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An investigation on the effects of brand equity, trust, image and customer satisfaction on regular insurance firm customers' loyalty

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ABSTRACT

Brand plays essential role on the success of most organizations and it has been considered as organizational assets. Therefore, brand management is important in today's structure of organizations. A good brand helps gain new customer and future preferences, which leads to customer retention. Brand loyalty is one of the most important components of brand management. It can raise firm's market share and it has close relationship with firm's return of investment and profits. This research tries to answer this question and finds out more about the relationship between customer satisfaction, trust, brand equity, brand image and customer loyalty. The study uses a sample of 384 regular customers who use insurance services in Iran. Using Pearson correlation ratio as well as structural equation modeling, the study has detected positive and meaningful relationship between brand equity and other factors such as customer satisfaction, trust, etc.

1. Introduction

During the past few years, there has been increasing trend on competition among various business owners. Insurance industry is one of the most important industries and many people are either directly or indirectly involved with different sorts of insurance services. The insurance business owners have to make sure about the quality of their services. In fact, having good brand equity is the primary concern of all insurance firms (Aaker, 1996, 2009; Keller et al., 2011). Brand equity has emerged as one of the most important areas for marketing management in recent years. Berry (2000), presented a service-branding model, which underscores the salient effect of customers' service experiences in brand formation. He also explained more about four primary strategies that excellent service firms apply to cultivate brand equity and discussed that branding is not just for tangible goods but it is a principal success driver for service firms as well.

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Yoo (2000) performed an examination on some selected marketing mix elements and brand equity and proposed a conceptual framework in which marketing elements were associated with the dimensions of brand equity, that is, perceived quality, brand loyalty, and brand associations combined with brand awareness. These dimensions were then associated with brand equity. The empirical investigation based on a structural equation model indicated that frequent price promotions, such as price deals, were associated with low brand equity, whereas high advertising spending, high price, good store image, and high distribution intensity were associated with high brand equity. Some people have tried to provide some empirical evidence on how brand value is created and learn more about the precise effects. Cobb-Walgren et al. (1995) explored some of the consequences of brand equity by examining the impact of brand equity on consumer preferences and purchase intentions. They examined two sets of brands are tested, one from a service category and one from a generally lower risk product category. Each set included two brands, which were objectively similar but they invested markedly various levels of advertising spending. In both categories, the brand with the higher advertising budget had substantially higher levels of brand equity. In turn, the brand with the higher equity in each category generated substantially bigger preferences and purchase intentions.

Park and Srinivasan (1994) developed a survey-based framework for measuring a brand's equity in a product category and assessing the equity of the brand's extension into a various but related product category. The study applied a customer-based definition of brand equity as the added value endowed by the brand to the product as perceived by a particular consumer. They also measured brand equity as the difference between an individual consumer's overall brand preference and his/her brand preference on the basis of product attribute levels. To gain some insight about the sources of brand equity, the approach divided brand equity into attribute-based and non-attribute-based components. They provided the market share premium and the price premium attributable to brand equity.

According to Dawar and Pillutla (2000) employed the expectations-evidence framework to learn more about the effect of firms' responses to crises on customer-based brand equity. They reported that consumers interpreted firm response based on their past expectations about the firm. Bigne and Blesa (2003) studied the relationships between the manufacturer's market orientation behaviors and the distributor's trust in the association with it. They also analyzed the impact of the distributor's trust on his/her satisfaction and presented the results of a study of the Spanish ceramic industry. They explained that trust could improve the distributor's satisfaction with the relationship. Siguaw et al. (1998) developed a model of likely influences and empirically studied the consequences of a supplier's market orientation on the distributor's market orientation and other channel relationship factors. Their results stated that a supplier's market-oriented behaviors directly or indirectly influenced all the channel relationship factors investigated from the distributor's perspective, specifically the distributor's market orientation, trust, cooperative norms, commitment, and satisfaction with financial performance. Farrelly and Quester (2003) investigated the impacts of marketing orientation on the two most important marketing concepts, namely trust and commitment. Sanzo et al. (2003) tried to verify a model in which a firm's cultural market orientation served as an antecedent for its degree of satisfaction with its main supplier. They confirmed the indirect effect that the buyer firm's cultural market orientation exerts on the level of satisfaction with its main supplier. Blesa and Bigné (2005) investigated the impact of market orientation on dependence and satisfaction in dyadic relationships. In other words, they examined the impact of manufacturer market orientation on distributor dependence and satisfaction with the relationship with specific reference to the Spanish ceramic tile industry. Their findings suggested that all characteristics of manufacturers' market orientation had a positive impact on distributors' satisfaction, except response implementation and the effect of distributor dependence.

2. The proposed study

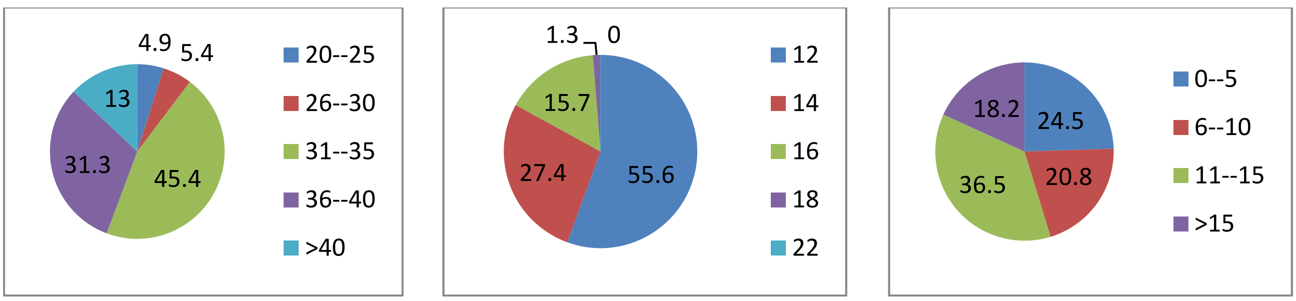
This paper presents an investigation on the effects of brand equity, trust, image and customer satisfaction on regular insurance firm customers' loyalty. The proposed study has been applied among regular customers of an insurance firm in Iran, which is associated with bank Mellat. The sample size of the proposed study is calculated as follows,

$$N = Z_{\alpha/2}^{2} \frac{p \times q}{e^{2}}, \qquad (1)$$

where N is the sample size, $p = 1 - q$ represents the probability, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. For our study we assume $p = 0.5, z_{\alpha/2} = 1.96$ and e=0.05, the number of sample size is calculated as N=384. The proposed study cosists of two parts where the first part gathers personal characteristics of the participants and the second part consists of 25 questions in Likert scale, which measure different characteristics of the participants. In our survey, 5 questions are associated with customer satisfaction, five questions are related to customers' perception image, 5 questions study trust to brand, 5 questions are related to brand equity and finally the last 5 questions are associated with customers' loyalty. There are seven hypotheses associated with the proopsed study of this paper as follows,

1. Brand equity influeneces positively on perception image.
2. Brand equity influences positively on customer satisfaction.
3. Brand equity influences positively on customer trust.
4. Customer satisfaction influences positively on customer loyalty.
5. Customer trust influences positively on customer loyalty.
6. Perception image influences positively on customer loyalty.
7. Perception image influences positively on customer satisfaction.

Cronbach alphas for customers' perception, trust, brand equity and customer loyalty are 0.86, 0.89, 0.90, 0.86 and 0.89, respectively. Overal, the Cronach alpha for the whole questionnaire has been calculated as 0.87, which is well above the acceptable level. In our survey, 65.8% of the surveyed people are male and the remaining 34.2% of the participants are male. Fig. 1 demonstrates other participants' personal characteristics.



Age | Educational backgrounds | Job experience

Fig. 1. Personal characteristics of the participants

According to the results of Fig. 1., more participants are middle aged and highly educated with good job experience. Therefore, they have good insight about service industries such as insurance firm. We have performed normality test using Kolmogorov–Smirnov test where the null hypothesis states that all data are normally distributed and the alternative hypothesis states that data are not normally distributed. Table 1 demonstrates the results of our findings,

Table 1
The summary of Kolmogorov–Smirnov test

Variable	Sig.2-taild	K-S statistics
Customer satisfaction	0.06	1.34
Perception image from brand	0.07	1.28
Trust to brand	0.06	1.31
Brand equity	0.07	1.32
Loyalty	0.1	1.28

According to the results of Table 1, all components are normally distributed when the level of significance is five percent. Therefore, we can use Pearson correlation ratio to study the relationships between each pair of the survey.

3. The results

In this section, we present details of our survey on testing various hypothesis of the survey. We first present our survey on relationship between various components of the survey.

Table 2
The summary of Pearson correlation

Variable	Customer satisfaction	Perception image	Trust to brand	Brand equity	Loyalty
Customer satisfaction	1.00				
Perception image	0.26*	1.00			
Trust to brand	0.024*	0.18*	1.00		
Brand equity	0.75*	0.22*	0.05*	1.00	
Loyalty	0.42*	0.21*	0.54*	0.65*	1.00

*Significance Level = 0.01

As we can observe from the results of Table 2, there is a strong correlation between brand equity and customer satisfaction (r=0.75, Sig. = 0.01), between loyalty and brand equity (r=0.65, Sig. = 0.01) and between loyalty and customer satisfaction (r=0.42, Sig. = 0.01). Table 3 demonstrates the results of our survey on examining the relationship between various components based on Pearson correlation ratio.

Table 3
The summary of Pearson correlation ratios

Hypothesis	Path	Pearson correlation	P-value	Result
First	Brand equity → Perception image	0.22	0.001	Confirmed
Second	Brand equity → Customer satisfaction	0.75	0.001	Confirmed
Third	Brand equity → Trust to brand	0.05	0.001	Confirmed
Fourth	Customer satisfaction → Customer Loyalty	0.42	0.001	Confirmed
Fifth	Trust to brand → Customer Loyalty	0.54	0.001	Confirmed
Sixth	Perception image → Customer Loyalty	0.21	0.001	Confirmed
Seventh	Perception image → Customer Satisfaction	0.26	0.001	Confirmed

We now present details of our survey on testing the hypothesis using structural equation modeling (SEM). Fig. 2 demonstrates the results of our investigation.

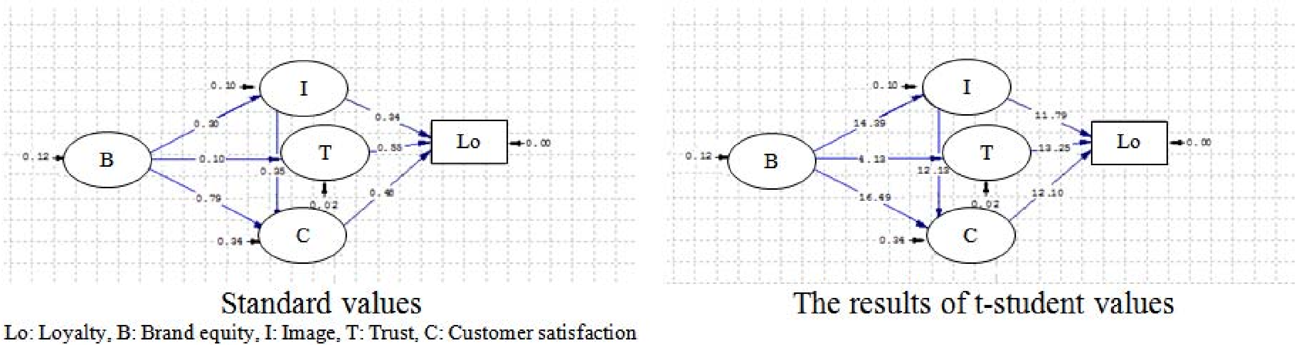


Fig. 2. The results of structural equation modeling

According to the results of Fig. 2, all coefficients are statistically meaningful when the level of significance is five percent. In addition, other coefficients are calculated and they are summarized in Table 4 as follows,

Table 4
The summary of statistical observations

Statistics	Value	Desirable value
Chi-Square/df	1.46	< 3
NFI	0.97	> 0.90
NNFI	0.93	> 0.90
CFI	0.92	> 0.90
GFI	0.91	> 0.90
AGFI	0.90	> 0.80

The results of Table 4 clearly show that all components are within desirable limits and we can use the results of SEM implementation.

4. Conclusion

This paper has presented an investigation on the effects of brand equity, trust, image and customer satisfaction on regular insurance firm customers' loyalty. The proposed study has been applied among regular customers of an insurance firm in Iran, which is associated with bank Mellat. The study has detected a positive and meaningful relationship from Brand equity to Perception image, from Brand equity to Customer satisfaction, from Brand equity to Trust to brand, from Customer satisfaction to Customer Loyalty. In addition, the study has detected a positive and meaningful relationship from Trust to brand on Customer Loyalty, from Perception image to Customer Loyalty and finally from Perception image to Customer Satisfaction.

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