INVESTIGATING BRAND EQUITY AND FACTORS AFFECTING IT IN PUBLIC, PRIVATE AND NEW PRIVATIZED BANKS: CASE STUDY OF SEPAH, PARSIAN AND MELLAT BANKS

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Abstract. In today's competitive world, only organizations which have a strong and futurist perspective have understood the necessity of investigating brand equity. Today, there is an intense competition among banks which requires investigating brand equity among banks. Therefore, this research aims to investigate brand equity and factors affecting it in public, private and new privatized banks. The research methodology is based on investigating Banks analyzed according to similar structural models. Research results indicate that brand equity and factors effecting it influence directly creating value for customers in all kinds of banks. The final finding of the research shows the prioritizing different types of banks based on brand equity suggesting that banks have respectively the highest and lowest brand equity.

Keywords: Brand Equity, Brand Awareness, Brand Loyalty, Brand Association, Perceived Quality of Brand, Customer Value

1 Introduction

In today's competitive world, only organizations which have a strong and futurist perspective have understood the necessity of investigating brand equity. Accordingly, it requires investigating brand equity to deal with lack of coordination and unity of their mechanisms in relation with brand commitments; since brand equity is the cause of value, reliability and better performance of an organization successfully and continuously in future. Brand equity led marketing to be separated from one-sided mood and aim to achieve more effective and stronger relationship than before; therefore, it deals with a bilateral relationship between manufacturers and customers and is considered as a milestone leading the company to progress and develop in future much more than before.

Today, there is an intense competition among banks in Iran; therefore, the main question is that which kind of public, private and new privatized banks has the higher brand equity. To answer this question, the brand equity of Sepah, Parsian and Mellat banks is investigated. On the other hand, it is important that companies can determine higher price for their products according to a powerful brand and create a better commercial leverage and increase their margins and profits and finally reduce their vulnerability against competitors (Aaker & Joachimsthaler, 2000)

1.1 Significance of the study

Brand is a living entity and as business needs to change, brand also needs to change, be developed and modified. Any reason for change must be carefully discussed among employees and involve them in the process of brand development rather than dictate them later. Brand implementation should be examined in terms of respecting values to ensure that fundamental features included in the heart of the brand (which have provided the way for brand success) are not distorted or forgotten (Davis, 2009).

Brand equity is a set of features experienced by customers as a basis for brand commitment. Brand equity gives it personality and leads to emotional relationship resulted in confidence and brand loyalty.

It is a key point for agencies and individuals to maintain brand equity and brand consistency and also pay attention to them and innovation all the time.

Another key point is that in today's competitive world, only customers will determine the future status of organization.

1.2 Purpose of the Research

1.   Investigating brand equity and factors effecting it in public, private and new privatized banks
2.   Determining the highest brand equity among mentioned banks

1.3 Review of related literature and hypotheses development

The concept of brand equity which is one of the most important categories in today's marketing was first formed in 1980s. Several approaches have been proposed in relation with brand equity which customer-based brand equity and brand equity based on financial value are considered as the most popular ones. Proponents of brand equity based on financial value extract brand equity from other assets of company. According to this approach, brand equity is an increasing cash flow which is obtained from named products in addition to cash flows resulted from unnamed ones (Kapferer, 2008). In contrast, customer-based brand equity is defined as various affects which brand knowledge has on customer response to brand marketing (Keller, 2008).

A brand has a positive business value when customer sees the brand name on the product, he will be more interested to purchase the product than the time he does not observe it; and this value is negative when the customer sees the brand name, he will purchase the product with less interest (Keller, 2008).

The Marketing Science Institute defines brand equity as follows:

A set of brand associations and behaviors in relation with brand customers, members of the channel and parent company which allows brand to make more money or have more margin than the time there is no brand and it makes brand strong, persistent and distinctive against competitors (Gordon, 2003).

Brand equity is a growing interest and value added to a product by the brand name such as Coke, Kodak, Levi's and Nike. (Farquhar & Ljir, 1991) Since the concept of "brand equity" was introduced, researchers and marketing activists have paid growing attention to it (Cobb-Walgren et al., 1995). This issue has led to the emergence of many definitions of brand equity such as added value by the brand name (Cobb-Walgren et al., 1995), growing interest (Kamakura & Russell, 1993), difference between brand preference and the preference of some features based on the targeted measured levels of features (Park & Srinivasan, 1994) and overall quality and selection bias (Agarwal & Rao, 1996).

According to customer-based approach, Keller (1993) defines brand equity as distinct effects which brand knowledge has on customer response to brand marketing (customer-based brand equity). Based on the brand equity level, Professor David Aaker (1991) defines brand as a set of assets and commitments related to a brand, its name and a symbol by which the value provided by the product, service or customers of a company is added or reduced.

According to the economic information, Erdem & Swait (1998) have argued that customer-based brand equity is value of a brand as an acceptable sign of a product status.

More generally, brand equity is defined as value added to a company, business or customer which is given to a product by brand (Farquhar, 1989).

Mc Queen (1991) defines brand equity as difference between value of a product with brand and its value without brand.

According to the behavioral customer-based brand equity, Yoo & Dothu (2001) defines brand equity as various responses between customers of an original brand and a product without brand when both have the same level of marketing incentives and product features. Finally, brand equity is an added value which is granted to products or services. Brand equity may be obvious in customers' thinking way, feeling and acting against brand as it is observed in prices, market share and profitability achieved by brand (Keller, 2008).

1.4 Brand equity

Conceptual definition: Brand equity is a set of assets and commitments related to the brand name or symbol (mark) (Aaker, 1995).

Operational definition: Brand equity refers to components of brand awareness, brand loyalty, perceived quality of brand and brand image.

1.5 Brand association

Conceptual definition: Brand association is an asset leading to distinct reasons to purchase a product and affects feelings about a product and creates the basis of brand extension (Aaker, 1995).

Operational definition: Brand association refers to some categories such as indicators which show positive brand image; bank modernity; from customer perspective, bank history of work is successful; bank image differs compared to other competitors; bank services are regarded as the first choice of customers compared to other competitors; bank services are used and selected by customers more than once; bank is responsible against the society; bank is honest against customers and has a positive history of work.

1.6 Perceived quality of brand

Conceptual definition: Perceived quality of brand refers to customer judgment about the superiority of a product (Zeithaml, 1998).

Operational definition: Perceived quality of brand refers to some categories such as indicators which show positive quality of bank brand; up-to-date services of bank; having a respectful and an appropriate relationship with customers; ease of banking operations; comprehensiveness of bank services; superiority of bank services compared to other competitors; the time spent by the customer to use services of this bank is valuable; costs paid to be in relation with this bank be acceptable for the customer; try made by the customer to be in relation with this bank is valuable; and finally bank brand be unique.

1.7 Brand awareness

Conceptual definition: Brand recognition and brand recall (Keller, 2008).

Operational definition: Brand awareness refers to categories such as understanding services provided by the bank; distinctive banking services compared to other banks; paying attention to this bank when having a banking work; understanding the difference between banking services compared to other competitors; understanding the superiority of services offered by this bank compared to other banks; being familiar with the services of this bank and finally having a positive view toward the brand extension of this bank.

1.8 Brand loyalty

Conceptual definition: Brand loyalty refers to an advantage in which a customer is frequently purchasing a product from a supplier instead of buying it from multiple suppliers (Boundless, 2015).

Operational definition: Brand loyalty refers to use of services of a bank, even if competitors offer better advantages; introducing and offering this bank to others; having a sense of ownership to this bank; having a sense of satisfaction towards the bank and being sure that customers do not use the services provided by other competitors.

1.9 Customer value

Conceptual definition: Customer value refers to perceived advantage by the customer to evaluate products' features, features' functions and achieved logical outcomes of easy use or lack of access to overall objectives and intentions of the customer when applying opportunities (Woodroffe, 1997).

1.10. Hypotheses or research questions

Main hypothesis
Mellat Bank's brand equity has the most effect on creating value for customers among other Banks investigated in this research.

Subsidiary hypotheses

1.   Sepah Bank's brand awareness has the most effect on creating value for customers among other Banks investigated in this research.
2.   Mellat Bank's perceived quality of brand has the most effect on creating value for customers among other Banks investigated in this research.
3.   Mellat Bank's brand loyalty has the most effect on creating value for customers among other Banks investigated in this research.
4.   Parsian Bank's brand association has the most effect on creating value for customers among other Banks investigated in this research.

2 Method of the Research

2.1 Statistical population and sample size

Research population includes all customers of various branches of Sepah, Parsian and Mellat banks in Tehran who use different services provided by these banks and have an active checking account. Therefore, the mentioned banks situated in five regions: north, south, west, east and central part of Tehran were randomly studied in February 2015.

To determine the sample size, random sampling method, the sample size formula of infinite population, and Cochran formula were used and 384 people were selected.

3 Data analysis and findings

In this study, Aaker's brand equity questionnaire was used; this questionnaire has 32 questions and for parameters of brand loyalty, brand association, perceived quality of brand and brand awareness.

To review questionnaire components and to ensure the representativeness of necessary parameters which the researcher aimed to measure, content validity was applied. For this purpose, the questionnaire prepared by several professors and scholars was investigated and confirmed.

To evaluate the reliability of the questionnaire, first a sample containing 60 pre-test questionnaires were prepared. Then, the reliability level was calculated using Cronbach's alpha by SPSS and data obtained from these questionnaires. Finally, the Cronbach's alpha has been calculated for each parameter in 60 questionnaires using SPSS 23 (table 1, 2, and 3).

Table 1. Cronbach's alpha coefficient for each parameter studied and the questionnaire

No.	Concept	Number of items	Cronbach's alpha coefficient value
1	Brand loyalty	5	0.835
2	Brand awareness	8	0.853
3	Perceived quality of brand	9	0.931
4	Brand association	10	0.930
5	Total questions	32	0.969

To analyze data, SPSS 23 was used. Kolmogorov-Smirnov test was applied to investigate data distribution (table 2).

Table 2. Results of Kolmogorov-Smirnov test

Hypothesis	BEM	Loyalty	Quality	Association	Awareness
Test statistic	0.046	0.095	0.058	0.091	0.086
Sig	0.200 [c,d]	0.007 [c]	0.200 [c,d]	0.11 [c]	0.22 [c]
α	0.05	0.05	0.05	0.05	0.05
N	128	128	128	128	128
Result	Normal	Un Normal	Normal	Un Normal	Un Normal

3.1 Investigating the effect of variables using binomial test

To investigate the effect of independent variables on the dependent variable, binomial test was used. In this part, the effect of variables is investigated in relation with each hypothesis (table 3).

3.2 Main hypothesis

First hypothesis:

1.   Mellat Bank's brand equity has the most effect on creating value for customers among other Banks investigated in this research.

H0: Mellat Bank's brand equity has no effect on creating value for customers.

H1: Mellat Bank's brand equity has effect on creating value for customers.

Table 3. Results obtained from first hypothesis

Hypothesis description	Sample group	Probability tested	Observed probability	Significance level (sig)	result
Mellat Bank's brand equity has effect on creating value for customers.	Group 1 (less than or equal to 4)	0.50	0.80	0.000	Hypothesis H0 is rejected and research hypothesis is confirmed.
	Group 2 (more than 4)		0.20		

Since the significance level (sig) is less than alpha (α = 0.05), Mellat Bank's brand equity is effective on creating value for customers.

Results obtained from data analysis related to Sepah and Parsian Banks indicated that brand equity was effective on creating value for customers (table 4).

Subsidiary hypotheses

Second hypothesis:

2.   Sepah Bank's brand awareness has the most effect on creating value for customers among other Banks investigated in this research.

H0: Sepah Bank's brand awareness has no effect on creating value for customers.

H1: Sepah Bank's brand awareness has effect on creating value for customers.

Table 4. Results obtained from second hypothesis

Hypothesis description	Sample group	Probability tested	Observed probability	Significance level (sig)	result
Sepah Bank's brand awareness has no effect on creating value for customers.	Group 1 (less than or equal to 4)	0.50	0.85	0.000	Hypothesis H0 is rejected and research hypothesis is confirmed.
	Group 2 (more than 4)		0.15		

Since the significance level (sig) is less than alpha (α = 0.05), Sepah Bank's brand awareness is effective on creating value for customers.

Results obtained from data analysis related to Mellat and Parsian Banks indicated that brand awareness was effective on creating value for customers (table 5).

Third hypothesis:

3.   Mellat Bank's perceived quality of brand has the most effect on creating value for customers among other Banks investigated in this research.

H0: Mellat Bank's perceived quality of brand has no effect on creating value for customers.

H1: Mellat Bank's perceived quality of brand has effect on creating value for customers.

Table 5. Results obtained from third hypothesis

Hypothesis description	Sample group	Probability tested	Observed probability	Significance level (sig)	result
Mellat Bank's perceived quality of brand has no effect on creating value for customers.	Group 1 (less than or equal to 4)	0.50	0.76	0.000	Hypothesis H0 is rejected and research hypothesis is confirmed.
	Group 2 (more than 4)		0.24		

Since the significance level (sig) is less than alpha (α = 0.05), Mellat Bank's perceived quality of brand is effective on creating value for customers.

Results obtained from data analysis related to Sepah and Parsian Banks indicated that perceived quality was effective on creating value for customers (table 6).

Fourth hypothesis:

Table 6. Results obtained from fourth hypothesis

Hypothesis description	Sample group	Probability tested	Observed probability	Significance level (sig)	result
Mellat Bank's brand loyalty has effect on creating value for customers.	Group 1 (less than or equal to 4)	0.50	0.80	0.000	Hypothesis H0 is rejected and research hypothesis is confirmed.
	Group 2 (more than 4)		0.20		

Since the significance level (sig) is less than alpha (α = 0.05), Mellat Bank's brand loyalty is effective on creating value for customers.

Results obtained from data analysis related to Sepah and Parsian Banks indicated that brand loyalty was effective on creating value for customers (table 7).

Fifth hypothesis:

4.   Mellat Bank's brand loyalty has the most effect on creating value for customers among other Banks investigated in this research.

H0: Mellat Bank's brand loyalty has no effect on creating value for customers.

H1: Mellat Bank's brand loyalty has effect on creating value for customers.

5.   Parsian Bank's brand association has the most effect on creating value for customers among other Banks investigated in this research.

H0: Parsian Bank's brand association has no effect on creating value for customers.

H1: Parsian Bank's brand association has effect on creating value for customers.

Table 7. Results obtained from fifth hypothesis

Hypothesis description	Sample group	Probability tested	Observed probability	Significance level (sig)	result
Parsian Bank's brand association has effect on creating value for customers.	Group 1 (less than or equal to 4)	0.50	0.77	0.000	Hypothesis H0 is rejected and research hypothesis is confirmed.
	Group 2 (more than 4)		0.23		

Since the significance level (sig) is less than alpha (α = 0.05), Parsian Bank's brand association is effective on creating value for customers.

Results obtained from data analysis related to Sepah and Mellat Banks indicated that brand association was effective on creating value for customers.

3.3 Prioritizing variables using Shannon Entropy

Shannon Entropy was used to prioritize variables. Variable which has the greatest weight has priority over other variables.

Results obtained from Shannon Entropy related to each parameter of brand equity are shown in the table 8.

Table 8. Prioritizing variables

Parameter of brand equity	Bank	Weight	Priority
Brand awareness	Sepah	0.288866	Mellat
	Parsian	0.330953	Parsian
	Mellat	0.380181	Sepah
Perceived quality of brand	Sepah	0.263989	Mellat
	Parsian	0.335052	Parsian
	Mellat	0.34813	Sepah
Brand association	Sepah	0.195506	Mellat

	Parsian	0.280539	Parsian
	Mellat	0.312246	Sepah
	Sepah	0.214038	Mellat
Brand loyalty	Parsian	0.296397	Parsian
	Mellat	0.34813	Sepah
	Sepah	0.242984	Mellat
Brand equity	Parsian	0.361755	Parsian
	Mellat	0.365871	Sepah

As shown in the table 8, Mellat Bank's parameters of brand equity have the greatest weight and have priority over other variables.

4 Conclusion

The model used in the present study was Aaker's brand equity model. It was used to compare the brand equity of public, private and new privatized banks in branches of Sepah, Parsian and Mellat Banks in Tehran. In this model, brand equity and its parameters as dependent variables are effective on creating value for customers. According to the binomial test, the research results show that brand equity and its parameters are effective on creating value for customers in any kind of public, private and new privatized banks; in all cases, the significance level was 0.0, the probability of error %5 and confidence level % 95 suggesting the effectiveness of all variables. This is based on research model that Aaker's brand equity model also shows the effectiveness of brand equity and its parameters on creating value for customers. According to the Shannon Entropy model, the research results show that brand equity and its parameters have the greatest weight in new privatized banks; therefore, they have priority over other banks. Brand equity and its parameters in private banks are ranked after new privatized banks. Finally, brand equity and its parameters in public banks are placed.

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