CONSUMER BASED BRAND EQUITY AND FINANCIAL PERFORMANCE: A STUDY OF THE COMMERCIAL BANKS IN KENYA.

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D61/P/8795/01

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
DECEMBER 2004

DECLARATION

This research project is my original work and has not been submitted for a degree at the University of Nairobi or any other University.

Signed: ____________________ Date: 19-01-05

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This study is dedicated to my wife Josephine Ithau and my son David Ithau Junior who were a true source of inspiration, support and encouragement throughout the course.

It is also dedicated to my parents Esther and Jonathan Wambua who were my childhood role models and for their unlimited moral and financial support throughout my education.

ACKNOWLEDGEMENT

I am deeply indebted to my Supervisor Dr. Martin Ogutu for his invaluable comments, constructive criticism and guidance, which provided the much needed support in my endeavour to undertake and complete this project.

His vast knowledge, experience and uncompromising stand on quality and detail enriched the results of this study.

I am also grateful to the Members of the Academic Staff, Faculty of Commerce, especially the Lecturers who guided me throughout the course.

I am profoundly indebted to my Wife, for her unwavering support throughout my studies and for inspiring me to undertake the MBA course of the University of Nairobi.

My special thanks to go to my MBA Colleagues for being a pillar of encouragement and support.

My sincere gratitude go to Mary Muya who took time to type and proof read the manuscript.

And to Alex, Veronica, Joseph and Janet for helping to administer the questionnaires.

And to God for financial and provision of good health.

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ABSTRACT

This study sought to investigate whether there is a correlation between Consumer Based Brand Equity and Financial Performance in service brands.

The study was to investigate the impact of building brand equity dimensions namely: Brand Loyalty, Brand Awareness, Perceived Quality and Brand Image, on financial performance of the large banking institutions in Kenya.

To achieve this, the objective was formulated and tested. Primary data was collected from 350 respondents who are account holders of the 10 large banks using semi-structured questionnaires.

Analysis of the data showed that banks must significantly consider brand loyalty, perceived quality and brand image when attempting to establish definite brand equity from the customer's viewpoint. Although brand awareness is not loaded highly as a consumer based brand equity factor, it was found to be significantly related to financial performance. Brand image and brand loyalty also significantly affected financial performance. The critical role of brand loyalty, brand awareness, and brand image was strongly demonstrated. In deed, a review of detailed measures constituting these three variables shows that most measures help to differentiate high and low performance banks.

We conclude that consumer based brand equity can yield significant improvement in financial performance of service brands and positively impact return to shareholders. This improves the brands competitive advantage.

The study recommendations that activities geared towards building brand loyalty, brand image, awareness and perceived quality be enhanced by service brands through organisation's marketing departments, and implemented and managed in such a way that maximum benefits are achieved.

CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND

The purpose of marketing is to create preference for the company's brand. If consumers perceive one brand as superior, they will prefer it and pay more for it. Brand equity is the value of these additional cashflows generated for a product because of its brand identity.

The past one-decade has witnessed unprecedented emergence of various forces that have posed serious challenges to the traditional premises and practices of marketing. These forces include stiff competition, globalisation of product markets, deregulation, increasing convergence of consumer preferences, dumping, explosion of information technology (IT), a desire to access a portfolio of international brands, and difficulty in establishing new brands (Capron and Hulland, 1999).

Consumers have become better educated, more inquisitive and demanding while products have become increasingly complex and specialised. All this constitutes a new marketing environment and pose serious challenge to the survival and profitability of firms (Mbau, 2000).

Many service industries like banking and insurance markets, like their counter parts in the first moving consumer goods industry are also facing increasing competition due to changes in consumer preferences. With competition, there is increased need to appreciate the worth of their trading brand name, which often help to determine the financial performance. The rationale for branding goods and services therefore appears to be the same.

There are a number of characteristics that are commonly used to differentiate between goods and services. (Zeithaml et al. 1985, wolak et al 1998).These include: intangibility, inseparability, heterogeneity and perishability. Services, unlike products, are an experience that cannot be touched, felt or tasted in the same way that products can. Their consumption and production is simultaneous, whereas products are first produced, then sold and later consumed. In service output, the quality of a service is more difficult to standardise than product output. Services, unlike products cannot be stored for usage at a later time.

Today and in the foreseeable future, there may be no such thing as a solid and/or substantial lead over ones competition. Too much is changing too quickly for firms to be complacent, with no company or industry being safe.

Deregulation and globalisation have in the last decade turned around the Kenyan marketing environment. Competition is stiff and this has posed a serious challenge to the survival and profitability of firms (Ngatia, 2000).

Given such a prevailing situation, firms in the service industry have borrowed a leaf from their counterparts in the first moving consumer goods industry by moving away from reliance on price as the primary competitive arena and seized other profitable opportunities.

The answer to this challenge is in consumer brand equity, which has been defined as the differential effect of brand knowledge on consumer response to the marketing of the brand (Kakamura and Russel, 1991).

Despite its importance, the role of brand equity in the marketing of services has not been explored in detail. This is troubling given the fact that services now account for the vast majority of Gross National Product (GNP) and total employment owing to the collapse of the manufacturing sector in the late 80s and early 90s due to poor infrastructure and high production costs.

There is a general consensus that differences between services and products may warrant different approaches to marketing (Shostack,1977; Zeithmal et al, 1985). Despite these differences being widely accepted among both practitioners and researchers, the branding literature has always been heavily biased towards products (Turkey and Moore, 1995).

This scenario is especially true for brand equity, especially in relation to first moving consumer goods (SHARP, 1995). Both researchers and practitioners have been far more comfortable in applying the notion of brand worth to the exchange of tangible, one-off purchases like beverages, food and pharmaceutical products.

1.1.1 Kenyan Banking Industry

A bank is a financial institution whose main purpose is to mobilise deposits and lend out funds to its customers at an interest. Banks equally provide services of safe keeping among others.

Started at the turn of the century, the first bank, the National Bank of India, was to later become National and Grindlays Bank. After Kenya gained its independence, the Kenya Government partly bought into the shareholding and changed its name to Kenya Commercial Bank. At independence, the government perceived foreign banks as being biased against African farmers and businessmen. To remedy this, some banks were formed under the direct control of the government. These included the National Bank of Kenya and the Co-operative Bank.

By the year 1993, there were over 80 banks and non-bank financial institutions. Pioneer banks such as KCB and the large multinational banks were deep rooted and had penetrated the country with their entrenched branch networks.

The Kenyan Banking Industry is currently constituted of 44 commercial banks, three non-financial institutions, four building societies, two mortgage finance companies and forty foreign exchange bureaus. The major players in the sector include Barclays Bank, Standard Chartered Bank, Kenya Commercial Bank, National Bank of Kenya, CitiBank, Credit Finance Corporation (CFC), Commercial Bank of Africa (CBA) and National Industrial Credit Bank (NIC).

Among the products and services offered by the sector are banking services which include saving accounts, current accounts, fixed and call deposits, overdraft facilities in both foreign exchange and Kenya shillings and foreign exchange accounts.

Lending services include hire purchase facilities, mortgage loans, working capital requirement loans, and foreign exchange loans.

Trade finance services include letters of credit, bills discounted, guarantee facility, foreign exchange drafts, transfers and documentary collections. Other services include treasury functions and acting as custodians and investment managers for pension funds.

Like all business entities, financial performance is the focus of every bank. A high level of performance is desirable, especially to other peer banks as it is best regarded as earnings generated in relation to their brand value i.e. ability to enhance and develop brand value.

The banking industry, like their counterparts in the first moving consumer goods industry, are being faced with increasing competition among many other challenges. Changes in the Kenyan consumer tastes and preferences has led to increased value in appreciating the worth of their banks trading brand names, which forms part of their collection of intangible assets, and which often help to determine their financial performance. This is mainly the motivation that has led to the researcher trying to establish the relationship between brand equity and financial performance of Kenyan large banks with net asset base exceeding Kshs. 10 billion.

Technology, product architecture and service delivery have permeated the banking industry due to these challenges that include competition, pricing and changes in consumer needs and preferences. Advantages previously held by the industry setting aside funds to build their brand equity levels in order to create customer based brand associations that are relevant and salient.

Several banks have responded to facelift campaign aimed at refreshing their image with a replenished brand. Branches have been branded in line with the respective bank's brand implementation strategies which is closely supported by the banks objectives of ensuring that consumers are familiar with their brands and hold some favourable, strong and unique brand associations in memory, that is in turn hoped to positively influence financial performance.

1.1.2 Customer Based Brand Equity and Service Brands

Relatively limited empirical evidence can be found with respect to the consumer based equity of service brands (Smith, 1991), owing to the fact that most studies have been concerned with goods or have applied a non altered framework to suggest brand equity value.

To date, a number of theoretical frameworks have been suggested in an attempt to assist marketers to understand how consumers think about, and respond to brands, thereby enabling marketers to implement effective consumer marketing activities and gain sustainable differentiation (Kapferer, 1992; de Chernatony, 1993, Keller, 1993). However, these models have had a distinct tendency to conceptualise the brand in terms of physical goods, with minimal regard, or reference to the branding of services (Turley and Moore, 1995).

Such models poses dimensions that are argued to have commonality across the two domains, but the potential application to these models to services could well be questioned on the grounds that marketing principles, for both goods and services, deviate due to the inherent differences between the two (Berry, 1980; Cowell, 1989; Bateson, 1995; Berry, 2000).Such differences revolve around the idiosyncrasies relative to the identified intangibility, heterogeneity, inseparability and perishability (Ziethmal and Bitner, 1996; Berry, 2000) of services.

On these services marketing research has been capacious in nature, focusing on issues ranging from consumer evaluation of services (Friedman and Smith1993; Best, 1994; Fulmer, 1997). Measuring service quality (Parasuraman et al, 1985; Riecheld and Sasser, 1990; Proctor and Wright, 1998) and service failures (Bloddgett et al, 1995; Bejou and BopRakowski, 1996, Tax and Brown, 1998), while inquiry into the branding of services has been minimal.

1.2 RESEARCH PROBLEM

The early 1990s saw the entrance of politically backed players in the banking sector, most of whom ended up being placed under statutory management by the Central Bank in the late 1990s. Mergers and acquisitions followed thereafter to avoid liquidation.

Having set a panel playing ground, the regulator forced the players in this industry to differentiate themselves due to fierce competition. In order to grow market shares and improve performance, the large players opted to build the brand equities by investing in branding activities and media advertising so as to increase brand awareness, loyalty, image and perceived quality. The smaller players opted to pursue a focus strategy aimed at serving selected segments of the market.

The research therefore focuses on the large banks because they seem to have pursued a similar strategy of building brand equity so as to appeal to a wider market, and is aimed at establishing whether a relationship does exist between financial performance and consumer based brand equity.

Relatively limited empirical evidence can be found with respect to the consumer-based equity of service brands. Muller and Woods (1994), for example, emphasised brand management rather than product management in the restaurant industry, emphasising the need for a clear concept of the restaurant, dependability of brand name, and development of brand image. Muller (1998) suggested three key issues that a service brand should focus on in order to build equity and acceptance in the marketplace. These included quality products and services, execution of service delivery, and establishment of a symbolic and evocative image.

He insisted that through the combination of these three elements in restaurant –brand development would come the opportunity for charging premium prices and enhancing customer loyalty. Murphy (1990) identified generic brand strategies in the restaurant industry such as simple, monolithic and endorsed.

Another study done locally sought to investigate the creation and application of brand equity in the Kenyan Pharmaceutical Industry (Mbau, 2000). This study revealed that personal selling is the most important factor in building brands in the industry as opposed to advertising and pricing.

Another study on brand equity sought to determine the important factors in creating quality perceptions (an aspect of brand equity) that affect brand choice in the soft drink industry in Nairobi (Mburu, 2001).

A more recent study investigated the determinants of brand equity in the bottled drinking water industry in Nairobi (Kisese, 2002), while (Kabura, 2002) studied the major brand equity assets used to position brands in agrochemical companies and also tried to establish how effective they were in the fight against counterfeits.

The importance of brand worth in service markets, however, also deserves the same attention. They too can benefit from measuring brand equity and evaluating marketing interventions in terms of their ability to enhance and develop brand value.

While there have been methods to measure the financial value of brand equity, measurement of customer based brand equity has been lacking in service brands. To the best knowledge of the researcher, there has been little research that demonstrates empirically the correlation between brand equity and financial performance in service brands.

The purpose of this study will to examine the possible relationship between brand equity from the consumer's perspective and financial performance of service brands, with a particular emphasis on large Kenyan Commercial Banks. The reasoning behind the study is that the more customers are satisfied, the more they prefer the brand, and the more they remain loyal, which should translate to higher earnings. The research was therefore attempting to answer the question: **"How well do selected customer based measures of brand equity correlate with financial performance, of service brands where financial performance is an indicator of brand equity?"**

1.3 RESEARCH OBJECTIVE

The objective of this study was to establish whether there is a correlation between consumer based brand equity and financial performance in service brands.

1.4 RESEARCH HYPOTHESIS

Consumer based brand equity and these four components will have a significant effect on the financial performance of the corresponding brand.

1.5 IMPORTANCE OF THE STUDY

a) The findings of this study are expected to be of value to managers of service brands. By showing the relationship between customer based brand equity and financial performance, managers can assess the equity associated with their brands and help evaluate their marketing programs and strategies.

b) The study is also expected to contribute to the existing literature in the field of consumer based brand equity and form a basis for further research in service markets.

c) The findings in this study will go towards filling an existing information gap on "Consumer based brand equity and financial performance of service brands."

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is concerned with replicating what other scholars say about consumer based brand equity. It starts with introducing the concept of brand equity, brand equity in its different contexts, namely the customer based perspective, the financial perspective and the combined perspective. The approaches used to measure consumer based brand equity has also been reviewed. It is from the above that the researcher sought to establish whether indeed there is a correlation between consumer based brand equity and financial performance in service brands.

2.2 THE CONCEPT OF CONSUMER BASED BRAND EQUITY

Customer based brand equity has been defined as the differential effect of brand knowledge on consumer response to the marketing of the brand (Kakamura and Russel, 1991).

Thus brand equity is conceptualised as from the perspective of the individual consumer. Customer based brand equity occurs when the consumer is familiar with the brand and holds some favourable, strong and unique brand association in the memory (Kakamura and Russel, 1991).

Based on this definition, there are five considerations are important in defining brand equity: These include brand equity referring to consumer perceptions rather than any objective indicators, brand equity refers to a global value associated with the brand. Global value associated with the brand stems from the brand name and not only from physical aspects of the brand equity is also not absolute but relative to competition; and finally, brand equity positively influences financial performance.

Aaker (1996) has defined brand equity as a set of brand assets and liabilities linked to a brand, namely its name and symbol, that adds to, or subtracts from, the value provided by a product or service to a firm or to the firm's customers.

Blackston (1995), on the other hand, has referred to brand equity as brand value and brand meaning, where brand meaning implies brand saliency, brand associations, and brand personality, and where brand value is the outcome of managing the brand meaning.

Keller (1993) has also defined it as the differential effect of brand knowledge on consumer response to the marketing of the brand.

Brand equity has also been operationalised by Lassar et al (1995) as enhancement in the perceived utility and desirability that a brand name confers on a product. According to researchers subscribing to this view, consumer based brand equity indicates only perceptual dimensions, excluding behavioural or attitudinal dimensions such as loyalty or usage intentions, which differs from Aaker's (1991) incorporated definition.

The four dimensions of consumer based brand equity as suggested by Aaker (1991, 1996) therefore include: brand loyalty, brand awareness, perceived quality; and brand image.

2.2.1 Components of Brand Equity

In conceptualising how customers evaluate brand equity, it is viewed as consisting of two components – brand strength and brand value (Srivastava and Shocker, 1991). Brand strength constitutes the brand associations held by customers. As an example, *Sunlight* may be regarded by its customers as a mild soap with very good cleansing power. On the other hand, brand values are the gains that accrue when brand strength is leveraged to obtain superior current and future profits. As an example, soaps, dishwashing liquids, detergents and lotions are marketed under the *Unilever* brand name. Brands have therefore in recent times been considered primary capital in many businesses. The notion that a brand has an equity which exceeds its conventional asset value has been developed by financial professionals. Some companies seeking growth opportunities have preferred to acquire existing brands, thus establishing brand management as a formal component of corporate strategy. Thus, the concept and measurement of brand equity has interested academics and practitioners for more than a decade, primarily due to the importance in today's market place of building, maintaining and using brands to obtain a definite competitive advantage.

Although numerous local and global brands of different product categories have been employed to measure brand equity, literature on brand equity within the service industry is hard to find. But recently, Prasad and Dev (2000) have demonstrated that brands would be a quick way for hotels and hotel chains to identify and differentiate themselves in the minds of the customer.

There have been movements in the service industry toward capitalising on previously acquired brand equity by extending a reputable brand to a new category.

2.2.2 Financial Performance and Brand Equity

Although brand equity can be defined from a variety of perspectives, usually two perspectives are adopted: the value of the brand to the firm, and the value of the brand to customers. The former views brand equity from a financial perspective. The financial perspective is based on the incremental discounted future cash flows that would result from a branded product's revenue over the revenue of an unbranded product (Simon and Syllivan, 1993). The asset representing the brand is included in the firm's assets on the balance sheet.

There have been some claims of a positive correlation between brand equity and a firm's performance (Park and Srinivasan, 1994; Aaker, 1996). Some studies have found that a product's brand equity positively affects future profits and long term cash flow (Srivastava and Shocker, 1991), for example, in the hotel industry where hotels with strong brand equity are expected to command higher occupancy and rates, resulting in higher revenue per available rooms (Prasad and Dev, 2000).

There has been little research (comparatively) in the area of branding in services. The literature in this area has been slow to develop and in primarily conceptual in nature. For example, there is a debate on the type of branding strategy that should be followed for services. Berry et al (1988) suggests that service brands should have distinctiveness, relevance, memorability, and flexibility. Moreover they argue that "service brands should be the firm's name and should not be individualised" (Berry et al, 1988, p. 28). Onkvisit and Shaw (1989) take the issue with Berry et al (1988) and recommend the branding of services on an individualised basis. In a more recent study, Berry (1999) found brand cultivation to be a principal success driver in a study of 14 mature, high-performance service companies in a variety of industries.

There have been movements in the service industry toward capitalising on previously acquired brand equity by extending a reputable brand to a new category. In addition to the differences in the nature of service, service brands are different from product brands in terms of the primary brand established in customer's minds in service marketing, the company brand is the primary brand, whereas in packaged goods marketing, the product is referred to as the primary brand (Low and Lamb, 2000).

In the service industry, customers generally choose or reject based on the company brand (e.g. Avis, Citibank, Hilton Hotel, Kenya Airways, Nation Courier, etc. That is, customers develop company brand associations rather than the brand association of product items.

Consumer based brand equity in service brands is viewed in the context of marketing decision making. This concerns how service brands are perceived by customers. Within the marketing literature, operationalisations of consumer based brand equity usually fall into two groups (Cobb-Walgren et al, 1995; Yoo and Donthu, 2001). Consumer perception (brand awareness, brand associations, perceived quality) and consumer behaviour (brand loyalty, willingness to pay a higher price). The key sources of brand equity suggested by Aaker (1991) incorporate both perceptual and behavioural dimensions in the definition, whereas Lassar et al (1995) strictly distinguish the perceptual dimension from the behavioural dimension so that behaviour is a consequence of brand equity rather than brand equity itself.

Brand equity has also been considered in many contexts that include the added value endowed by the brand name (Farquhar, 1989),brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets (Aaker, 1991). It has also been considered as the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993),the incremental utility (Simon and Sullivan, 1993),total utility (Swaut et al, 1993); and the difference between the overall brand preference and multi-attributed preference based on objectively measured attribute levels (Park and Srinivasan, 1994); and finally, the overall quality and choice intention (Agarwal and Rao, 1996). All these definitions imply that brand equity is the incremental value of a product due to the brand name (Srivastava and Shocker, 1991).

There are, however, three different viewpoints for considering brand equity. These include the customer based perceptive which was the focus of this project, the financial perspective; and
the combined perspective.

The consumer based perspective also subsumes the two multi-dimensional concepts of brand strength and brand value (Srivastava and Shocker, 1991). Brand strength is based on perceptions and behaviours of the consumer that allow the brand to enjoy sustainable and differential competitive advantages.

Although linking financial performance to any intangible asset (whether it is people, information technology, or brand equity) is difficult, studies have demonstrated that perceived quality does drive financial performance.

Comprehensive perspectives have also incorporated both consumers based brand equity and financial brand equity. This approach has been designed to make up for the insufficiencies that may arise when only one of the two perspectives is emphasised.

Dyson et al (1960) described a survey research system designed to place a financially related value on the consumer-based equity of brand images and associations. Motameni and Shahroki (1998) also proposed brand equity valuations, which combine brand equity from the financial perspective.

2.3 CONSUMER BASED BRAND EQUITY DIMENSIONS

The four dimensions of consumer based brand equity as suggested by Aaker (1991, 1996) include brand loyalty, brand awareness, perceived quality and brand image.

2.3.1 Brand Loyalty

At the core of every successful brand is a nucleus of loyal customers. These "true believers" understand the brand better, purchase more often and recommend the brand to others. Brand loyalty is a preference for a particular brand that results in the brand's repeated purchase (Belch and

Belch, 1995). It implies existence of habitual buyers who are desirous of maintaining a valued relationship with a particular brand (Churchill and Peter, 1995). Brand loyalty occurs when favourable beliefs and attitudes for the brand are manifested in repeat purchasing behaviour. Some of these beliefs may in some cases reflect the objective reality of the product while in others; they may reflect favourable, strong and unique associations that go beyond the objective reality of the product (Park, 1991). If consumers purchase the brand even in the face of competitors with superior features, price and convenience, then substantial value exists in the brand or in its symbol or name. Consumers with a strong, favourable brand attitude should be more willing to pay premium prices for the brand (Starr and Robinson, 1978).

Brand loyalty serves an acceptable – rejection function. Not only does it "select in" certain brands, it also "selects out" certain others (Jacoby and Kyner, 1973). Before one can speak of being loyal, one must have the opportunity of being disloyal; there must be a choice.

The reasoning for including brand loyalty as a component of consumer based brand equity comes from the importance of customer satisfaction in developing a brand (Aaker, 1991). If customers are not satisfied with a brand, they will not be loyal to the brand, but search for another.

Brand loyalty is a function of decision-making, evaluative process. It reflects a purchase decision in which the various service brands are psychologically compared and evaluated on certain criteria and the most rewarding brand is selected (Jacoby and Kyner, 1973).

The strong service brands have gone a step beyond achieving visibility and differentiation to develop deep relationship with a customer group, that is, the brand becomes a meaningful part of the customers life and/or self concept. When a deep relationship occurs, the functional, emotional and/or self-expressive benefit will have a relatively high intensity. The customer will be highly loyal and he or she will be likely to speak to others about the brand, discussing merits and defending shortcomings.

Brand equity is also of interest to managers because of brand loyalty and brand extensions. Brand equity is known to have a positive relationship with brand loyalty.

Brand extensions are an area that is affected by the original brand's equity (Bridges, 1992). A current brand extension when compared to a new name has lower advertising costs and higher sales because of consumer knowledge of the original brand (Smith, 1991; Smith and Whan Park, 1992).

Interestingly, it has been found that consumers accept brand extensions more when the quality variations across the product line are small rather than large (Dacin and Smith, 1994). This suggests that consumers do not trust brands whose quality varies. In fact, it is critical for brand managers not to lose brand equity by launching substandard products.

In a similar vein, brand extensions are more acceptable for products where the customer based brand associations are salient and relevant (Broniarczyk and Alba, 1994). For example, consumers will more readily accept a mouthwash extension of Colgate for example than of Whitedent because Colgate is associated with strong white teeth, whereas Whitedent is associated with dental protection.

There have been movements in the service industry toward capitalising on previously acquired brand equity by extending a reputable brand to a new category. In addition to the differences in the nature of services, service brands are different from product brands in terms of the primary brand established in customer's minds.

In service marketing, the company brand is the primary brand, whereas in packaged goods marketing the product brand is referred to as the primary brand (Low and Lamb). In the service industry, customers generally choose or reject a brand based on the company brand (e.g. KCB, Hilton, Kenya Airways, DHL, Standard Chartered Bank, Barclays, etc.). This means that customers develop company brand associations rather than the brand association of product items.

2.3.2 Perceived Quality

Perceived quality is the customers perception of the overall quality or superiority of a product/service relative to relevant alternatives and in respect to its intended purpose (Keller, 1998). It is therefore an assessment of customer's perception of a brand on the basis of what they think constitutes a quality product. Quality means that the brand will be a premium brand as opposed to a value or economy entry. It therefore has enhanced customer benefits and it commands a premium price. Perceived quality is a special type of association, partly because it has empirically shown to affect profitability as measured by return on investment and stock return (Aaker, 1996).

Achieving perceptions of quality is usually impossible unless the quality claim has substance. Understanding what quality means to the customer segments as well as supportive cultures and quality improvement process that will enable the organisation to deliver quality products/services is required to generate high quality.

Consumers like to believe that they base their product quality evaluations on intrinsic cues because they can justify resulting product decisions (either positive or negative) on the basis of "rational" or "objective" product choice (Schiffman and Kanuk, 1997). More often than not, however, the physical characteristics they use to judge the quality have no intrinsic relationship to the product's quality as evidenced by the failure of blind tests. Consumer reports for example found that consumers often cannot differentiate among various cola beverages and that their preferences are often based on such extrinsic cues as pricing, packaging, advertising and even peer pressure (McCarthy 1991).

Thus in the absence of actual experience with a product, consumers often "evaluate" quality on the basis of extrinsic cues, cues which are external to the product itself such as price, the image of the store(s) that carries it or the image of the manufacturer or the country that produces it. A report for example in the *Adweek's Marketing Week* (Aug 20, 1990) found out in a survey in which respondents were asked to evaluate the quality of products based on their country of origin that 93 percent of the respondents said that a "made in U.S. label means a product is "superior" or "fairly good" (The Roper organization 1990). Further, another study found that when a brand and retailer images become associated, the less favourable image becomes enhanced at the expenses of the more favourable image.

Thus, when a low-priced store carries a brand with a high priced image, the image of the store will improve while the image of the brand will be adversely affected (Jacoby and Mazursky, 1984). With respect to price, PIMS research shows that the relationship between relative perceived quality and relative price associated is a two way street. A higher price on average leads to higher relative perceived quality (Jacobson and Aaker, 1987). This relationship is consistent with the notion, that in the absence of complete information, price is used as a signal of quality (Schiffman and Kanuk, 1997).

It is more difficult for consumers to evaluate the quality of services than the quality of products (Schiffman and Kanuk, 1997). Consumers rely on surrogate cues (i.e. extrinsic cues) to evaluate service quality. Unlike products, the actual quality of services can vary from day to day, from service employee to service employee and from customer to customer. Also unlike products which are first produced then sold, then consumed, most services are first sold, then produced and consumed simultaneously.

Service quality has been a difficult term to define. However, some researchers have attempted the definition. Baker (1994) sees service quality as concerning meeting customers' expectations. Herbert (1995) on the other hand in a study exploring service encounter satisfaction versus overall satisfaction versus perceived service quality observes that although the three constructs are distinct, they are related attributes of consumer perceptions of service quality. Steakamp and Hoffman (1995) argue that both price and promotions are marketing signals of service quality. In all, the perception that consumers have of quality of service (as is the case with products) is important in the success of business.

The most distinctive feature of service (that may subsequently affect consumer perception of its quality) is the fact that it is intangible. While it is easier to detect a product before it reaches consumers, a 'defective' service is consumed as it is being produced (Schiffman and Kanuk, 1997). Service quality is also likely to be negatively affected during peak hours (little attention is given to each customer). This may affect the way they perceive the service.

Some researchers believe that consumers evaluation of service quality is a function of the magnitude and direction of the gap between customers expectations of service and customers assessment (perception) of the service actually delivered (Zeithaml, Parasuraman and Berry, 1990). The SERVQUAL scale was designed to measure the gap between customers' expectations of services and their perceptions of the actual service delivered, based upon the following five dimensions; tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman, Berry and Zeithamal, 1990). Another scale that measures service quality, called SERVPERT, is based on the consumer's perception of service performance. This scale results in a summated overall service quality score that can be plotted relative to time and specific consumer sub-groups (e.g. demographic segments) (Cronin and Taylor, 1994).

Recent research divides the dimensions along which consumers evaluate service quality into two groups: the outcome dimension (which focuses on the reliable delivery of the core service) and the process dimension (which focuses on how the core service is delivered (Zeithaml, Parasurama and Berry, 1990).

Researchers have tried to integrate the concepts of product quality and service quality into an overall transactions satisfaction index. This is founded on the basis that all product (i.e. tangible) purchases contain some element of service (Zeithaml, Parasurama, and Berry, 1990).For example, satisfaction with a retail purchase would include evaluation and helpfulness and efficiency of the salesperson.

2.3.3 Brand Awareness

Brand awareness, another component of brand equity, refers to the strength of a brand's presence in the customer's mind (Aaker, 1996). It reflects both the knowledge and salience of a brand in the consumer's mind.

Brand awareness involves a continuum ranging from an uncertain feeling that the brand is recognised, to the belief that it is the only one in the product class. Three levels of brand awareness can represent the continuum namely: Brand recognition, Brand recall and Top of mind (Aaker, 1991).

Arnold (1993) employed spontaneous awareness instead of unaided recall and prompted awareness rather than brand recognition. He argued that spontaneous awareness is more desirable than prompted awareness, as it means the brand is at "front-of-mind." The wise manager will realise that "front-of-mind" is often not what drives purchase decisions, indeed, a brand could be "front-of-mind" because it is actively disliked.

Brand awareness is often an undervalued asset. Awareness has been shown to affect perceptions and even tastes. People like the familiar and are prepared to ascribe all sorts of good attitudes to items that are familiar to them (Aaker and Joachimshaler, 2000). The Intel Company has for example transferred awareness into perceptions of technological superiority and market acceptance.

Brand knowledge and image can be conceptualised in terms of a brand node or trace in memory with brand associations, varying in strength, connected to it as reflected by consumer's ability to identify the brand under different conditions (Rossitor and Percy, 1987). Brand awareness can be a driver in some service categories, and it usually has a key role to play in brand equity, since it could affect perception and attitudes (Aaker, 1996).

Three scale items will be employed to measure brand awareness such as top-of-mind brand, unaided brand recall, and brand recognition (Yoo and Donthu, 2001). "Write down the name of a large bank in Kenya that first comes to mind" is an example of the top-of-mind brand test, while "list three other names of banks in Kenya that come to your mind at this moment' constitutes unaided brand recall. To measure brand recognition, the respondents were asked to choose the brand names banks that they are aware of from a list of selected banks.

2.3.4 Brand Image and Associations

A brand association can be anything that connects the customer to the brand. It can include user imagery, service attributes, use situations, organisational associations, brand personality and symbols (Aaker and Joachimshaler, 2000). The meaning a consumer associates with a certain brand upon hearing the brand's jingle or seeing the brand name, logo or colour scheme profoundly influences how well the brand is remembered (LePla, 2000). Associations are the mental short cuts to a company's brand promise and an important part of creating customer loyalty. Successful associations help a company develop deeper customer relationships by influencing in a positive way its customer's senses, minds, and emotions during the buying experience (LePla, 2000).

At a time when many brands are at or near parity in terms of technology (or are perceived to be so by consumers), the only difference between brands is often the associations attached to them Batra, Myers and Aaker, 1993). By creating favourable associations, a marketer can set his or her brand apart, which often enables the marketer to gain market share and/or to charge a higher price (or at the minimum, to avoid losing share to competitive brands that charge lower prices or run frequent consumer or trade promotions).

2.4 STRATEGIC ADVANTAGE OF BRAND EQUITY TO ORGANISATIONS

Today brands play an integral part in marketing strategy and, as indicated by Lim and O'Cass (2001), brands are increasingly valuable assets and sources of differentiation.

To the consumer, a brand identifies the source of the product, which in turn assigns legal responsibility to the product maker, and provides a promise or bond with the maker of the product (Lassar et al, 1995). In addition, brands reduce consumer search costs (Landes and Posner, 1987; Biswas, 1992), perceived risk, and signal the quality of the product (McNeal and Zerren, 1981; Herbig and Milewicz, 1993); Shimp, 1993; Erdem, 1998; Janiszewski and Van Osselaer, 2000).

The brand therefore becomes the purveyor of advantages to the consumer, in terms of both economic and symbolic value. In the area of branded goods, considerable effort and understanding have been developed over the last decade. Two prominent developments in this area have been Keller's (1993, 1998) focus on brand knowledge and Biel's (19930 and Aaker's (1996) focus on brand image. However, despite the importance of service brands and consumer perceptions of them, marketers and researchers have not given them sufficient attention.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This section sets out the research methodology that was adopted to meet the objectives stated in Section One of this study. The research design, population of study, data collection instruments, data analysis and data techniques are discussed.

3.2 RESEARCH DESIGN

The researcher used a descriptive study to investigate whether there is a relationship between consumer based brand equity and financial performance of service brands.

3.3 THE POPULATION

The population of the study was divided into two categories. The first was a survey of the 10 large commercial banks whose nett asset base exceeds Kshs.10 billion. These were divided in two: high and low performing groups based on their gross profits. The second group comprised of a sample of 350 individuals operating active accounts in these banks.

The 10 large banks were selected for this study because of the aggressive strategies they have applied to capture a shrinking market share since market controls were withdrawn in the early 1990s. There has been fierce competition that has led to these banks to build brand awareness, brand loyalty and increase their perceived quality through activities such as media advertising, promotions and new products development.

The smaller banks have opted for niche strategies where they are focusing on selected segments of the market and was not the focus of this study.

Profit before Tax (Kshs. in Millions)

INSTITUTION	2001	2002	2003	AVERAGE
Barclays Bank	4,235	2,550	4,790	3,858.3
Standard Chartered	3,232	3,212.01	4,010	3,484.6
Citi Bank	699	1,158.55	826.49	894.68
Commercial Bank of Africa	515	382.15	568.13	488.43
NIC Bank	377	340.22	359.32	358.84
CFC Bank	260	323.01	481.01	354.7
I & M Bank	101	108.77	284.83	164.86
National Bank	-323	390.14	491.90	162.35
Co-operative Bank	-803	146.86	180.52	-158.54
Kenya Commercial Bank	183	-4,178.56	750	-1,081.8

Source: Market Intelligence Annual Special Edition 2004

3.4 SAMPLE OF THE STUDY

Individual respondents were selected using a systematic sampling technique where 35 respondents were interviewed from each of the 10 banks at the respective bank premises.

3.5 DATA COLLECTION METHODS

The study relied on both primary and secondary data. Primary data was collected using semi-structured questionnaires which were administered on site through personal interviews.

Secondary data such as financial performances and media spend was obtained from trade industry and business magazines, book, journals, share of voice data from media research companies, and from various published and unpublished material. This was for a period of 3 years, running from 2001 to 2003.

3.6 DATA ANALYSIS

Responses were tabulated and analysed using descriptive statistics. Tabulation of results was also done. Tables and percentages were used because among the focus was on the frequency of occurrence of various parameters. Mean scores, standard deviation and significance levels were also computed using SPSS, a statistical software.

The study applied independent *t*-test to determine if respondents differed in their opinion between high and low performance banks with respect to attributes of the four brand equity components.

In order to categorise high and low performance groups of banks, the median of the average gross profit in the 3 years was used as the cut-off criteria.

CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

This chapter presents data analysis and interpretation of the results for this study. These are represented in the order of the dimensions of consumer based brand equity namely; brand loyalty, brand awareness, perceived quality and brand image. Ten selected banks with net assets exceeding Kshs. 10 billion in this study are listed in Appendix 3. The objective of this study was to establish whether a correlation exists between consumer based brand equity and financial performance of service brands.

The number of questionnaires administered and filled for each bank were 35 making a total of 350 questionnaires. There were no spoilt or incomplete questionnaires.

The response received from the 350 questionnaires can therefore be taken as representative of the population. This can be reflected from the distribution of the questionnaires in terms of gender, age bracket and occupation as per the tables and graphs below.

4.1 BRAND LOYALTY

This section of the study sought to establish whether brand loyalty as a dimension of consumer based brand equity had an impact on financial performance of service brands. Data was collected using semi-structured questions where respondents were asked to state the extent to which they would say they were loyal/committed to their respective banks by ticking appropriately on a 5 point scale where 1 = Not at all and 5 = Very great extent.

The results are presented in table 4.1.1.

Table 4.1.1: Mean Differences of Brand Loyalty between High and Low Performance Banks

Variables (Brand Loyalty)	Low Performing Banks n = 175		High Performing Banks n = 175		t-value
	Mean	SD	Mean	SD	
1: Regular Customer	2.17	1.64	2.15	1.75	0.121
2: Intention to remain a Customer	3.27	1.26	3.50	1.55	-1.759*
3: First Choice Bank	2.78	1.60	2.97	1.76	-1.700*
4: Service Satisfaction	3.29	1.19	3.46	1.32	-1.988**
5: Recommend Bank to Others	3.16	1.22	3.36	1.42	-2.237**
6: Unlikely to Switch to Other Banks	2.37	1.47	2.53	1.58	-1.452

NB:*Significant at P<0.1 ** Significant at P< 0.05 ***Source:Research Data***

SD = Standard Deviation.

Four significant differences were found: intention to remain a customer, using the bank as a first choice bank, being satisfied with the bank, and recommending the bank to others. Comparing the two groups, respondents in a group of high performance banks showed significantly higher loyalty scores on the above four attributes than did respondents in the low performance group.

As Table 4.1.1 shows, service satisfaction had the highest score thus it is the most important component as concerns brand loyalty while regular customer scored the least meaning that it is the least important component of brand loyalty.

4.2 RESPONSE TO THE QUESTIONNAIRE

Table 4.2.1: Age Distribution

Age	Frequency	Percent
Below 18 years	0	0
18-25 years	110	31.4
26-35 years	70	20
36-45 years	120	34.3
46-55 years	30	8.6
Above 55 years	20	5.7
Total	**350**	**100**

Analysis of age distribution shows that the age bracket below 18 years had no respondents. This is probably because banks require one to have a national identification card in order to open an account. Age bracket 18-25 years had 31.4% respondents, 26-35 years had 20% respondents, 36-45 years and 46-55 years had 34.3% and 8.6% respondents respectively. Respondents above 55 years constituted 5.7% of the respondents.

Table 4.2.2: Respondent Distribution by Product

Product	Frequency	Percent
Personal Loan	15	4.3
Credit Card	11	3.14
Savings/Current account	312	89.16
Other	12	3.4
Total	**350**	**100**

The analysis shows that the majority of the respondents held a savings or current account with the respective banks. Only 4.3% had taken personal loans with 3.14% having credit cards.

Table 4.2.3: Respondent Distribution by Gender

Gender	Frequency	Percent
Male	207	59.1
Female	143	40.9
Total	**350**	**100**

Gender analysis shows that of the total respondents 59.1% were male and 40.9% female respectively.

Table 4.2.4: Occupation Status

Occupation	Frequency	Percent
Business Self Employed	75	21.43
Professional Manager	15	4.30
Mid Level Manager	40	11.43
Salaried Employee	189	54
Student	20	5.7
Retired	11	3.14
Total	**350**	**100.00**

Analysis of occupation status shows that salaried employees had the highest number of respondents with 54%, followed by business self employed who constituted 21.43% of the respondents. This is because most companies require employees to have a salary remittance account. Mid level managers constituted 11.43% of the respondents, while students comprised 5.7%. Professional managers had the lowest respondents, with 4.3%. Most of them Have priority or prestige accounts that allow special facilities due to their premium customer status.

4.3 PERCEIVED QUALITY

The second dimension of consumer based brand equity studied was perceived quality. Data to measure this dimension was collected using close-ended questions. Results are presented in Table 4.3.1.

Table 4.3.1: Mean Differences of Perceived Quality between High and Low Financial Performance Banks

Variable (Perceived Quality)	Low Profit Banks (n = 175) Mean	SD	High Profit Banks (n = 175) Mean	SD	t-value
7: Treating you as Special Valued Customer	3.42	1.02	3.68	1.21	-3.430**
8: Up to date Technology	3.49	1.24	3.71	1.22	-2.516**
9: Appearance of Staff	3.65	1.15	3.85	1.20	-2.444**
10: Well mannered Staff	3.63	1.21	3.77	1.22	-1.626*
11: Providing service at Promised Times	3.55	1.19	3.61	1.21	-0.788
12: Effectively Handling Customer Complaints	3.36	1.18	3.46	1.23	-1.236
13: Active Communication with Customers	3.36	1.13	3.33	1.27	0.460
14: Attractiveness of the Bank	3.24	1.30	3.34	1.24	-1.187
15: Knowledge/Confidence of Staff	3.21	1.19	3.32	1.13	-1.366
16: Anticipated Service for Customer Needs	2.99	1.24	3.01	1.27	-0.040

* Significant at P<0.1; ** Significant at P<0.01 ***Source: Research Data***

There were four significant mean differences of perceived quality attributes between low and high performance groups; treatment as special customer, up to date technology, staff appearance and well mannered staff. High performance banks appear to achieve high perceived quality in the features of making customers feel special and valued, up to date technology, staff appearance and well mannered staff.

However, there were no significant mean differences between the two groups in other attributes, such as providing service at promised times, effectively handling customer complaints, active communication with customers, attractiveness of the bank, the knowledge and confidence of staff, and anticipated service for customer needs.

4.4: BRAND IMAGE

Data to study this component of consumer based brand equity was collected using a 5 point scale questions where 1 represented Not al All and 5 = Very great extent.

In this study, the set of beliefs held about a particular bank brand, which is known as the brand image, appeared significantly to affect the difference between high and low financial performance. With regard to brand image, respondents between the two groups showed significant mean differences for all attributes except kindness.

The results are represented in Tables 4.4.1.

Table 4.4.1: Mean Differences of Brand Image between High and Low Financial Performance

Variable (Brand Image)	Low Profit Banks (n = 175) Mean	SD	High Profit Banks (n = 175) Mean	SD	t-value
I7: Comfortable Environment	3.29	1.26	3.48	1.28	-2.136*
18: High Level of Service	3.34	1.15	3.68	1.21	-4.337*
19: Clean Image	3.53	1.16	3.75	1.21	-2.756**
20: Being Luxurious	3.46	1.32	3.81	1.22	-4.077**
21: Being Expensive	3.26	1.25	3.56	1.27	-3.509**
22: Suitable for High Income Earners	3.36	1.41	3.65	1.27	-3.108**
23: Feeling Special	2.97	1.35	3.30	1.42	-3.496**
24: Kindness	3.44	1.16	3.54	1.19	-1.185
25: Big and Spacious	3.42	1.27	3.59	1.30	-1.949*
26: Long Established History	3.00	1.24	3.43	1.41	-4.802**
27: Differentiated Image	3.00	1.36	3.46	1.46	-4.873**
28: Familiar Brand	3.06	1.30	3.28	1.31	-2.456**

Source: Research Data * Significant at P<0.05; ** Significant at P<0.01

Respondents in the category of high performance group rated higher than did those of low performance group on the following attributes: comfortable environment, high level of service, clean image, being luxurious, being expensive, suitable for high income earners, feeling special,

being spacious, long history, differentiated image and being familiar.

4.5 BRAND AWARENESS

The respondents were asked to write down the name of a bank that first came to mind (top-of-mind awareness) and list three other names of banks that came to mind (recalled without aid).

They were also given a list of banks and asked to circle the banks they did not know (recognised/unrecognised in the aided recall).

Results are presented in Table 4.5.1.

Table 4.5.1: Mean Differences of Brand Awareness between the High and Low Financial Performance Banks

	Low Profit Banks (n = 175)		High Profit Banks (n = 175)		
Variable (Brand Image)	**Mean**	**SD**	**Mean**	**SD**	**t-value**
Brand Awareness $P < 0.01$	2.00	0.54	2.34	0.56	-9.125*

With regard to brand awareness, there was a significant mean difference between high and low performance bank groups. Respondents in the category of high performance group showed higher brand awareness than did respondents in the low performance.

4.6 BRAND EQUITY STRUCTURE FACTOR ANALYSIS

Factor analysis was next employed to examine the validity of brand equity structure consisting of the four underlying dimensions namely: brand loyalty, brand awareness, perceived quality and brand image.

Table 4.6.1: Brand Equity Structure Factor Analysis

Brand Equity Component	Factor Loadings
Brand Loyalty	0.866
Brand Awareness	0.309
Perceived Quality	0.881
Brand Image	0.865
Eigen Value	2.370

Source: Research Data

The table shows that brand equity is a principal factor, and that three dimensions of brand equity are loaded significantly. It should be noted that brand awareness is not loaded highly with brand equity, whereas perceived quality, brand loyalty and brand image are loaded highly with brand equity.

The results imply that three dimensions are found to construct brand equity in banks, of which perceived quality is most important and simple brand awareness is least significant for establishing brand equity.

4.7 BRAND EQUITY AND FINANCIAL PERFORMANCE

To examine the relationship between brand equity and financial performance, a non-parametric correlation analysis was used. As an input variable of entire brand equity, mean score was employed to examine its impact on the financial performance of banks. Here, brand equity was presumed to be the independent variable measured in its entirety and the performance of banks, gross profit, was entered as dependent variable. In order to investigate the relationship between the four components of brand equity and a firm's performance, a non-parametric correlation analysis was also employed.

The results are tabulated in Table 4.7.1.

Table 4.7.1: Relationship between Brand Equity and Financial Performance Non-Parametric Correlation Analysis

Financial Performance	Kendall's tau
Brand Equity	0.697***
Brand Loyalty	0.369*
Brand Awareness	0.424**
Perceived Quality	0.212
Brand Image	0.455**

NB: *Significant at P<0.1, ** Significant at P<0.05, *** Significant at P<0.01

Source: Research Data

The result of correlation analysis shows that brand awareness, brand image and brand loyalty share positive relationship with a firm's performance. It is noteworthy that brand awareness appears as a significant variable affecting a firm's performance, even though it is not loaded highly in the context of brand equity.

This result provides fairly convincing evidence of the effect that consumer based brand equity, including brand awareness, brand image, and brand loyalty, has on performance in the banking industry.

CHAPTER FIVE

5.0 SUMMARY, DISCUSSIONS AND CONCLUSION

The results of this study are summarised, discussed and conclusions drawn in relation to the objective.

5.1 INTRODUCTION

This chapter covers the following sub-headings: summary discussions and conclusions, limitations of the study, recommendations for future research and recommendation for policy and practice.

5.2 SUMMARY

Previous research shows that brand equity can be expressed numerically from a financial perspective, and also from the customers perception and attitude (Mburu, 2002). This study focused on identifying the underlying dimensions of consumer based brand equity and its relationship with financial performance in the banking industry, where consumer based brand equity is assumed to be constituted by brand awareness, brand loyalty, perceived quality and brand image.

The findings generally confirm the original hypothesis that brand equity is best understood as a composite context represented by four underlying dimensions, and has a positive effect on financial performance. The wisdom of brand equity concept, even for service products, is found to prevail. The results imply that banks should significantly consider brand loyalty, perceived quality, and brand image when attempting to establish definite brand equity from the customer's viewpoint.

Although brand awareness was not loaded highly as a consumer based brand equity factor for banks, it was found to be significantly related to financial performance. Brand image and brand loyalty also significantly affected financial performance. The critical role of brand loyalty, brand awareness, and brand image was strongly demonstrated. Indeed, a review of detailed measures constituting these three variables shows that most measures help to differentiate high and low performance of banks.

In conclusion, the results of this study imply that strong brand equity can cause a significant increase in revenue and a lack of brand equity in banking firm's can damage potential profit growth. This means that if a marketer in the banking industry does not make efforts to improve consumer based brand equity, then the marketer may expect declining income over time.

5.3 LIMITATIONS OF THE STUDY

The researcher faced the following limitations:

1. The sample size was quite large leading to budgetary and time constraints.
2. Some respondents with low literacy levels had to be guided through the questionnaire and this could have influenced their answers.

3. Some of the banks in the survey were reluctant to allow the research assistants in the bank lobby fearing that bank customers would complain of intrusion.
4. The study assumed that financial performance is an indicator of brand equity. I also assumed that the measures are reliable and are capturing brand equity.
5. The study did not take into account the possible interaction of effects i.e. whether a combination of measures would better explain consumer based brand equity than a single measure.

5.4 RECOMMENDATIONS FOR POLICY AND PRACTICE

Banks should consider brand loyalty, perceived quality and brand image when attempting to establish definite brand equity from the customer viewpoint. Awareness issues are less significant in determining brand strength and brand value, and by extension brand equity as explained below.

5.4.1 Brand Awareness

1. This study implies that service brands must design its marketing mix to get its brand into prospect's awareness set, which is finally transferred to the choice set. The customer can increase his/her awareness of the available brands and their attributes as a result of gathering

information. This implies that incoming information can increase customers' awareness sets, and further information may help them eliminate certain brands from consideration. The remaining brands that meet the customers' buying criteria will constitute their choice sets.

It follows that a bank that fails to get into these sets, loses its opportunity to capture the customer. Banks must also learn which other brand remain in the customer's choice set, so that it knows its competition so as to plan its appeals through advertising and other communication.

2. Banking marketing managers must carefully identify consumer sources of information and the importance of each source. For instance, consumers can be asked how they first heard about the specific bank brand, what information they received, and the importance they place on different information sources.

3. Increasing brand awareness through various promotion and communication strategies may be an integral part of increasing profits. Heavy and successive promotional activities through mass media seem vastly to prevail in the competitive markets of banks. Besides TV commercials or magazine advertising, support activities such as charity,

involvement in social, cultural, sports or any other kind of public events can improve a firm's brand awareness e.g. the Standard Chartered Marathon.

5.4.2 Brand Loyalty

The study shows that brand loyalty, a component brand equity which determines whether the customer is committed to the brand, can make a significant contribution in improving the financial performance of banks. It is very rare that a small segment of customers is sufficient for the attainment of long term profitability, so bank marketing managers should remember the importance of repeat purchase and customer satisfaction. Brand loyal customers will rarely buy as a simple reaction to the stimulus of promotion.

Advertising and promotion can reinforce the existing behaviour of customers but most repeat purchases are made on the basis of long term view and attitudes. This type of buying is what most banks should aim at; it is, in essence, brand loyalty.

The result of the study implies that to build brand loyalty and eventually good financial performance, banks must get into the black box of dealing with customer attitudes such that they are, first and foremost satisfied, have intentions of remaining the bank's customers, and recommend it as a first choice bank to others.

5.4.3 Brand Image

Brand image appears to have the most significant impact on the performance of banks. The customers beliefs, may vary from the true attributes because of the customer's experience and the effects of selective perception, selective distortion, and selective retention.

Marketing managers should manage the image components well enough to achieve high financial performance. Bank managers must be equipped with a detailed knowledge of the important brand attributes that appear in Table 4.3.1. This requires extensive research into the nature of the brand and its competitive positioning.

5.4.4 Perceived Quality

The study found that perceived quality is not significantly related to a bank's financial performance. Marketing managers should therefore be cautious of being too focused on a quality orientation. The entire construct of perceived quality may not consist of a simple variable, but must be considered with the other three variables constructing brand equity for increasing a bank's financial performance. Awareness, image and loyalty are important ingredients in a bank's financial performance. However, since they are so obvious, they tend to be overlooked. Many banks will tend to ignore these findings and continue to pursue service quality management aimed at good financial performance. What will often be forgotten is that it is the brand that is the core or central strategy in most service industries; and it is through the brand itself that the company must seek its good financial performance.

5.5: RECOMMENDATIONS FOR FUTURE RESEARCH

Several implications for future research work are suggested by the findings, some of which are in response to limitations of this study:

1. This study did not investigate every possible extraneous effect that could affect or influence a firm's performance besides brand equity. These may include, for instance, sales promotions, management strategies, and innovative activities. Hopefully, future studies will incorporate these variables into their research scope.
2. Future research may consider applying more realistic and valid measures of financial performance such as Return on Equity (ROE), Return on Sales (ROS), and Gross Return on Assets (GROA). Other prevailing bank performance measures such as yield or market share may be included in order to more holistically define and predict a firm's performance.
4. Findings of this study can be used to provide a firm basis on which to undertake a similar study in the medium sized and small banks in the industry.
5. The study can be extended to other service brands, e.g. Hotels, Courier Services, Hospitals and Airlines.

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APPENDICES

APPENDIX 1:LETTER OF INTRODUCTION

David Ithau Wambua
P.o. Box 3218-00200
Nairobi
Tel: 0721-510365
Date: 15th october 2004

Dear Respondent,

REF: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi, Faculty of commerce. In partial fulfillment of the requirements for the award of the Degree in Master of Business Administration, I am conducting a study entitled "Consumer Brand Equity and Financial Performance of the large commercial Banks in Kenya".

Your Bank, which falls within the population of interest, has been selected to form part of this study. This is therefore a request for you to allow my research assistants and me to collect data by allowing them to administer the accompanying questionnaire.

The information provided will be used exclusively for academic purposes and will be treated with strict confidence. A copy of the research project will be made available to your organisation upon request.

Your co-operation will be highly appreciated.

Thank you.

Yours faithfully,

____________ ____________

Wambua D.I. — Dr. Martin gutu

MBA Student — Supervisor

APPENDIX 2: QUESTIONNAIRE FOR THE RESPONDENTS

1. Which Bank(s) do you have an account that is actively in use?

____

2. What age bracket do you fall under:

below 18 ☐

18-25 years ☐

26-35 years ☐

36-45 years ☐

46-55 years ☐

Above 55 years☐

3. What banking products/services do you currently use?

Personal loan ☐

credit card ☐

Savings/Current account ☐

Other (please specify)____________________

4. Your gender is:

Male ☐

Female ☐

5. Please indicate your occupation: Business/Self employed ☐

Professional Manager ☐

Mid Level Manager ☐

Salaried Employee ☐

Student ☐

Retired ☐

Other (please specify)____________________

Brand Loyalty

To what extent would you say you are loyal/committed to your bank in terms of the following? Use a 5 point scale where 1=Not at all and 5=Very great extent.

1. I am a regular customer of this Bank [1] [2] [3] [4] [5]
2. I have the intention of remaining a customer of this Bank [1] [2] [3] [4] [5]
3. I have used this Bank as the first choice compared to other Banks [1] [2] [3] [4] [5]
4. I am satisfied with the service of this Bank [1] [2] [3] [4] [5]
5. I would recommend this Bank to others [1] [2] [3] [4] [5]
6. I am likely to switch to other Banks in the future [1] [2] [3] [4] [5]

Perceived Quality

To what extent is the service you receive from your bank characterized by each of the following? Use a 5 point scale where 1=Not at all and 5=Very great extent.

7. The staff of this Bank treats you as a special and valued customer	[1]	]2]	[3]	[4]	[5]
8. The Bank has up to date technology	[1]	[2]	[3]	[4]	[5]
9. The appearance of staff members can be described as clean, neat and appropriate	[1]	[2]	[3]	[4]	[5]
10. The Bank staff is well mannered	[1]	[2]	[3]	[3]	[5]
11. The Bank provides its service in a timely manner	[1]	[2]	[3]	[4]	[5]
12. The Bank staff handles complaints of customers effectively	[1]	[2]	[3]	[4]	[5]
13. The Bank staff communicates actively with customers	[1]	[2]	[3]	[4]	[5]
14. The Bank premises is attractive	[1]	[2]	[3]	[4]	[5]
15. The Bank staff are knowledgeable and confident	[1]	[2]	[3]	[4]	[5]

16. The Bank staff can anticipate customer

specific needs and serve you [1] [2] [3] [4] [5]

Brand Image

To what extent would you say your bank is characterised by each of the following? Use a 5 point scale where 1=Not at all and 5=Very great extent.

17. The Bank has a comfortable environment [1] [2] [3] [4] [5]

18. The Bank offers high level service [1] [2] [3] [4] [5]

19. It has a very clean image [1] [2] [3] [4] [5]
20. Its Banking hall is luxurious [1] [2] [3] [4] [5]
21. Its services are expensive [1] [2] [3] [4] [5]
22. It is only a suitable Bank for the High income groups [1] [2] [3] [4] [5]
23. I feel special when I visit this Bank [1] [2] [3] [4] [5]
24. The staff is very kind [1] [2] [3] [4] [5]
25. Their Bank premises is big and spacious [1] [2] [3] [4] [5]
26. It has a long history (heritage) [1] [2] [3] [4] [5]
27. It has a differentiated image from other banks [1] [2] [3] [4] [5]
28. Its brand is very familiar [1] [2] [3] [4] [5]
29. List the name of a big Bank, which first comes to your mind (top of mind brand ____.
30. List three other names of Banks that come to your mind (brand

recalled without aid):

a. ____

b. ____

c. ____

31. Of the following 12 Banks, please circle the name(s) you do not know (recognised and unrecognised brand in the aided recall):

a. Prime Capital and Credit
b. Dubai Bank
c. City Finance Bank
d. Credit Agricole Indosuez
e. Southern Credit Bank
f. Victoria Commercial Bank
g. Guardian Bank
h. Development Bank of Kenya
i. Fidelity Commercial Bank
j. Chase Bank
k. Habib Bank
l. Euro Bank

THANK YOU FOR TAKING TIME TO RESPOND TO THIS QUESTIONNAIRE. YOUR TIME AND INPUT IS GREATLY APPRECIATED.

APPENDIX 3: COMMERCIAL BANKS OF KENYA BASED ON NET ASSETS:Large (Above Kshs. 10 billion)

Barclays Bank of Kenya Ltd.

CFC Bank Ltd.

CitiBank N.A.

Commercial Bank of Africa Ltd.

Co-operative Bank of Kenya Ltd.

Investment & Mortgages Bank Ltd.

Kenya Commercial Bank Ltd.

National Bank of Kenya Ltd.

Standard Chartered Bank of Kenya Ltd.

National Industrial Credit Bank

Medium (Above Kshs. 3 Billion)

African Banking Corp. Ltd.

Akiba Bank Ltd.

Bank of Baroda (K) Ltd.

Credit Agricole Indosuez

Diamond Trust Bank (K) Ltd.

Fina Bank Ltd.

First American Bank of Kenya Ltd.

Guardian Bank Ltd.

Imperial Bank Ltd.

Middle East Bank of Kenya Ltd.

National Industrial Credit Bank Ltd.

Prime Bank Ltd.

Stanbic Bank Kenya Ltd.

Victoria Commercial Bank Ltd.

Small (Below Kshs. 3 billion)

Chase Bank (K) Ltd.

Charterhouse Bank Ltd.

City Finance Bank Ltd.

Consolidated Bank of Kenya Ltd.

Credit Bank Ltd.

Daima Bank Ltd.

Development Bank of Kenya Ltd.

Dubai Bank Kenya Ltd.

Equitorial Commercial Bank

Euro Bank Ltd.

Fidelity Commercial Bank Ltd.

Industrial Development Bank

K-Rep Bank Ltd.

Paramount Universal Bank Ltd.

Southern Credit Banking Corp. Ltd.

Delphis Bank Ltd.

Transnational Bank Ltd.

Source: www.bank.go.ke/cbk/Bank information/Commbanks.html

APPENDIX 4: DATA COLLECTION FORM(FINANCIAL PERFORMANCE)

INSTITUTION	PROFIT BEFORE TAX (KSHS. IN MILLIONS)		
	2001	2002	2003
Barclays Bank			
Standard Chartered Bank			
CitiBank			
Kenya Commercial Bank			
Commercial Bank of Africa			
National Bank of Africa			
CFC Bank			
I & M Bank			
NIC Bank			
Co-operative Bank			

APPENDIX 5: MEDIA EXPENDITURE FOR THE YEAR 2001 TO 2003

INSTITUTION	2001	2002	2003
Barclays Bank			
Standard Chartered Bank			
CitiBank			
Kenya Commercial Bank			
Commercial Bank of Africa			
National Bank of Kenya			
CFC Bank			
I & M Bank			
NIC Bank			
Co-operative Bank			

APPENDIX 6: OPERATIONAL DEFINITIONS

Brand equity: The enhancement in the perceived utility and desirability a brand name confers on a product. It is the consumers' perception of the overall superiority of a product carrying that brand name when compared to others.

Sub-Brand: Brand connected to a master (or parent, umbrella, or range) brand that augment or modify the associations of the master brand.

Brand image: The brand identity that includes its personality, symbols and brand essence, the value proposition and the brand position.

Brand loyalty: Deep relationship developed between brand and customer group that goes beyond visibility and differentiation.

Brand performance: A consumer's judgement about a brand's fault free and long lasting physical operation and flawlessness in the product's physical construction.

Brand Value: The perceived brand utility relative to costs, assessed by the consumer and based on simultaneous considerations of what is received and what is given up to receive it.

Consumer behaviour: Behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products, services and ideas which they expect will satisfy their needs.

Consumer research: Process used to make specific decisions concerning product, price, promotion and distribution by marketers.

Knowledge: Facts, information, understanding and skills that a consumer has acquired about a product through experience or knowledge.

Measurement: The procedure in which a researcher assigns numerals, numbers or other symbols to empirical properties (variables) according to rules. Measurement is thus the assignment of numerals and/or numbers to objects, events or variables.

Perception: The process by which a consumer receives stimuli through the various senses and interprets them.

Performance: Action or achievement considered in relation to how successful a company has been in a given period

Quality Perceived: Special type of association that influence brand association in many contexts that has empirically been shown to profitability.

Brand Awareness: Strength of a brand's presence in the consumers mind.

Perceived quality: How customers perceive a particular brands overall quality of offering benefits with respect to its intended purpose relative to alternatives.

Social Image: The consumer's perception of the esteem in which the consumer's social group holds the brand. It includes the attributions the consumer makes and a consumer thinks that others make to the typical user of the brand.

Trust: The confidence a consumer places in the firm and the firms communications, and as to whether the firm's actions would be in the consumer's interest.

Value: The worth of a product or service in terms of money for which it can be exchanged.