association between brand identity and firm effectiveness cannot be over emphasized. A good brand identity has been identified as having the potential to enhance customer acquisition, retention, profitability and marketing share, if it is well positioned and this will result in maximizing firm's effectiveness.

In this study, we conceptualize the drivers of brand identity as product design, brand image and company logo and firm effectiveness measures as customer retention, profit and market share. Product design is one of the central components of the brands visual identity. Louro et al (2001) product function as manifestation of brand identity by evoking certain association which is an ideal situation is aligned to strategically defined message of the brand. A product may be claimed to have a specific character that includes reference to the brand. Product character is concretized on the level of qualitative descriptions, some of which can have direct connection to physical product qualities such as design elements. Within the interaction between the product and the user, product character, physical product features perform various functions of which, from the perspective of brand identity management, it is important to recognize particularly these functions that identity the brand, make the product different competitor offerings (Anders, 2001).

The importance of product design according to Booms (1981) is revealed in its ability to stimulate demand and trigger purchase behavior. Product design helps in positioning the company's products in the minds of potential buyers, thus, revealing its identity to the target market. We therefore hypothesized as follows:

Hypothesis 1: Product design is not significantly related to firms' effectiveness

Brand name is quite often used interchangeably with brand image (Nwavhukwu 2011). A brand is defined as the perceived emotional corporate image as a whole Kotler et al, (1996) define brand as a name, term, sign, symbol, design, or is combination of these which is used to identify the good or services of one seller or group of seller from competitors. Which a brand name consists of letter, words and numbers that can be verbalize or vocalized. A brand name is a way to identify the experience of the brand in it's entirely, much like a person name or photographic evoke everything one knows about what that person is. A good name as opined by Asim (2005) is a positive influence on well as how consumers view the product or services that carries that name. Name that cut across culture and languages are crucial to branding effectiveness and have the potential to stimulate patronage attract customer loyalty and enhance profitability (Montgoney and Inemerfelt, 2010) thus

Hypothesis 2: brand image is not related positively and significantly to firms' effectiveness

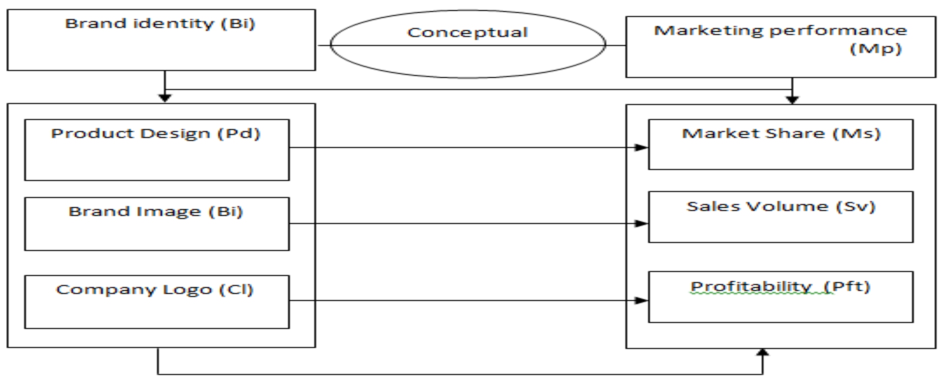
A company logo is a graphic mark or emblems commonly used by commercial enter pries, organization and even individuals aid and promote instant on public recognition (James and Kolawole 2012). A logo identifies a company or product via the use of a mark, flag or signature. A logo does not sell the company or product directly their meaning from the quality of the thing it symbolizes not the other way round-logo are for identification not for explanation

Business logo does not only describe what the company dose but also identify the business in a way that is recognizable and memorable. It is preretirement to note that only when a company logo becomes familiar that its function the way it is intended to do much alike (Beta and Syndra 2011) in real life situation we must know people's names to identify the person whenever the need arises, in the same vein, logo identifies a business or product in its simplest form. Scholars has argued that, company logo does not sell the company or product directly (eg Abam 2008; Typris and Kelley 2010; Nwachukwu). However company's identification of product or service helps in autarkability of product to customers, logo therefore enhance awareness about the existence of firm's product or brand. Hence we hypothesize as follows:

Hypothesis 3: There is no significant and positive relationship between company logo and firms' effectiveness.

Nwanhwo (2010) posit that the moderating effect of bank regulatory policy influence the impact of brand identify on organization effectiveness. Regulatory function remains an integral part of the mechanism for ensuring safe and sound banking practices. At the apex of the regulatory frame work for the banking in industry is the central bank of Nigeria and the Nigeria deposit insurance corporation. Bank regulatory can arise as a result of persistent liquidity, Lingering board room squabbles, deteriorating assets quality etc. in such situation, the regulatory effort is concentrated primarily on the identified areas of regulatory concern. These arise from the discovery of abnormal banking practices, complaints and positions by the banking public and other stakeholders of issues bordering on unprofessional and unethical conduct by a bank. The various regulatory policies will moderate the effect of brand identity on bank effectiveness, hence we hypothesized that;

Hypothesis 4: The greater the regulatory policy, the greater is the influence of brand identify on firms' effectiveness.



Source: Researchers Concept

Figure 1: Operational Conceptual Framework for the Study

3. METHOD

3.1. Participants

The research design used for this study is the quasi experimental design because of the complex relationship that exists between the variables of study. Eighty-six participants from 14 quoted banks in Nigeria were used for the study.

3.2 Instruments

The questionnaire used had three sections. The first section measured brand identity dimensions (product design, brand image, and company logo). The second section measured firms' effectiveness (market share, profit and customer retention) and the third section measured regulatory policy with 5-items. Participants were asked to answer each statement or item using a 5 - point likert scale where; 1 – disagree, 2- strongly disagree; 3 – neutral; 4 – agree; 5 – strongly agree. The questionnaire was pre-tested on 20 managers of 5 banks.

The reported cronbach alpha for product design was 0.879, brand image was 0.879 and company logo was 0.925 while profit was 0.731, market share 0.904 and customer retention was 0.718, regulatory policy was 0.738. the coefficient values were all above 0.70, thus meeting cronbachs reliabilities level (Nunnally and Bernstein, 1994). The final questionnaire has a total of 50 items measuring seven constructs (three independent, three dependent one contextual factor).

3.3. Procedure

Copies of questionnaire were administered to managers of 14 quoted banks in selected cities in Nigeria (Lagos, Abuja, Port Harcourt and Kano). Completed copies of questionnaire were personally collected by the researchers and collated for analysis. Of the 150 copies of questionnaire only 86 were used for the purpose of analysis. This gives a response rate of 57%.

4.0 Results

All the four research hypothesis were tested using the spearman's rank correlation coefficient for the three dimensions of brand identity (product design, brand image and company logo) and for the dimensions of firm effectiveness (profit, market share and customer retention) and regulatory policy. Results from the study shows a significant positive relationship exist between product design and firm effectiveness (profit, market share and customer retention) in order of 0.894, 0.751 and 0.773 respectively.

5.0. DISCUSSION

The results find support for only three hypotheses. In the first instance, it was found that product design of the banks was positively associated with firm effectiveness. This finding is consistent with previous studies. For example, brand identity foster recognition and create awareness off existing product thereby increasing marketing performance measurement variables (Henderson, 1998). Additional, it is important for service firms, including the banks to manipulate product design effectively to enhance customer satisfaction and increase repeat business (Namasivayam and Lin, 2008). Perhaps this captured more succinctly by Bitnes's framework, he suggests that positive response (satisfaction) to overall perceived product quality through design will result in approach behavior (attraction, retention, spending money). Two critical concerns for bank managers are, first, how long customers will remain with the bank, and second, whether they will want to repatronize the bank because of their product design but may not come back again if they are not satisfied with the product design and this may influence profit and bank market shares.

This is an indication that good product design leads to firms' effectiveness. Again in the table, it is corrected with from effectiveness (0.974, 0.807 and 0.862). this is an indication that an improved brand image leads to an increase in firm effectiveness. It also shown in the results that company logo is not criteria for customers to decide whether or not ton patronize firm products. There is a weak relationship between company logo and firm effectiveness. The week sign of this correlation coefficient shows that there is no visible relationship strong enough to influence banking operations toward profitability, market share and customer retention. Based on the above, the researchers accept the hypothesis 3 which states that there is no significant relationship between company logo and firm effectiveness. Finally, it is shown that regulatory policy moderate the effect of brand identity efforts on firm effectiveness ($r = 0.916$, $Pv = 0.000 < 0.05$) by this output, it means that the central bank of Nigeria (CBN) through its regulatory policy regulates and introduces control measures that guide banking activities in Nigeria ($r = 0.610$, $Pv = 0.000 < 0.05$) and brand identity implementation ($r = 0.626$, $Pv = 0.000 < 0.05$). the positive sign of this correlation coefficient shows that the CBN as a financial regulatory body is really performing a lot of duties in the industry to stem the tide of malpractice in the sector.

Yin (2008) opined that product design in its basic form is simply coming up with new ideas to improve the efficiency or productivity of existing product or the creation of new ones. Research also shows that brand image of the banks was positively associated with firm effectiveness. Previous research has also indicated that appropriate image communication in the minds of customers could leverage positive response toward increasing organization share of the market, profitability and customer retention. Other research collaborate this findings (e.g Kalu, 2002; Kayode and Mitsiks 2009; Asim 2005; Ching and Sampol 2010), an interesting and effective brand image is a positive influence in the way members of the organization identify themselves and make customers to value them. Positive image perception enhances customers' view of organizations and thus promote banks share of the market, profitability and customer retention. Company logos were negatively associated with firm effectiveness. The result shows that there is weak relationship between company logo and firm effectiveness. This implies that, were there is low market share, poor customer retention; profit will likely not be significant at all. The solution lies in the level of improvements banks embarks upon to convince customers of their readiness to deliver needed services that suits the expectations of consumers. This also collaborate the previous study of Chraistodoulides, (2004) whose opinions challenges firms to always place emphasis result achievement as a means of selling firms corporate logo to the various publics.

Regulatory policy influences the relationship between brand identity and firm effectiveness. The CBN who is the regulatory body influences in form of control and rules. The CBN has a significant influence on the relationship between brand identity and firm performance in the banking sector in Nigeria.

The ideas and findings in this paper suggest that, on the contrary brand identity is one of the driving engines of firm's effectiveness. Indeed, even if one accepts the promise that much of brand identity is simply a game of zero sum profit and market share, it can still be argued that the net result is positive for the banks. Regardless of the level of findings, banks that neglect the development of effective brand identity in the market place will be pushed out by competitors. So banks are forced to engage in brand identity activities. However, doing so fosters innovativeness, strategic competitiveness and effective creation of awareness. The result is that banks seeking increase market share, profit and customer retention, they should unwittingly promote brand identity development.

Managerial implications

Many scholars have noted that brand identity's role within the firm is underappreciated and that the influence of brand identity's contributions in some areas of academic discourse has been eroded. In this context, the arguments presented here is highly suggestive of the need for a new broadening of brand identity. In particular, our arguments imply a wider role for brand identity efforts and perspectives than is commonly look at in marketing literature.

The arguments presented in this study, linking firm effectiveness to brand identity efforts, support the work of previous researchers in branding who provide theoretical and empirical evidence of brand identity models (e.g Henderson 1998; Kapferer 1997; Aakar 1996; Yin 2008 and Goodness 2012). The study also support works of (Caleb 2002; Caldeway et al 2003; Janiszewski et al 2001; mayo and Toni 1990) in that it support the view that profit, market share and customer retention are critical drivers of firm's effectiveness.

At the business and corporate levels, our study suggests two challenges. First, marketing practitioners should stimulate knowledge production in the most comprehensive way, especially in brand identity knowledge. Secondly, the entire firm should be structured to imbibe brand identity as a competitive tool in the organization. By doing this, firm-level decision makers will be able to leverage brand identity knowledge more effectively because more people will understand its relevance to the firm thereby increasing the likelihood of in-house innovation, discoveries and invention which will serve as a sustainable competitive advantage.

Directions for future study

This study provides a sketch of the relationship between brand identity and firm effectiveness. Although our focus has been on brand identity contributions to bank performance we are sure that the argument will put forward here could be modified to address the role of brand personality, brand positioning, brand knowledge, brand equity and other brand contribution to firm effectiveness. We are not saying that brand identity is the only issue that can bring about firm success, nor even the most important, source of firm success. Future study should look at those areas. We have looked at brand identity in the context of banking industry; future work should replicate brand identity in other economic context.

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