

## BRAND PERCEIVED QUALITY AND CONATIVE LOYALTY IN DEPOSIT MONEY BANKS

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### Abstract

Brand perceived quality has become one of the important determinants in measuring the success of various sectors, including the financial sector. The deposit money banks in Nigeria provide services such as internet banking and point of sales service but despite their efforts in improving banking products, upgrading their channels and enhancing their software application, they are still faced with challenges of fraud, long waiting days for reversal of failed transactions, long queues, poor network service, insecurity, and power failure thereby leading to customer dissatisfaction and disloyalty. Hence, this study explains how brand perceived quality can be used to influence conative loyalty of customers in the banking industry especially in the Nigerian context. The descriptive research design was adopted and the study population consists of customers of the five selected banks in Lagos State, Nigeria. A multiple (purposive, stratified and convenience) sampling was adopted and a structured questionnaire was developed to acquire quantitative data from the customers of the five selected banks. The data was analysed using Statistical Package for Social Sciences (SPSS) version 25. The findings indicate that brand perceived quality significantly have combined effects on conative loyalty of customers in selected deposit money banks in Lagos State. Customers are always eager when it comes to prompt service delivery, banks should device tactics like having more teller on desk in order to attend to customers need swiftly as this will help in reducing long waiting hours in the banking hall.

**Keywords:** Brand Perceived Quality, Conative Loyalty, Banks.

### 1. INTRODUCTION

The competition among various sectors is increasing continuously and there has been a rapid shift in the service delivery process. The banking industry is not an exemption in this competitive drive as they continue to strive to improve their business processes by liaising with customers to compete successfully. Further, the key dimensions in which the quality of services rendered by the bank is perceived is referred to as brand perceived quality which can be related to the level of primary attributes linked with the service functionality (Mazurek, 2019; Ha, Janda, & Muthaly, 2010). Brand perceived quality has become one of the important determinants in measuring the success of organisations, especially in the commercial banks (Murali,

Pugazhendhi, & Muralidharan, 2016; Auka, Bosire, & Matern, 2013). The Nigerian banking system is not only associated with opening a bank account, but providing other services such as internet banking and point of sales service. Despite the effort of the Nigerian banks in improving banking products relentlessly, upgrading their channels and enhancing their software application, knowledgeable customers with high demands for customised services are yet to be satisfied (Daodu, Nakpodia, & Adegbite, 2017; Sanusi, 2011). Hence, this study helped to explain how brand perceived quality can be used to influence conative loyalty of customers in the banking industry especially in the Nigerian context.

The objective of this study is to evaluate the contribution of brand perceived quality on conative loyalty of customers in selected Nigerian deposit money banks which covered the five divisions of Lagos State. Which are; Ikeja, Badagry, Ikorodu, Lagos Island, and Epe respectively.

## 2. LITERATURE REVIEW

Perceived quality adds value to products or services by creating reasons to buy, making the price premium applicable, and facilitating brand extensions as well as the base of differentiation. Aaker highlights that the dimensions that underline perceived quality are dependent on the context. He also refers to the study of consumer perception of service quality by Parasuraman, Zeithamal, and Berry, (1988) which measures service quality through tangibles, reliability, responsiveness, assurance and empathy as depicted in Figure

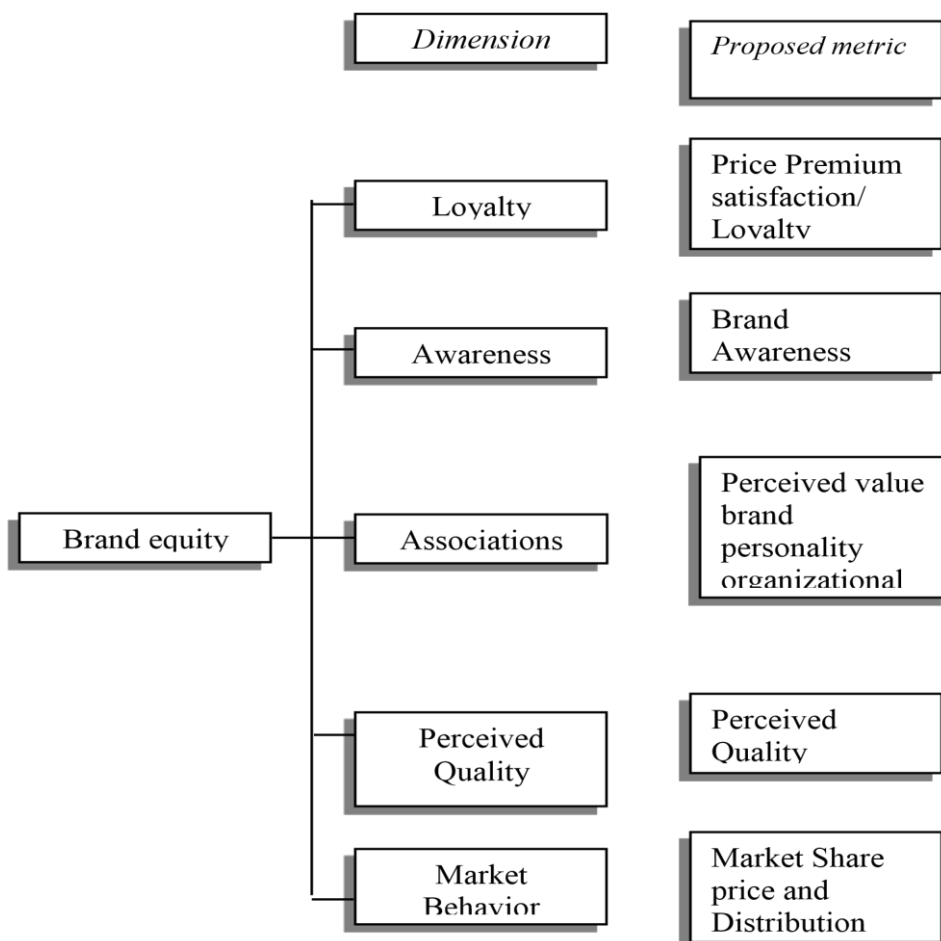


Figure 2.1: Aaker's Model for Consumer Based Brand Equity

Source: Aaker (2015, 1996)

The framework explains that perceived quality may necessarily not be measured objectively, because it is based on perception and what is important to consumers (Aaker, 2015). Customer's complete quality assessment of the bank's services is referred to as perceived quality. However, customers expect the services rendered to be of great quality, in line with the bank's core function, and as well different from their

competitors. Also, customers perceive brand quality in different ways. Further, customers will associate the bank's brand with a level of quality, not essentially based upon a detailed knowledge of technical, functional or other specifications, but mostly upon the inter-personal communication with other bank customers, the direct experience they encounter with the bank's staff as well as the bank's efforts in communicating and promoting their brand (Muskat, Hortnagl, Prayag, & Wagner, 2019).

The key dimensions in which the quality of services rendered by the bank is perceived is referred to; the service performance which can be related to the level of primary attributes linked with the service functionality, the service features are linked to the level of secondary attributes which are complementary to the services related to performance. Also, conformance with specification refers to the ability of the services provided by the bank to meet up with required services without defects. The reliability dimension of the brand perceived quality refers the bank's consistency in providing effective service performance over time, in the same line, the serviceability dimension refers to the bank's ability to cater for the needs of their customers. For instance; the reaction of the customer service personnel when a customer walks into the banking hall or puts a call through while seeking help in respect to his transactional needs speaks a lot about the bank. Measuring service quality objectively could be difficult for non-consumers of the brand, particularly in brands with high credibility or with a great deal of experience, such as financial services. Therefore, this study approached only consumers who had experience with their banks. Due to service quality complexity, the measurement of service quality perception is supposed to be based on several quality attributes (Grönroos, 2011).

Parasuraman et al. (1988) introduced a comprehensive, multi-item and well-known measurement to measure perceived quality from different perspectives; namely tangibility, reliability, responsiveness, assurance and empathy. As perceived quality is one of the key dimensions of brand equity, particularly in the service sector, due to its unique characteristics, there is a need to cover all the different aspects of service quality. Hence, SERVQUAL is considered to be a well-accepted scale because it includes the most important criteria which formulate consumers' perceptions of service provided. Some scholars have employed SERVQUAL (a performance-based approach and not expectation, which is called SERVPERF) when measuring brand equity; for example, (Han, Nguyen, & Lee, 2015; Huang, Lee, Kim, & Evans, 2015; Kim & Hyun, 2011).

Chen and Arthur (2001) Stated that, the perceived quality of a brand can be analysed from three different perspectives; first, when customers perceive an absolute level of quality which could be low, medium, or high quality. Second, a relative level of quality which refers to a particular competitive positioning of the brand by putting quality into consideration, the customer will always go for the best among the best. The third perspective refers to when customers perceive the quality associated to a brand as being consistent or inconsistent. In contrast to what Keller (2016) argues, perceived quality is different from brand associations; it plays an important role in making the product or service different from its competitors, which gives reasons to buy the brand, helps retain existing consumers and could increase their willingness to pay premium price (Aaker, 2015; Ha & Muthaly, 2010).

Rahim (2016) in a study of perceived quality and customer loyalty revealed that, perceived quality is positively related to both customer satisfaction and loyalty in the airline sector in Nigeria. Irem and Isil (2012) found that, perceive quality has a direct positive effect on brand loyalty. Similarly, Daniel, Joseph and Victor (2013) studied perceived quality and customer loyalty in retail banking in Kenya. Their study further pointed out that, perceived quality has a positive and significant influence on customer loyalty in retail banking. Matthew, Ipkin, Guicheng, Rongwei and James (2014) used perceived brand quality as a mediating variable in their study. They revealed that, perceived brand quality mediates the relationship between corporate social responsibility and brand preference. They further found that, a socially responsible brand is not guaranteed in yielding competitive advantage.

### **3. METHODOLOGY**

Quantitative and qualitative research methods was employed in this study. A descriptive-survey design was used because it deals with phenomena that occur naturally. The study population covered five of Nigeria's biggest banks listed among the top 1000 banks in the world, the population of study for customers of the five selected banks is infinite. In ensuring sampling adequacy, the sample size of 1030 was adopted and this was evenly distributed across the selected banks in Lagos state. The study population for the in-depth interview consisted of fifteen functional heads of the selected deposit money banks with a representation of three from each which consists of; head of customer service, relationship manager/client service manager and branch/brand manager respectively.

Multi-stage sampling technique was adopted. Purposive technique was adopted in order to choose

respondents at various community level that meet the inclusion criteria of the study, cluster sampling was used because the respondents had the same probability to being selected. The convenience sampling was also employed to select sample elements that shared the common characteristics of the target population who were willing to provide the information required to answer the research questions. For the qualitative study, equal number of persons were interviewed across selected deposit money banks in Lagos State. For the methods and instruments of data collection, questionnaire was designed to gather and elicit information from a cross section of the population. Interview sessions were as well conducted among the functional banks' heads that constituted the study population. Qualitative method was used to follow up quantitative method, therefore the questions were devised from the questionnaire, and they both covered the same aspects. Multivariate analysis methods used in this research are factor analysis, correlation analysis, and multiple regression analysis. The analysis focused on the use of regression analysis using structural equation modelling.

#### 4. DATA PRESENTATION AND ANALYSIS

Copies of structured questionnaire were distributed to 1030 respondents. 904 copies of the questionnaire were retrieved and considered usable for the analysis.

**Table 4.1: Descriptive Statistics on Brand Perceived Quality**

Items	Frequency and Percentage				Total	Mean values for the Selected Banks					Average Mean
	Strongly Agree	Agree	Disagree	Strongly Disagree		Access	FBN	GTB	UBA	Zenith	
The bank has up to date equipment. (e.g. PCs, printers, ATMs)	511 (56.5%)	329 (36.4%)	42 (4.6%)	22 (2.4%)	904 (100%)	3.50	3.41	3.32	3.57	3.57	3.47
The bank provides its services at promised time. (E.g. transfers money, get loan, get credit card)	404 (44.7%)	430 (47.6%)	60 (6.6%)	10 (1.1%)	904 (100%)	3.30	3.31	3.34	3.44	3.40	3.40
Staff at the bank give prompt attentions to complaints	367 (40.6%)	435 (48.1%)	84 (9.3%)	18 (2.0%)	904 (100%)	3.26	3.22	3.20	3.34	3.36	3.36
The behaviour of staff instils confidence to myself	322 (35.6%)	484 (53.5%)	76 (8.4%)	22 (2.4%)	904 (100%)	3.19	3.22	3.09	3.44	3.19	3.19
I can do many of my banking transactions via e-banking	405 (44.8%)	401 (44.4%)	82 (9.1%)	16 (1.8%)	904 (100%)	3.29	3.42	3.23	3.36	3.11	3.11
ATM machines are vastly available	323 (35.7%)	405 (44.8%)	86 (9.5%)	90 (10%)	904 (100%)	3.11	3.29	2.92	3.22	2.79	2.79
Average Mean						3.28	3.31	3.18	3.40	3.24	<b>3.22</b>

**Source:** Field Survey, 2019

**Table 4.6.2: Descriptive Statistics on Conative Loyalty**

Items	Frequency and Percentage				Total	Mean values for the Selected Banks					Average Mean
	Strongly Agree	Agree	Disagree	Strongly Disagree		Access	FBN	GTB	UBA	Zenith	
I will prefer new services if offered by this bank	412 (45.6%)	420 (46.5%)	56 (6.2%)	16 (1.8%)	904 (100%)	3.34	3.42	3.23	3.48	3.33	3.36
I will patronize alternative bank if it offers better premises	205 (22.7%)	311 (34.4%)	156 (17.3%)	232 (25.7%)	904 (100%)	2.32	2.23	3.05	2.43	2.65	2.54
I would switch from this bank if the employees in another bank were more friendly	210 (23.2%)	260 (28.8%)	190 (21.0%)	244 (27.0%)	904 (100%)	2.27	2.17	2.90	2.41	2.63	2.48
I would change to another bank if they offer more status	181 (20.0%)	303 (33.5%)	170 (18.8%)	250 (27.7%)	904 (100%)	2.21	2.20	2.71	2.44	2.71	2.45
Average mean						2.54	2.51	2.97	2.69	2.83	<b>2.71</b>

**Source:** Field Survey, 2019

To test hypothesis three, SMART-PLS\_SEM (Partial Least Square/Structural Equation Modeling) analysis was employed to test for predictive efficacy of the research model. The data collected was analysed using six items to measure brand perceived quality practices, and four items to determine conative loyalty. The items in the brand perceived quality practices scale comprised up to date content, promptness of service delivery, prompt attentions to complaints, politeness of bank's staff, safe process of transactions, sufficient ATM machines on a scale of 1 to 4.

#### **Evaluation of the Inner Structural Model**

In measuring and confirming the structural model outcomes, the research observed the model's predictive relevancy and the relationships that exist among the constructs. All the multivariate assumptions were checked before proceeding to test the model, namely, normality, linearity, multi-collinearity and homoscedasticity/homogeneity of variance. The hypothesis has one exogenous variable (brand perceived quality) and one endogenous variable (conative loyalty).

**Structural model and path analysis for perceived brand quality and customers' conative loyalty**

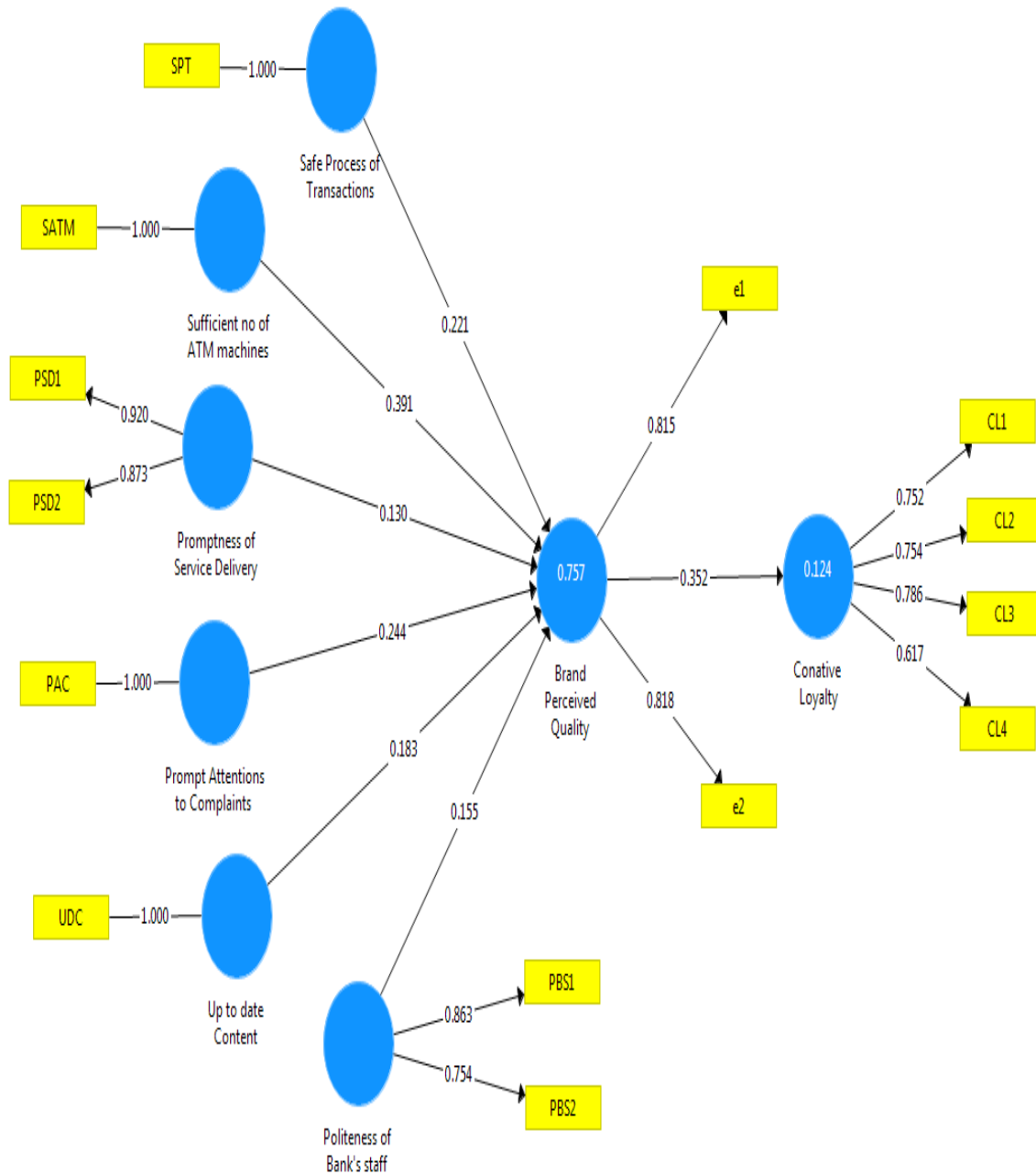


Figure 4.1: Predictive relevance of Perceived Brand Quality and Customers' Conative Loyalty

Figure 4.1 shows the graphical representation of all path coefficients of the model. Furthermore, the model was recursive in nature which states that paths between constructs originated only from the predictor constructs to the dependent constructs. In order to ascertain the predictive relevance, bootstrapping analysis was conducted. Bootstrapping is a statistical technique used for significant testing of coefficients in formative measurement models.

**Basic bootstrapping formation for perceived brand quality and customers' conative loyalty**

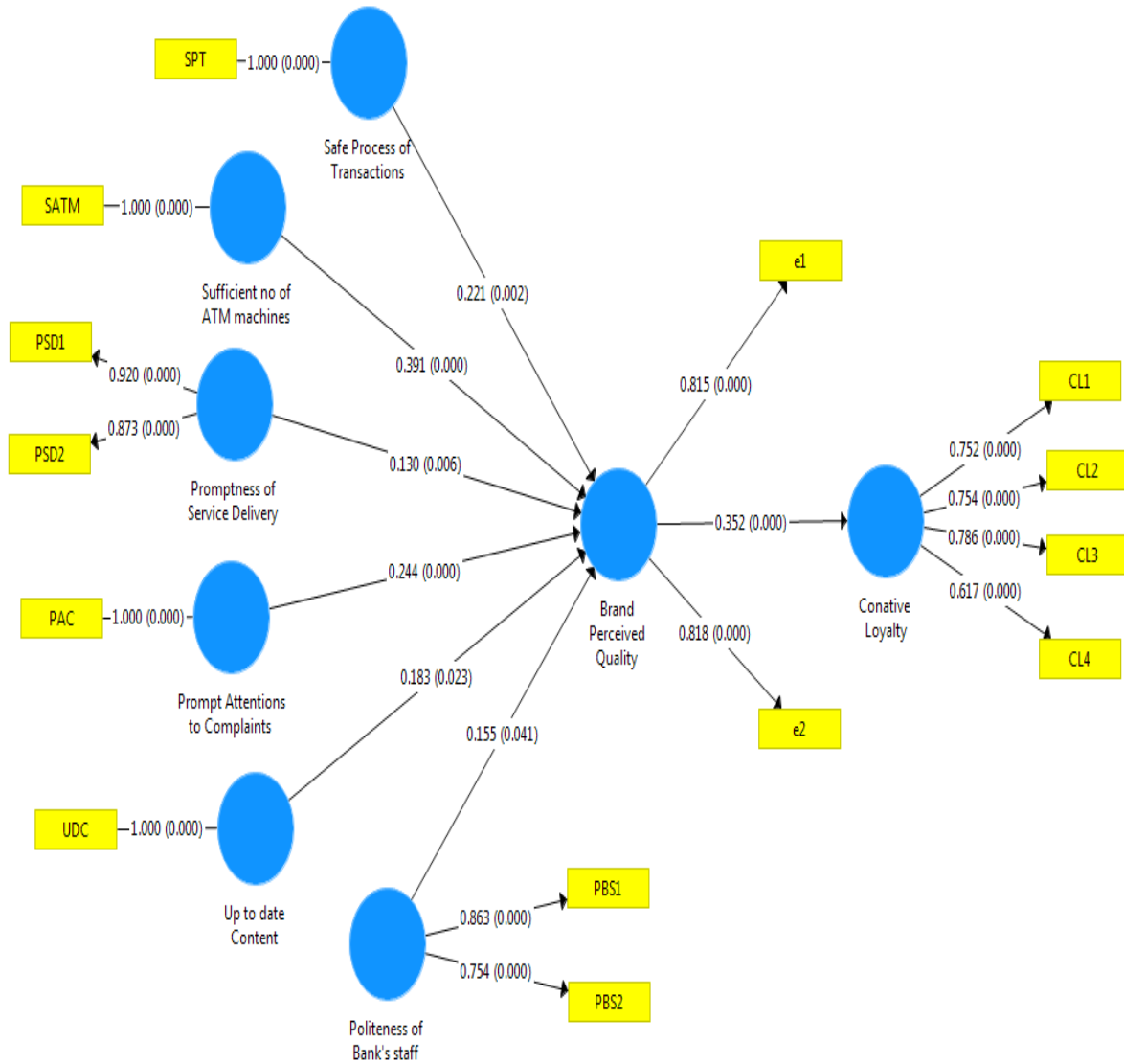


Figure 4.2: Path co-efficient and P-values of Perceived Brand Quality and Customers' Conative Loyalty

**Complete bootstrapping formation for perceived brand quality and customers' conative loyalty**

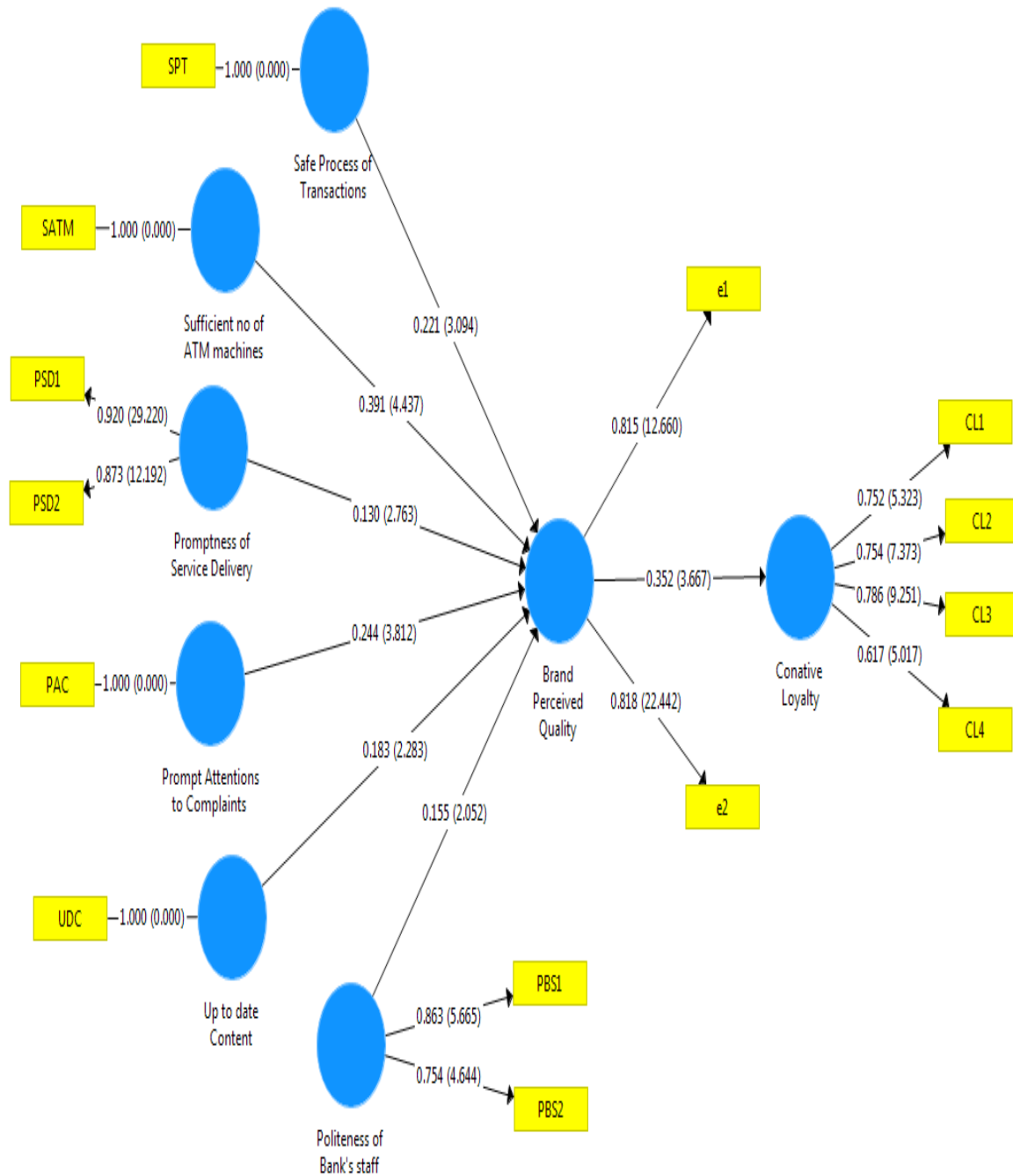


Figure 4.9: Path co-efficient and T-values of Perceived Brand Quality and Customers' Conative Loyalty

By implication, the null hypothesis which indicates that brand perceived quality do not significantly have combined effects on conative loyalty of customers in selected deposit money banks in Lagos State is hereby rejected. Above all, the results established that brand perceived quality is a significant predictor of conative loyalty. The findings indicate that brand perceived quality significantly have combined effects on conative loyalty of customers in selected deposit money banks in Lagos State. In line with this findings, several studies have shown a relationship between brand perceived quality and brand loyalty, which is typically relatively strong and positive (Chi, Yeh, & Yang, 2009; Malik, Ghafoor and Iqbal (2013). The findings agree with those of Chi, Yeh and Yang (2009) who stated that there was a weak favourable association between brand perceived quality and consumer purchase intention. While a strong and positive connection was observed with the mediating effect of brand trust and brand loyalty.



Probing further in the course of IDIs, on brand perceived quality, a Relationship Manager for one of the selected banks had this to say about promptness of service delivery. He highlighted that:

This bank is the largest bank in terms of quality service and productivity. It is the only bank in the last three years that has grown in terms of service delivery. We recruit from competitors at the top level which has positively added to us because they bring in different ideas from where they are coming from which has been a perfect strategy for us.

(IDI/ Relationship Manager/ Bank 4/July/ 2019)

To further buttress this, another respondent gave his opinion on up to date content in line with brand perceived quality and conative loyalty:

When we are creating new services, at first, customers do not subscribe to it, but we try to explain to them about the advantages of the products especially by encouraging the customer care representatives to appeal to their minds about the benefits of the products and services then with time, they get to subscribe to it.

(IDI/ Customer Service Head/ Bank 4/July/ 2019)

## 5. CONCLUSION AND RECOMMENDATIONS

The role of perceived brand quality on conative loyalty of customers enhance consumer-brand relationships, reduce customers' efforts to find information about a brand, and, in turn, increase brand loyalty and implement responses to requests and needs that have emerged. Banks that foster promptness of service delivery, complaints, up to date content, and safe process of transactions are more likely to engage customers and improve customer loyalty. Further, banks' staff should be very polite and accommodating to their customers by attending to their banking needs, when dealing with the customers either in the banking hall or online customer care representatives as an unsatisfied customer is liable to sharing his/her experiences with other people and this can inform their decision when it comes to bank choice. Customers are always eager when it comes to prompt service delivery, banks should device tactics like having more teller on desk in order to attend to customers need swiftly as this will help in reducing long waiting hours in the banking hall.

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