

BUILDING BRAND EQUITY IN CARIBBEAN FINANCIAL SERVICES



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Agenda

- Introduction
- Literature Review
- Methodology
- Key Results
- Discussion of research findings
- Conclusions

INTRODUCTION

- The Caribbean Financial Sector
 - Dominant role
 - Rise in consumer scepticism
 - Changing environment
- Benefits of Building Brand Equity
 - Carve unique identity
 - Simplify choice and positive behavioural responses
 - Reduce consumer scepticism and mistrust
 - Levy on the strength of brands to overcome market challenges and deal with the current economic uncertainty, structural changes, and competitive pressures in financial services
- Building brand equity in financial services has received scant attention in academic forums.

Research Objectives

- To ascertain the determinants of brand equity in Caribbean financial services and to determine the relative importance of these determinants in explaining and predicting brand equity.
- To determine whether structural differences exist in building brand equity within financial services.
- To determine whether structural differences exist in building brand equity within the Caribbean region.

LITERATURE REVIEW

- **What is brand equity**

Definition:

Aaker (1991) defined brand equity as a set of assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value of a product.

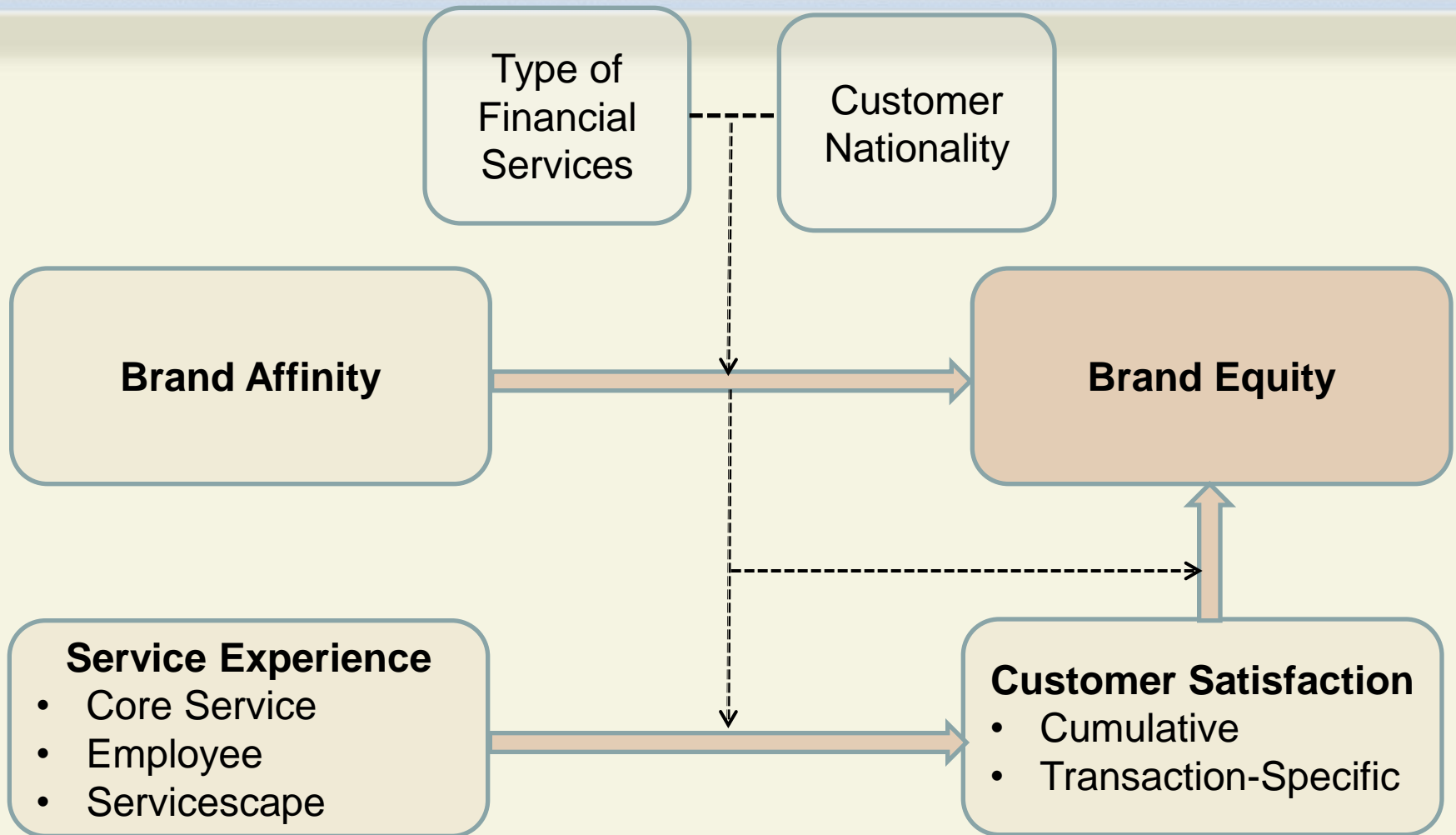
Theoretical Contributions - Brand Equity

| Authors | Model | Determinants |
|-----------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aaker (1992) | Asset Value Model (AVM) | <ul style="list-style-type: none"> • Brand loyalty • Brand awareness • Perceived quality • Brand associations • Other proprietary brand assets |
| Yoo and Donthu (2001) | | <ul style="list-style-type: none"> • Brand awareness/association • Brand loyalty • Perceived quality |
| Keller (1993) | Knowledge-Based Model (KBM) | <ul style="list-style-type: none"> • Brand recognition • Brand association |
| Keller (2001) | Customer-Based Brand Equity Model (CBBE) | <ul style="list-style-type: none"> • Brand saliency • Brand meaning • Brand response • Brand resonance |

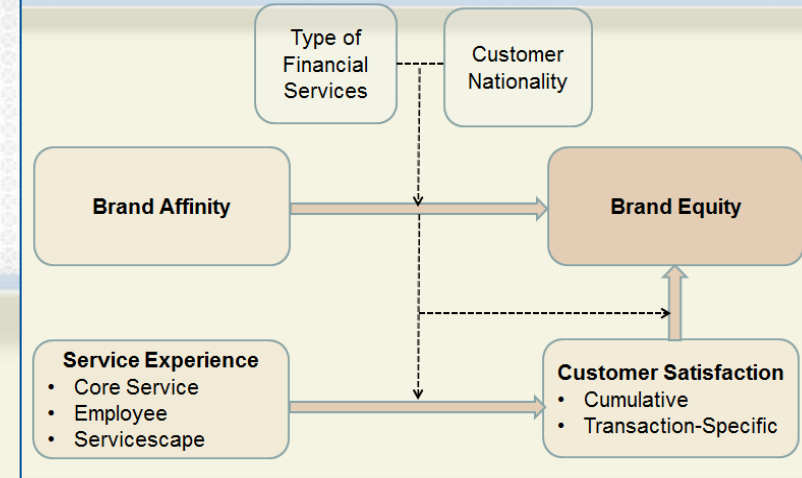
Theoretical Contributions - Brand Equity

| Authors | Model | Determinants |
|----------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leonard Berry (2000) | Service Branding Model (SBM) | <ul style="list-style-type: none"> • Company presented brand • External brand communications • Customer experiences |
| Keller and Lehmann,(2003) Tolba and Hassan (2009) | Brand Value Chain Model & Hierarchy of Effects Model | Emphasize the role of consumers' affection |
| Pappu and Quester (2006) | Retail brand Equity model | Extended the AVM model to include customer satisfaction |
| Rambocas, Kirpalani and Simms (2014) | Retail bank brand equity | Cognitive and affective |

The Research Model



Research Hypotheses



H_{1a}: Brand affinity is positively related to brand equity in financial services.

H_{1b}: *The type of financial service* moderates the relationship between brand affinity and brand equity.

H_{1c}: *Customer nationality* moderates the relationship between brand affinity and brand equity.

H_{2a}: Customer satisfaction (cumulative and transaction-specific) is positively related to brand equity in financial services.

H_{2b}: *The type of financial service* will moderate the relationship between customer satisfaction (cumulative and transaction-specific) and brand equity.

H_{2c}: *Customer Nationality* moderates the relationship between customer satisfaction (cumulative and transaction-specific) and brand equity.

H_{3a}: Customer satisfaction will mediate the relationship between service experience (core, employee service, and servicescape) and brand equity in financial services.

H_{3b}: *The type of financial service* will moderate the relationship between service experience (core service, employee service, and servicescape) and brand equity.

H_{3c}: *Customer Nationality* moderates the relationship between service experience (core service, employee service, and servicescape) and brand equity.

RESEARCH METHODOLOGY

Sampling Strategy

- 751 financial services customers, three financial services
- Sampling criteria

| | n=751 | % |
|---------------------|-------|----|
| COUNTRY | | |
| Trinidad and Tobago | 150 | 20 |
| Guyana | 162 | 22 |
| Saint Lucia | 150 | 20 |
| Barbados | 148 | 20 |
| Jamaica | 141 | 19 |

Measurement Instrument

- Standard Questionnaire
- Reliable and Valid scales
- Demographic data

Data Collection

- Pretest
- Personal intercept
- Convenience sampling

Data Analysis

- Confirmatory Factor Analysis
- Structural Equation Modeling

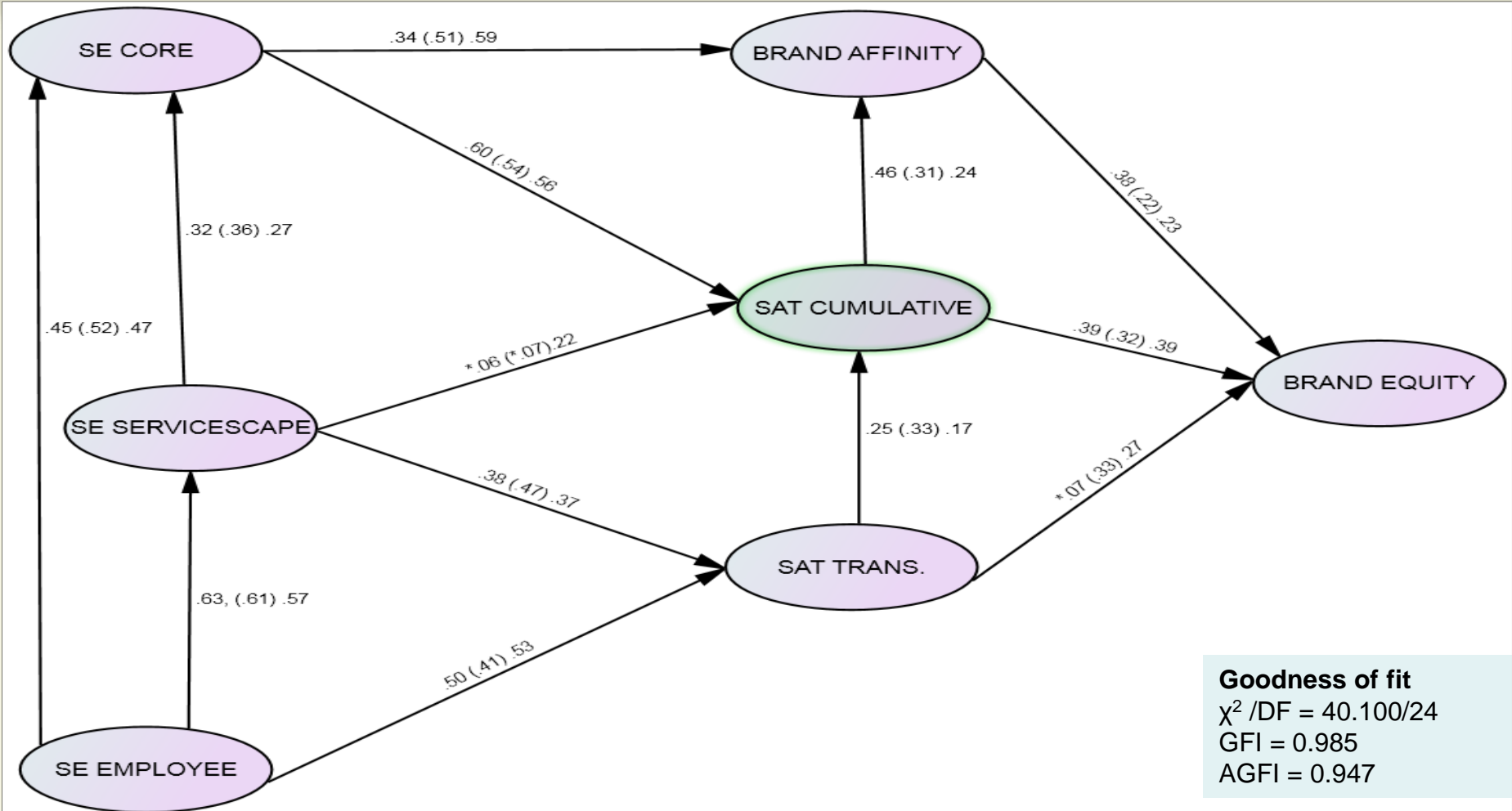
| Construct | Dimension | Scale | # of Items |
|-----------------------|-----------------------------------|-----------------------------|------------|
| Service Experience | Core Services | Grace and O'cass (2004) | 16 items |
| | Employee Service | | |
| | Servicescape | | |
| Customer Satisfaction | Cumulative Satisfaction | Grace and O'cass (2004) | 4 items |
| | Transaction-specific satisfaction | Al-Eisa and Alhemoud (2009) | 12 items |
| Brand Affinity | Unidimensional | Carroll and Ahuvia (2006). | 10 items |
| Overall brand equity | Unidimensional | Yoo, Donthu and Lee (2000). | 5 items |

RESULTS

A) AVERAGE RATING ON BRAND EQUITY DETERMINANTS

| | Banks | Insurance Companies | Credit Unions |
|-----------------------------------|--------------|----------------------------|----------------------|
| Brand Affinity | 3.48 | 3.46 | 3.71 |
| Core Service Experience | 3.81 | 3.82 | 3.91 |
| Employee Service Experience | 3.81 | 3.83 | 3.86 |
| Servicescape | 3.97 | 3.86 | 3.83 |
| Overall Service Experience | 3.89 | 3.84 | 3.85 |
| Cumulated Satisfaction | 3.81 | 3.79 | 3.94 |
| Transaction Specific Satisfaction | 3.99 | 3.95 | 3.92 |
| Overall Customer Satisfaction | 3.90 | 3.87 | 3.93 |

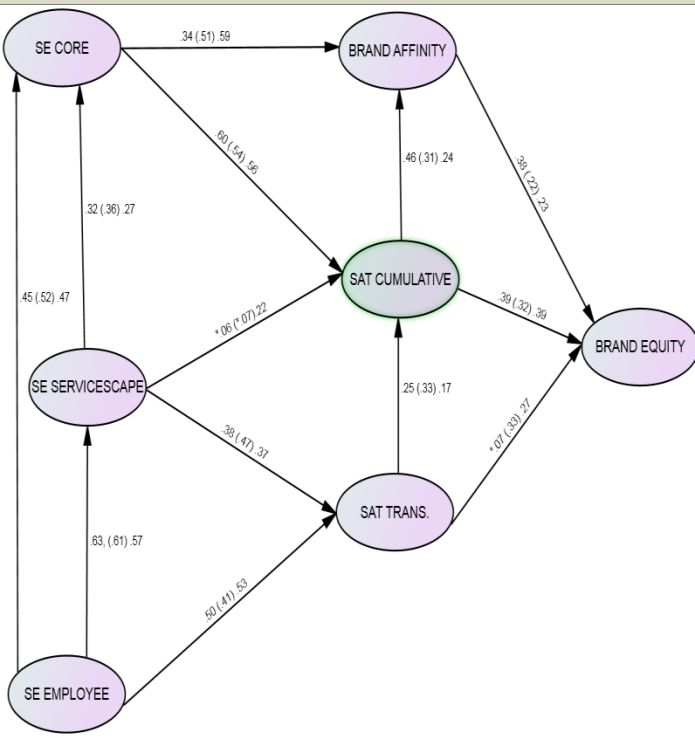
B) MODELING THE DETERMINANTS OF BRAND EQUITY



Determinants of Brand Equity

| | Service Experience | | | Customer Satisfaction | | |
|-------------------------------------------|--------------------|---------------|--------------|-----------------------|------------|----------------|
| | Employee Service | Service scope | Core Service | Transaction-specific | Cumulative | Brand Affinity |
| Contribution to Total Brand Equity | 0.538 | 0.309 | 0.410 | 0.319 | 0.473 | 0.289 |
| Service type | | | | | | |
| BE Banks | 0.479 | 0.265 | 0.465 | 0.209 | 0.562 | 0.379 |
| BE Insurance | 0.578 | 0.360 | 0.326 | 0.459 | 0.391 | 0.221 |
| BE Credit Union | 0.548 | 0.328 | 0.385 | 0.340 | 0.443 | 0.229 |

C) Testing the Research Hypotheses



| Hypothesis | Results |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| H _{1a} : Brand affinity is positively related to brand equity | Supported |
| H _{2a} : Customer satisfaction (cumulative and transaction-specific) is positively related to brand equity in financial services. | Supported |
| H _{3a} : Customer satisfaction will mediate the relationship between service experience (core, employee service, and servicescape) and brand equity in financial services. | Supported |

C) Testing the Research Hypotheses: The Moderating effect of service type

- The relationships between brand equity and transaction-specific satisfaction vary by service type - strongest for insurance companies and credit unions
- Service type moderates the relationship between service experience and brand equity.
 - The indirect impact of servicescape on brand equity - highest for insurance companies
 - The impact of employee service on transaction-specific satisfaction – highest for credit unions

C) Testing the Research Hypotheses: The Moderating effect of Customer Nationality

- No significant variation in the direct determinants of brand equity

Some notable findings on indirect determinants

- The relationship between servicescape and core service experience - strongest in Trinidad and Tobago and weakest in Guyana
- The relationship between employee service and core service experience - strongest in Guyana
- The relationship between core service experience and cumulative satisfaction - strongest in St. Lucia and Jamaica
- The relationship between transaction specific satisfaction and cumulative satisfaction - strongest in Trinidad and Tobago and Barbados

C) Testing the Research Hypotheses: The Moderating effects of service type and customer nationality

| Moderating Effects of Service Type: | Results |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| H _{1b} : The type of financial service (banks, insurance companies, and credit unions) will moderate the relationship between brand affinity and brand equity | Not supported |
| H _{2b} : The type of financial service (banks, insurance companies, and credit unions) will moderate the relationship between customer satisfaction (cumulative and transaction-specific) and brand equity | Partially Supported |
| H _{3b} : The type of financial service (banks, insurance companies, and credit unions) will moderate the relationship between service experience (core service, employee service, and servicescape) and brand equity. | Partially Supported |

| Moderating Effects of Customer Nationality | Results |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| H _{1c} : Customer nationality moderates the relationship between brand affinity and brand equity. | Not supported |
| H _{2c} : Customer Nationality moderates the relationship between customer satisfaction (cumulative and transaction-specific) and brand equity | Not supported |
| H _{3c} : Customer Nationality moderates the relationship between service experience (core service, employee service, and servicescape) and brand equity. | Partially Supported |

Discussion- Findings Summary

- Customer satisfaction has a strong and positive impact on building brand equity in financial services. However, the relationships between satisfaction and brand equity vary across services
 - transaction-specific satisfaction is more important for credit unions and insurance companies
 - In the case of banks, satisfaction with individual transactions has an indirect influence on brand equity. The model shows that transaction-specific satisfaction affects cumulative satisfaction, but will not by itself increase or decrease the level of brand equity in banks.

DISCUSSION

- Strong and positive relationship between brand affinity and brand equity in financial services
- Consumers' deep and enduring relationships are linked to their judgements on the brand's functional performance. More favourable judgements will enhance the degree of affection consumers hold towards their financial brands
- Unfavourable judgements will undermine the level of affection, despite the marketing efforts undertaken

- Consumers' evaluation of service experiences translate into satisfaction and affinity, which in turn influence brand equity in financial services
 - The results show employee service as the most weighted element of service experience in determining brand equity while servicescape is the least weighted service component.
 - Although Trinidad and Tobago customers placed more emphasis on servicescape, while the other Caribbean countries rely on core services.
- The pivotal role of employee service to customer satisfaction is common in the three (3) financial services and five (5) Caribbean countries

Management Implications

- Provides a model that can be used to determine the impact of key service areas on consumer brand preference.
 - The role of consumer affinity in financial services
 - For banks, the 2 most influential predictors of brand equity are cumulative satisfaction and employee service experience.
 - For insurance companies, brand equity is most effectively explained by employee service experience and customer transaction-specific satisfaction.
 - For credit unions, brand equity is most effectively explained by employee service and transaction specific satisfaction.
- Provides a useful perspective on cross-country branding strategies within the Caribbean region

Conclusions

- Financial service managers should augment brand awareness and communication strategies with internally focused brand building initiatives to enhance service encounter.
- The key to brand building strategy is the quality of the service encounters customers have with employees

Limitations and opportunities for future research

- Limited to 5 Caribbean countries and 3 services
- Consumer characteristics can moderate the brand equity relationships
- Focused on one aspect of the service branding model (service experience).
- Convenience sampling strategy

Thank you