

# The Impact of Bank Brand Image on Customer Satisfaction and Loyalty: A Case of Kenya Commercial Bank

Grace Kavengi Onyancha (corresponding author)

Jomo Kenyatta University of Agriculture and Technology, School for Human Resource Development

P.O Box 6200 00200 City Square Nairobi, Kenya. Tel: +254720831611, Email: kavengi2011@gmail.com

## Abstract

In the competitive banking industry, the impact of bank brand image on the attitudes and behaviors of customers become an important issue. For banks today, the strength and marketing power of an institution's brand is rapidly becoming one of the critical levers for differentiation and success. The aim of this study is to examine the relationship among bank brand image, customer satisfaction, and loyalty. The researcher purposely selected one institution, Kenya Commercial Bank (KCB) to conduct the research. The results reveal that bank brand image has positive effects on customer satisfaction and loyalty. It means that a positive bank brand image not only increases customer loyalty directly, but it also improves customer satisfaction through the enhancing of perceived service quality, which in turn increases the loyalty of customers. Bank brand image indeed serves as a lead factor in enhancing service quality, customer satisfaction, and loyalty.

This study proposes that bank managers should strive to create and maintain the positive bank brand image in order to enhance customer satisfaction, and loyalty.

**Keywords:** Bank brand image, Customer satisfaction, loyalty

## 1.0 Introduction

### 1.1 Background

Brands have become one of the most discussed phenomena of market research in recent years. Branding, therefore, has become a very significant concept in just about all organizations. However, its emphasis is more in the private sector than public due to the nature and levels of competition. Branding has been around for centuries as a means to distinguish the goods of one producer from those of another (Kotler, 2001). Branding has become one of the most important aspects of business strategy yet it is also one of the most misunderstood. In the competitive market, branding is a valuable intangible asset of a company. Branding plays an important role because positive brands will enable customers to better visualize and understand products, reduce customers' perceived risks in buying services (Kim et al., 2008), and help companies achieve sustained superior performance. In particular, brand image is a critical issue in the field of brand management. A good and effective brand normally has attributes which endure them to their loyal customers.

According to Keller (2003a) banks have understood the key to what makes them different: the relationship that develop between a customer and a banker under the support of the brand. A good brand name is critical in the financial services industry. It is important in the financial sector as it helps organize and label the myriad of new offerings in a manner that consumers can understand (Keller, 2003b). Banks rely heavily on their reputation. After all, banking only works if the consumer is willing to trust the bank company with large sums of money. Branding is particularly important to the financial sector in the current economy, since investors and other big spenders are being cautious about making large financial transactions. Structurally, bank brands are handicapped in that they cannot be illustrated.

For banks today, the strength and marketing power of an institution's brand is rapidly becoming one of the critical levers for differentiation and success. Banks need to provide a consistent brand experience to prevent customers from switching to rival banks. Hence, the field of bank service is now emphasizing the importance of customer-oriented marketing. Banks endeavour to establish marketing strategies which promote brand image among customers for enhancing the satisfaction and loyalty of customers as well as further promoting performance. Although bank brand image is becoming an increasingly important issue in the competitive banking industry few studies are available in this field.

This paper reviews literature on the relationship between bank brand image, customer satisfaction and loyalty from research work of gurus branding and similar concepts. The key question to guide the research is: what impact does bank brand image have in customer service and loyalty?

## 2.0 Literature review

### 2.1 Bank Brand Image

Brand image is the current view of the customers about a brand. The impressions consumers have of a company extend well beyond the product or service the firm provides. According to Porter (1985) brand image is a mental image that reflects the way a brand is perceived, including all the identifying elements, the product or company personality, and the emotions and associations evoked in the consumer's mind. It can be defined as a unique bundle of associations within the minds of target customers. Keller (2003c) defines brand image as perceptions about a brand as reflected by the brand associations held in consumer memory. It is a set of beliefs held about a specific brand. In short, it is nothing but the consumers' perception about the product. It is the manner in which a specific brand is positioned in the market. Brand image conveys emotional value and not just a mental image. Brand image is a composite of perceived quality and esteem dimensions. In other words, brand image is a perception of a brand held in customer memory and reflecting a customer's overall impression. A positive brand image can be considered as a crucial ability of a corporation to hold its market position. A brand image of a bank is not absolute; it is relative to brand images of competing banks. The customers often form a brand image of a bank from their own banking experience. Furthermore, bank brand image possesses a strategic function. Through strategic marketing activities, the brand image of a bank can be used to help it improve its competitive position. Thus, a favourable bank brand image helps strengthen the intentions customers have for selecting a bank.

### 2.2 Customer satisfaction

Oliver (1997a) noted that satisfaction is a general psychological state which is about the expectation for emotions and experience from shopping behaviour. Similarly, Andreassen and Lindestad (1998 a) claimed that customer satisfaction is the accumulated experience of a customer's purchase and consumption experiences. The client satisfaction in this paper will be measured through overall satisfaction toward the services. Yi (1990) mentioned that customer's satisfaction is influenced by two factors which are experiences and expectations with service performance. Operationally, satisfaction is similar to an attitude, as it can be assessed as the sum of the satisfactions with the various attributes of the product or service. Customer satisfaction may be defined as expectation before purchase and perception about performance after purchase. This is a term which is used as a measure of how products and services supplied by a company met or surpass customer expectation. In the service environment, customer satisfaction has been seen as a special form of customer attitude. It is a phenomenon of post-purchase reflection on how much the customer likes or dislikes the service after experiencing it, and it can be treated as a fulfillment of consumptive goals as experienced and described by customers (Oliver, 1997b). Furthermore, the strategic importance of customer satisfaction for organizations is even more highlighted. In a competitive marketplace where businesses compete for customers like in the banking industry; customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. It is essential for companies to effectively manage customer satisfaction.

In the banking industry customers are concerned with issues like account information, channel activities, fees, problem resolution and product offering. Customers will appreciate if they receive personal service at their branch, but the interactions are slowly declining as the numbers of online, ATM and mobile banking transactions increase. Providers of banking services need to understand the customers' expectations and try to meet them. For banks, satisfied customers are important because they are more likely to keep using banking services and maintain the relationship with a specific bank, and recommend the bank to others.

### 2.3 Loyalty

Loyalty is a positive propensity for an organization or brand (Da Silva and Alwi, 2006). In general, loyalty has been considered in various ways, such as positive word of- mouth, repurchase intention and so on. Burton (2002) argued that loyalty is probably better seen as attitude than behaviour. In spite of the arguments about whether loyalty should be conceptualized as attitude, behaviour or both, it is apparent that most studies have conceptualized loyalty as a behavioural intention or behavioural response. Customer loyalty is a deep commitment by the customer to re-purchase or re-buy service and product from one particular firm or agency in the future thus customer repeating same brand for purchasing Oliver (1997c). To achieve higher business growth, banks must increase customer loyalty by delivering a distinctive experience that combines the right mix of convenience, value and service and forges an emotional bond with consumers. In the current tough economic environment, it become even more imperative to retain the good customers and proper handling of customers becomes even more important to business success. It is always cost effective to have and grow an existing

customer who is profitable than getting a new one. With banks going through cost cutting measures due to financial pressures it becomes more important to closely monitor customer experience.

Customers expect consistent service across the branch networks so it is important all the staff access to a single database which gives a single view of customer across the different business lines. They also expect their views to be heard by management to improve on service quality. Customer loyalty may be more appropriate viewed as a behavioural intention. Hence, customer loyalty acts as a competitive asset for banks.

### **3.0 The relationship among bank brand image, customer satisfaction and loyalty**

Brand image was viewed as an important factor in the service evaluation. There is ample evidence that image significantly affects customers' evaluative judgments such as perceptions of quality. Moreover, Bloemer et al. (1998) investigated the image related issues in banks and pointed out that a positive brand image of a bank significantly improves perceived service quality. That is, brand image is a critical determinant of service quality. The idea behind brand image is that the consumer is not purchasing just the product or service but also the image associated with that product or service. Brand images should be positive, unique and instant. Brand image has not to be created, but is automatically formed. The brand image includes products' appeal, ease of use, functionality, fame, and overall value. Brand image is actually brand content. When the consumers purchase the product, they are also purchasing its image. Brand image is the objective and mental feedback of the consumers when they purchase a product. Positive brand image is exceeding the customers' expectations. Positive brand image enhances the goodwill and brand value of an organization.

In the branding literature, there is a general assumption that a favourable brand image has a positive impact on customer satisfaction. Andreassen and Lindestad (1998 b) proposed that image affects customer satisfaction through a filtering effect. Likewise, Davies et al. (2003) suggested that brand image correlates with customer satisfaction. Brand image has been recognized as an important antecedent of customer satisfaction. Hence, a positive bank brand image will tend to generate high customer satisfaction in the bank. The first hypothesis is described as follows:

H1: Bank brand image has a positive effect on customer satisfaction.

In addition, it is apparent from preceding studies that brand image has direct and/or indirect positive effects on loyalty or behavioural intention. Fry (2002) discovered that brand image has a direct effect on loyalty. Chun (2002) found, in contrast, that brand image has an indirect influence on loyalty via customer satisfaction. Moreover, brand image could have both direct and indirect effects on loyalty (Andreassen and Lindestad ). Nevertheless, brand image can be certainly viewed as a predictor of customer loyalty. Thus, in the banking context, a positive hospital brand image appears to stimulate customer loyalty. The second hypothesis is thus:

H2: Bank brand image has a positive effect on loyalty as measured by re-visit intention.

## **4.0 Methodology**

### *4.1 Data collection instrument*

The instrument used to test the stated hypotheses was a questionnaire. Both closed and open ended questions were used and scale. Part A was to identify the general information about the respondent. Part B featured the measure of respondent's level of agreement to brand image statements. A questionnaire based on existing measurement scale was initially drafted. This draft questionnaire was then pre-tested with marketing managers from KCB to check its content validity and rectified accordingly. The rectified questionnaires were then delivered to the respondents by a research assistant to each of the institutions selected for the study to be collected later or immediately after the respondent complete providing the information.

### *4.2 Sample for the study*

KCB was purposively selected for the study as it is one of the largest banks in Kenya in terms of assets. The questionnaires were sent to the management of the institution who has wide experience in brand management practices in the institution. About twenty questionnaires were served to the marketing managers and sales staff of the institutions.

In total, 18 among 20 distributed questionnaires were returned. Out of those, 2 were unusable questionnaires due to incomplete answers or missing data. Consequently, 16 usable questionnaires were ultimately used for further statistical analysis. Among the respondents, 58% were female, 42% male and 34 % were between the ages of 30 and 40.

## 5.0 Research findings and discussion

The purpose of the research is to investigate the relationship between brand image, customer satisfaction and loyalty intention at Kenya commercial bank. The results show that brand image significantly related to customer satisfaction and loyalty intention, hence we can say that the hypothesis are fully supported. Finding of the study also suggested that customer satisfaction is the key of loyalty intention, on the basic of the finding we can say that there is positive relationship between customer satisfaction and loyalty intention, this is also to be say that if the users of banking services are satisfied then they may create base of loyalty easily, therefore we can say that second hypothesis is fully supported. The finding indicates the importance of brand image to the users of banking services as strength of mind about the brand loyalty as well as customer satisfaction.

### 5.1 Contribution of the Research

This research extends current service research by exploring the relationship between customer satisfaction, brand image and customer loyalty. In other words, this study demonstrates that customer's perception of their interaction with a service company is influenced by the delivered service experience. This research has also some managerial implications. The marketers of the service providers can use the research results to leverage their brand equity through the delivery of a compelling customer experience in many aspects. By focusing on customer satisfaction, service brands have a holistic view of what they deliver to customers. Indeed service is today defined by many scholars as an experience (Lusch and Vargo, 2006; Schembri, 2006; Zomerdijk and Voss, 2010) and following this logic, we recognize that the customer experience is in fact the company "product". Therefore, all managerial functions and departments should be aligned to deliver an overall compelling customer experience through interactions with customers. For the future, this research should encourage researchers to explore the link between customer satisfaction and brand relationships in different service sectors such as, hospital industry, hotel industry, or airline industry.

## References

- Andreassen, Wallin & Bodil Lindestad, *International Journal of Service Industry Management*, 9(1), (1997), 7-23.
- Da Silva, R. V., & Syed Alwi, S. F. (2006). Cognitive, affective and conative behavioural responses in retail corporate branding. *Journal of Product and Brand Management*, 15(5), 293-305
- Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57(1), 1-22.
- Kotler, P. (2001). *A framework for marketing management*. Upper Saddle River, NJ: Prentice-Hall.
- Lusch, Robert F. & Stephen L. Vargo, "Multiplex Retailers versus Wholesalers: A test of the Total Value of Purchasing Model," *International Journal of Physical Distribution & Logistics Management*, 28(8), (1998), 581-98.
- Lusch, R. and Vargo, S. (2006), "Service –dominant logic: reactions, reflections and refinements", *Marketing Theory*, Vol. 6 No3, pp.281-8.
- Zomerdijk, L. and Voss, C.A. (2010), "Service Design for experience-centric services", *Journal of Service Research*, Vol. 13 No. 1, pp. 67-82.
- Bloemer, J., De Ruyter, K., & Peeters, P. (1998). Investigating drivers of bank loyalty: The complex relationship between image, service quality and satisfaction. *International Journal of Bank Marketing*, 16(7), 276-286.
- Oliver, R.L. (1997), *Satisfaction: Behavioral Perspective on the Consumer*, McGraw- Hill, New York, NY.
- Yi, Y. (1990), "A critical review of consumer satisfaction", in Zeithaml, V.A. (Ed.), *Review of Marketing*, American Marketing Association, Chicago, IL, pp. 68-123.
- Da Silva, R. V., & Syed Alwi, S. F. (2006). Cognitive, affective and conative behavioural responses in retail corporate branding. *Journal of Product and Brand Management*, 15(5), 293-305
- Davies G, Chun R (2002). Gaps between the internal and external perceptions of the corporate brand. *Corp. Reput. Rev.*, 5(2/3): 144-158

Merrilees B, Fry M (2002). Corporate branding: a framework for Eretailers. *Corp. Reputation Rev.*, 5(2/3): 213-225.

Porter M. (1985) *Competitive Advantage*, New York, Free Press

Kim KH, Kim KS, Kim DY, Kim JH, Kang SH (2008a). Brand equity in hospital marketing. *J. Bus. Res.*, 61(1): 75-82.

Burton J (2002). Does service failure influence customer loyalty? *J. Consum. Behav.*, 1(3): 217-227.

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

## CALL FOR JOURNAL PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/journals/> The IISTE editorial team promises to the review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

## MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Recent conferences: <http://www.iiste.org/conference/>

## IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

