INFLUENCE OF CORPORATE BRANDING ON CLIENT SATISFACTION IN COMMERCIAL BANKS IN VOI TOWN, KENYA

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Abstract

Competitive pressure in the banking industry is causing banks to resort to creation of customer satisfaction and switching barriers as some of the strategies to retain customers. However, banks still lose customers to their peers and even to non-bank financial insitutions. Thus, the effectiveness of their relationship marketing approaches is put to doubt. The purpose of this paper, therefore, was to examine the influence of corporate branding on client satisfaction in commercial banks in Voi Town. Using quantitative analysis on cross-sectional data collected from a sample of 135 respondents, the study found that corporate branding was correlated with customer satisfaction. This satisfaction was enhanced by corporate branding, which made a bank more distinct from its competitors. Because customer satisfaction is a key driver of success, this study recommends that commercial banks have regular staff training on their brand so as to improve the connection between the brand and their service delivery, thus, leading to improved customer experience.

Keywords: Client satisfaction, Corporate branding, Relationship marketing, Kenya

1.0 Introduction

1.1 Background to the Study

Globally, firms are facing their toughest competition ever. To win customers and encourage them to stay loyal or repurchase the service, most firms have resorted to meeting and satisfying customer needs by not being only reactive but proactive. They are also interested in finding new ways and means to satisfy the customer. Most companies are aiming for good customer relationship which means better service to the customer thereby preventing the customer from being promiscuous. According to Amare (2014), customer satisfaction holds the potential for increasing an organization's customer base, increasing the use of more volatile customer mix and increasing the organization's reputation. To achieve customer satisfaction which is key and crucial to the survival of the organization, attention needs to be focused on the lifestyle and needs of the customer (Boakye, 2011). The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Hull, 2002). The vast majority of banks have non-domestic owners, and are not well diversified in terms of the products and services they offer (Hull, 2002). This suggests that most organizations have reached the maturity phase of the product lifecycle and have become commoditized, since banks offer nearly identical products. This carries the danger of creating a downward spiral of perpetual price discounting: fighting for customer share (Mendzela, 2009). Moreover, most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Therefore, corporate branding has emerged as a potentially effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment (Balmer, 2001). A corporate brand is essentially a conscious decision made by the firm's senior management to distil and make known the attributes of the organization's identity in the form of a clearly defined branding proposition. Corporate branding, therefore, is the practice of promoting the brand name of a corporate entity, as opposed to specific products or services (Hatch & Schultz, 2008). It underpins organizational efforts to communicate, differentiate and enhance the brand vis-à-vis key stakeholder groups and networks. However, the impact of banks' corporate branding efforts on customer satisfaction has not been empirically examined in previous studies warranting an in-depth investigation of the subject.

The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer. Customer satisfaction has been considered the essence of success in today's highly competitive banking industry (Mutea, 2013). Customer loyalty has a direct positive relationship with corporate image in nearly all business sectors. According to Gronroos (1988) in the perceived quality model, perceived quality is a relationship of expected quality which is developed through communication skill, image, customer needs and experience quality. Many studies proved that when a company provides better services to customers, it satisfies consumers and has a positive effect on organizational image. According to De Ruyter and Wetzels (2000), corporate image is a tool which measures organization's credibility, quality and behaviour loyalty. Supphellen and Nysveen (2001) suggested that corporate brand loyalty affected online shoppers' intentions to revisit the Web site. Therefore, it will be important to see how customers respond to corporate branding meant to increase their loyalty to commercial banks in Kenya. These banks are characterized by intense competition and little variation in product/service offerings.

1.2 Statement of the Problem

The banking industry in Kenya is a complex and competitive industry that is continually attracting more players both local and international into the sector. Due to this challenging business environment in which banks operate, these institutions need to be more focused on attracting and retaining clients, which can only be achieved if sufficient customer relationships are formed. Banks risk losing dissatisfied customers to competitors with better services. Clients are faced with a variety of financial services and expect value, ease of access and personalized offerings from their financial service providers. While banks have arguably been seeking to improve their services and offer more products to attract and retain customers, banks are still losing out to their competitors within the banking sector and also to other non-bank financial institutions. This, therefore, throws into question the effectiveness of their customer relationship management approaches. The brand factor in customer relationship management in the banking sector has, however, not been thoroughly explored and this is extremely important especially in a context where the banking sector is expanding rapidly by leveraging their visibility on technology and advertisement such as in Voi Town, Taita Taveta County, Kenya. Therefore, the present paper examines the influence of corporate branding on client satisfaction in Commercial Banks in Voi Town, Kenya.

2.0 Literature Review

2.1 Corporate Image in Customer Relationship Management

Corporate image is a perception in the customer's mind that reflects organization. The corporate image is also defined as overall impression which is made in customer mind towards organization (Barich & Kotler, 2001). Doane and Zinkhan (2010) explained that corporate image is an emotional interpretation which consists of beliefs and feelings. To create a lasting image, organizations are resorting to corporate branding as a strategy of customer retention. Service quality is positively correlated with the corporate image created through the brand. Ozer (2004) explains that corporate image is built up in customer mind due to better service and experience got from the organization. The brand resides within the hearts and minds of customers, clients, and prospects. It is the sum total of their experiences and perceptions, some of which one can influence, and some that one cannot. A strong brand is invaluable as the battle for customers intensifies day by day. It is important to spend time investing in researching, defining, and building the brand. After the entire brand is the source of a promise to the consumer. It's a foundational piece in the marketing communication and one does not want to be without. Kotler and Armstrong (2009) believe that, "brands have higher brand equity to the extent that they have higher brand loyalty, name awareness, perceived equity, strong brand associations, and other assets". Keller defines this equity as, "the differential effect that brand knowledge has on consumer response to the marketing of that brand". He also identifies the sources of equity as comprising brand awareness and brand image: the two components that form a consumer's brand knowledge. A brand image is not a brand but a source of its equity, and a very important one when it comes to destination branding (Donald, 2010). Brands are created to influence customer loyalty by making it easier for them to relate with the organization and its products through names, logos and other images. Brands are more appealing to the customers as they can conveniently communicate both with the organization and other customers about the brands instead of the real products themselves. For example, the global internet search engine, giant Google, has become synonymous with searching the web for information. Internet users conveniently refer to Google and are easily understood by all (Markus, 2012). In the same way Yahoo has become the widely accepted term for Email while Face book is a connotation for online social networking.

2.2 Empirical Review

A study by Kandie (2013) on the effect of agency banking on financial inclusion in Kenya revealed that the corporate image of the bank was perceived differently by various customers. More importantly, the customers perceived their bank image as being widely known, stable and reliable (Kibeh, 2013). Further, the study noted that the customers perceived their bank as a bank which could be trusted and a bank which could be involved in communal affairs. However, the study established that the respondents were neutral on whether their bank was liked and whether it was unique. It also emerged that simple things like brand awareness and brand loyalty had contributed so much to their bottom-line (Muathe, Ronoh, & Ochoti, 2013). Most customers looked at the banks history of banking and were confident that their money would be safe at their preferred bank rather than any other bank and that the presence of their branches across many regions meant that they would bank even when the banking industry would undergo turbulent times (Nyaosi, 2012). The customers were verily aware of their bank's brand and were loyal to it. Their loyalty would go to great lengths and they would queue for long hours even when the bank was introducing new system which had some issues and would sometimes mean that customers would not be able to be served on time but the customers still remained loyal to the bank. These findings agreed with Turnbull and Wilson (1989) who said that successful firms protect their stable customer relationships through not only social but also structural bonds. Social bonds, according to Turnbull and Wilson (1989), refer to positive interpersonal relationships between employees in the buyer and seller organizations.

2.3 Theoretical Framework

The study is guided by the Assimilation Theory. The Assimilation Theory is based on Festinger's (1957) dissonance theory. Dissonance theory posits that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. This view of the consumer post-usage evaluation was introduced into the satisfaction literature in the form of assimilation theory. According to Anderson and Jacobsen (2000), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced. A significant level of customer satisfaction is among the most critical indicators of the business's future. Customers who are satisfied are also loyal and this ensures a consistent cash-flow for the business in the future. In addition, satisfied customers are often characterized as less-price sensitive and they are more partial to spend more on the products they have tried and tested before. Moreover, stability in business relations is also beneficial where the positive quality image minimizes the cost for a current customer (Matzler, Hinterhuber, Bailom & Sauerwien, 1996). The Assimilation Theory provides insight into how corporate brand image builds the customer's product/service expectation and ultimate satisfaction.

3.0 Methodology

3.1 Research Design

The study used survey research design. This design was the most appropriate for obtaining factual and self-reported attitudinal information about beliefs, opinion, characteristics and present or past behaviours (David & Sutton, 2004).

3.2 Target Population

The study targeted 80 employees and 2000 customers of the 5 commercial banks in Voi Town.

3.3 Sample Size and Sampling Procedure

The study first sought to obtain a sample size for the bank clients. Since this population was big enough, the Nassiuma (2000) formula was applied, whence;

$$n = \frac{2000 * (0.5)^2}{(0.5)^2 + (2000-1) * (0.05)^2} = 95.2802 \approx 95$$

The right sample size of the banks customers was, therefore, 95 bank clients. The Nassiuma (2000) formula was chosen as it enabled the researchers to minimize sampling error and enhance stability of the estimates. For the much smaller population of bank employees 50% or 40 bank employees were selected for the study following the recommendations of Mugenda and

Mugenda (2003). Therefore, adding the two sample sizes together, that is, 95 bank clients and 40 bank employees brought the total sample size to 135. The study employed both stratified random sampling, simple random sampling and purposive sampling techniques to select the sample. Stratified random sampling was used to group the population into homogenous subsets that share similar characteristics (such as, clients and bank employees) in order to ensure equitable representation of the population in the sample. Simple random sampling was then applied to select respondents from the larger group of bank clients since their appearance at the banks premises was random. Therefore, 95 bank clients were selected through this method. Purposive sampling was used to select respondents from the smaller bank employees group according to the recommendations of Mugenda and Mugenda (2003). As key informants in the study, bank employees were sampled purposively as they were able to provide in-depth views related to the subject being investigated through questionnaires.

3.4 Instrumentation

The study used copies of questionnaire for data collection-one set for the banks' personnel and the other for the banks' clients. The questionnaire used structured questions that is ideally used with the Likert scale that standardized data capture. The copies of questionnaire were self-administered by the respondents, that is, they were given the copies of questionnaire and allowed to fill them at their own time so as to give them enough time to complete the copies of the questionnaire before returning them for analysis. The researcher ensured the content validity of the questionnaire by giving the questionnaire to the supervisor and other research experts to ensure that the questions test or measure what they are supposed to measure. The reliability of data collection instruments was determined using the Cronbach's coefficient alpha of the results of a pilot study which was carried out using ten (10) copies of questionnaire distributed to commercial banks in Mombasa city. Cronbach's coefficient Alphas of 0.9211 and 0.8873 resulted from both copies of questionnaire, and was higher than the recommended value of 0.7, therefore, the instruments were deemed reliable after subsequent modifications.

3.5 Data Analysis and Presentation

The researchers used descriptive statistical measures such as frequencies and percentages to give glimpse of the general data trends (Sekaran, 2003).

4.0 Results and Findings

One hundred and thirty-five copies of questionnaire were administered to the respondents and ninety-six were returned duly filled and useable for the study purposed. This represented 71% response rate. According to Mugenda and Mugenda (2003), a response rate of over 50% is considered acceptable. The response rate for each respondent category is given in Table 1.

Table 1: Response Rate

Representation	Instruments issued	Instruments returned	Percentage response (%)
Bank Personnel	40	35	88
Customers	95	61	64
Total	**135**	**96**	**71**

4.1 Corporate Branding in Commercial Banks in Voi Town

The results of the influence of corporate branding on client satisfaction in commercial banks in Voi Town are presented in Figure 1.

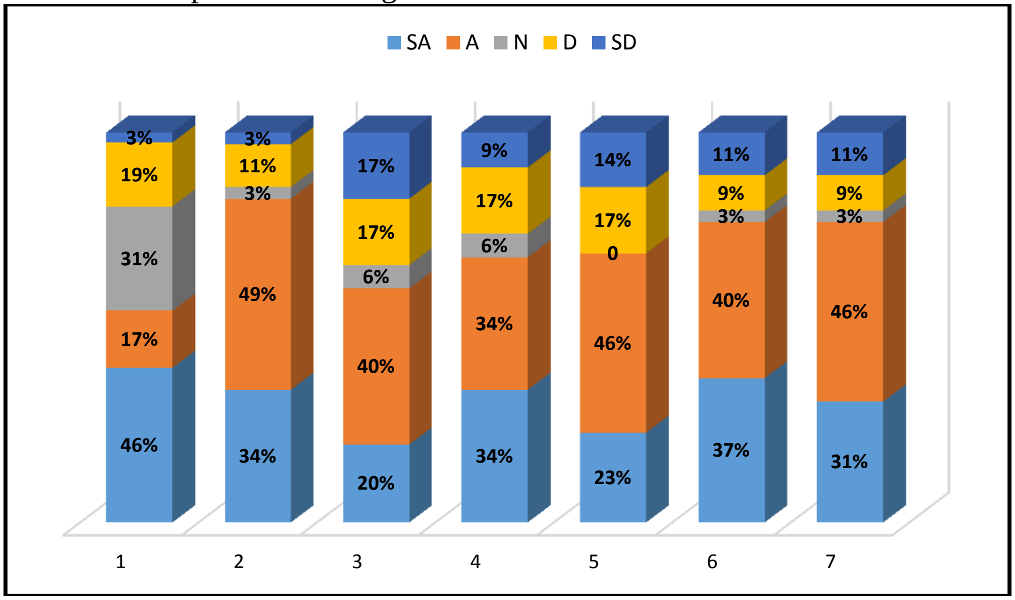

Figure 1: Corporate Branding in Commercial Banks in Voi Town

Key:

1. Have you consulted image consultants to enable the bank to come up with a new image?
2. Have you recognized that a poor image restricts our bank's performance?
3. Does your organization often seek to change our image to be consistent with the repackaged products and services?
4. Have you sought to align your image to our core values and mission and as such put the customer first?
5. Is the image of the bank meant to give it a more universal appearance?
6. Has the response to the image of the bank been encouraging?
7. Does the image you have built for your bank in the area make your clients trust you?

The findings in Figure 1 show that majority (63%) of the banks have at some point engaged image consultants to enable the bank to come up with a new image. Most respondents recognized that a poor image restricts their bank's performance (83%). The banks often sought to change their image to be consistent with the repackaged products and services (60%). Further, the banks had actively sought to align their image to their core values and missions and as such endeavored to put the customer first (68%). The images of the banks were meant to give them a more universal appearance in the market (69%). Most of the respondents agreed that as a result of the image management, response to the image of the bank been encouraging (67%). The new images built by the banks in the area made their clients trust them (77%). As such, it can be deduced from the results that the results that the banks were also seeking to leverage customer satisfaction on their corporate branding strategies.

4.2 Client Satisfaction in Commercial Banks in Voi Town

The results on the status of client satisfaction in commercial banks in Voi Town, that is, the dependent variables are presented in Figure 2.

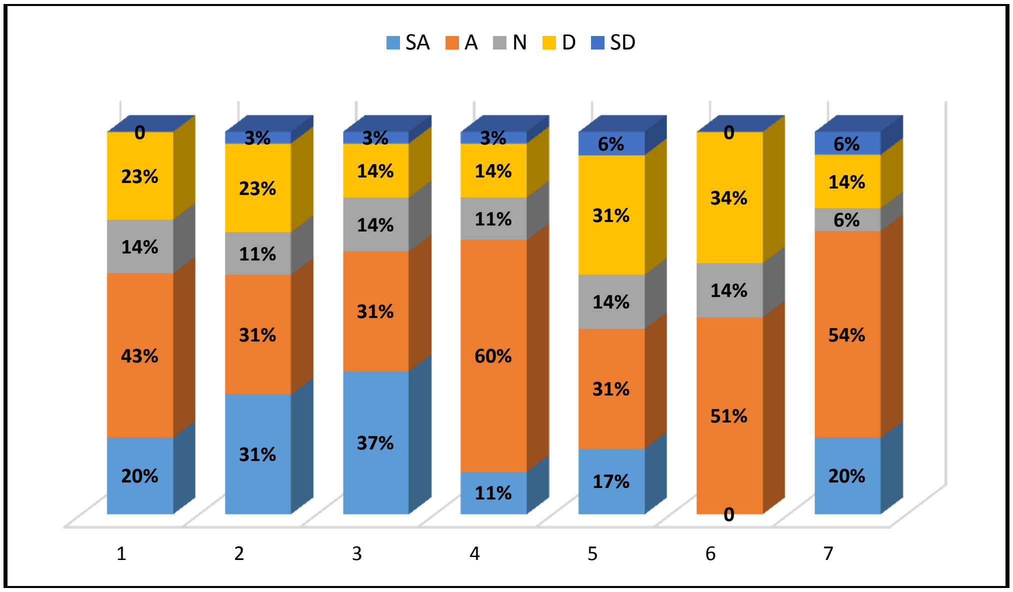

Figure 2: Client Satisfaction in Commercial Banks in Voi Town Bankers' Views

Key:

1. Most bank customers take a very long time to switch to other service providers in the area
2. Most of our first time customers always end up being bank members
3. Our customers show a lot of commitment to our bank in terms of subscriptions and savings
4. Our customers often refer other customers to your bank
5. Our membership been steadily growing in the recent past
6. Our sales volumes have been steadily growing
7. Most of our products easily absorbed by our customers

It is evident from the results in Figure 2 that most of the customers took a longer time to switch to other service providers in the area due to their bank's customer service (63%). The respondents also said that most of their first time customers always ended up becoming their members (62%). The customers showed a lot of commitment to their banks in terms of subscriptions and savings (68%) and often referred other customers to their banks (71%). The findings also indicate that the banks had been steadily growing their membership in the area in the recent past (48%) and, consequently, had seen their sales volumes steadily growing (51%). In addition, most of their products were easily absorbed by their customers (74%).

5.0 Discussion of Findings

The findings indicated that corporate branding was important to customer relationship management and influenced client satisfaction in commercial banks in the area. This was in accordance with Muathe *et al.*, (2013) who found that corporate branding aspects like brand awareness and brand loyalty had contributed significantly to their performance. Specifically, the banks were concerned about their brands performance and, as such, majority of the banks had at some point engaged image consultants to enable the banks to come up with a new image. This was due to the fact that most banks recognized the limitation that a poor image imposed on performance. The banks often sought to change their image to be consistent with the repackaged products and services. The findings supported those of Kibeh (2013) who found that banks engaged in the creation of a new image so as to shed off any shortcomings associated with the old image and send the message that the banks operations were now stable and reliable.

Therefore, the banks had actively sought to align their image to their core values and missions and as such endeavored to put the customer first. The findings further revealed that the images of the banks were meant to give them a more universal appearance in the market and as a result of the image management the response to the bank has been encouraging and made their clients trust them. This is consistent with Kibeh (2013) and Nyaosi (2012) who found that the customers perceived their bank image as being widely known and that their assets will be safe in their banks even when the banking industry underwent turbulent times.

Regarding customer satisfaction, it emerged that most bank customers took a very long time to switch to other service providers in the area and that they often refer other customers to their banks. This was a clear indication that the customers were satisfied to a large extent with the services they were receiving from their banks especially given the presence of several banks in the area and other financial institutions. The high referral rates observed also suggests that most banks in the area had aligned their corporate practices consistent with their brands, therefore, upholding their corporate image. This finding agreed with Nyaosi (2012) whose study revealed that banks which maintained a positive corporate brand made their clients confident that their money would be safe at their preferred bank, therefore, making it easy to make referrals to them. Hence, it is evident that the banks were leveraging their product offerings and services on their corporate brand which informed customer expectation of the product offerings and services available in the banks. Consistent with the Assimilation theory, by upholding the corporate brand, the banks were able to reduce the dissonance customers had and raise their expectations and their levels of satisfaction (Anderson and Jacobsen, 2000). Therefore, the study established the importance of corporate branding in creating product expectations which the banks were able to meet and thus satisfy their customers.

5.1 Conclusion

It can, thus, be concluded that corporate branding as a function of customer relationship management was very strongly associated with client satisfaction in commercial banks in the area as the banks had actively sought to align their image to their core values and missions and as such endeavored to put the customer first.

5.2 Recommendations

The paper recommends that there is need for the banks to have regular training on their brand so as to improve the connection between the brand and their service delivery, thus, leading to improved customer experience.

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