CONSUMER PERCEPTIONS OF (CONSUMER-BASED) BRAND EQUITY IN BANKING INDUSTRY: A COMPARISON OF DOMESTIC AND GLOBAL BANKS IN TURKEY

Musa Pinar
Valparaiso University

Tulay Girard
Penn State Altoona

Zeliha Eser
Baskent University

ABSTRACT

In recent years, the banking industry in every region and country has faced increased competitive pressures. These pressures have mainly resulted from the deep integration and globalization of financial markets, and the wider use of e-commerce to deliver services and create new products (Nellis, McCaffery, and Hutchinson, 2000). Banks in different regions have responded to these recent developments. In response, a number of major European banks followed a “universal banking” model by increasing the overall size of their business operations, and adopted an ultimate goal of striving to become global players (Nellis et al., 2000).

The challenges for global brands include maintaining the consistency of the bank brand and customer experience, remaining relevant to local customers’ specific needs, and overcoming the image of “too big to pay attention to me” in the eyes of the retail banking customers (Robinson, 2007). As the banks expanded into new emerging markets as part of their global branding strategies, they have long suffered from lack of guidance due to a limited number of published research studies. They have not had a benchmark to compare how well the global bank brands compete and perform against the local banks in the new markets. Therefore, this study aims to examine the brand equity in banking industry by comparing the consumer-based brand equity of domestic and global banks in order to provide insights about the branding strategies of these banks.

The main objectives of this research are to examine the importance of branding in the Turkish banking industry by identifying the dimensions of CBBE and examine if and how the CBBE differs across bank types—state, private, and foreign. The specific objectives are to investigate: (1) whether CBBE dimensions significantly differ across the three types of banks in Turkey, and (2) if they do, then in what way.

Keller (1993, p.2) coined the term customer-based brand equity (CBBE) and defined it as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. Aaker conceptualized brand equity as a multidimensional concept consisting of brand awareness, brand associations, perceived quality, brand loyalty (1991, p.15) and organizational association (Aaker, 1996) that are important from customer perspective. Brand recognition/recall is...
important in measuring brand equity because it measures the consumer’s mind-share or top-of-mind awareness of a given product or service. In our study, this suggests that the bank with high customer mind-share is expected to have strong brand equity, given that consumers have a positive experience with the bank. In addition, because service quality would impact the bank brand image, it is expected that these service quality differences would be reflected by the brand equity of each bank type. The findings of prior studies indicate that in Turkey service quality seems to differ by the type of bank (Eser et al., 2006; Pinar and Eser, 2007; 2008). Based on the findings of prior research, the authors of this study expect that the private banks will have the highest brand equity, followed by the foreign banks, and the lowest brand equity by the state banks.

A survey instrument for each type of bank was designed to measure the consumer-based brand equity. Drawing from the literature, brand equity was measured with brand awareness, perceived quality, brand image, brand association, organizational association, and brand loyalty. Data were collected from adult customers of the three types of banks in Ankara, Turkey. A total of 607 surveys were used for analysis, of which 196 were for the state banks, 212 were for the private banks, and 199 were for the foreign banks. The three independent samples were comparable to the population demographics distribution in Ankara.

The assessment of the measurement model revealed four clear dimensions with high internal reliability—perceived quality, brand image/brand association, organizational association, and brand loyalty. Because brand awareness was measured as a nominal variable as suggested in the literature, this variable was analyzed separately.

The results indicate that unlike the private banks but similar to the state banks, the foreign banks face the challenge of converting awareness into usage of their banks. The private banks collectively do a much better job than both state and foreign banks in converting the awareness groups into users of their banks. In addition, the study finds that significant differences exist across the three bank types with regard to the four dimensions of the CBBE. The overall CBBE, perceived quality, brand image/association, and brand loyalty were significantly higher for the private banks than the state and foreign banks. The organizational association was the highest for the state banks, followed by the private banks, and the lowest for the foreign banks. The foreign banks also scored the lowest in perceived quality, brand loyalty, and the overall CBBE. The findings support the hypotheses and are consistent with those of prior research (Eser et al., 2006; Pinar and Eser, 2007; 2008).

The results of this study demonstrate the challenges the foreign banks may be facing in building brand equity in emerging markets, and in turn, threatening their long-term success and survival. The challenges to be overcome might be pertinent to the lower level of organizational associations and service quality perceived for foreign banks as found in this study, and the products and services they offer. While the study offers valuable insights for banks in brand building strategies, the findings close the gap in the area of the brand equity theory that has not been adequately developed for the banking and financial industry. The study offers key strategies based on the findings.
Although this study provides important insights into brand equity among the state and private (domestic) banks and foreign (global) banks in Turkey, the study has limitations that should be considered when generalizing the findings. First, the sample was limited to a convenience sample of Turkish adult citizens of a major metropolitan area in Turkey. The authors recommend that future study should cover more cities where the banks are located.

In cross-cultural research studies that compare bank customers in two different countries, our findings offer the bank type (private, state, foreign) as a moderating variable to test specific and traceable differences in perceptions of bank customers of two different cultures. Because significant differences in customer perceptions of service quality, brand image, organizational associations, brand loyalty, and the overall CBBE were found to exist across the bank types, consumer perceptions in two cultures will be affected by the bank type. Therefore, the findings of the studies that account for the differences based on bank types would be considered more reliable and generalizable.

REFERENCES


