

Studying the Impact of Customers' Perceptions from Service Brand on Customer Value-Loyalty Process (Iran Insurance Company)

Somayeh Shafeiha and Hamidreza Saeednia

Faculty of Management and Economics
Islamic Azad University – Tehran Science and Research Branch
Tehran, Iran
E-mail: somayeh_shafei@yahoo.com, Drsaeednia@gmail.com

Abstract—Despite of a considerable tendency to the nature and role of marketing in a service perspective, limited researches are carried out on branding, which have mainly been qualitative rather than quantitative. This study aims to investigate the impact of service branding and factors such as company image and employee and company trust on customer value-loyalty process (Berry,2009) [1].

To reach the aforementioned goals, a sample containing 120 customers of the Iran Insurance Company was selected via a cluster sampling and path analysis method was used to test the hypotheses. The results show that company image has a significant positive impact on perceived value. Meanwhile, there is not any significant relationship between brand image and perceived value. In addition, both company and employee trusts have a significant impact on quality of services provided and perceived value of customers, so that the impact of company trust on perceived value is very stronger than employee trust.

Keywords: Brand image, Company image, Trust, Service quality, Customer's perceived value, Customer loyalty.

I. INTRODUCTION

Till now, most studies on brand have focused on structure of intended products of customers and have devoted their main attention to impacts of brand awareness and image (Keller,1993) [2]. Thus, there is a necessary branch on making brands with service logic, focused on value-added processes, led to building some experiences in customers.(Vargo &Lusch,2004) [3]. Using this approach, brand name played a broader role, not only in relation to final customers but also with company, its employees and other stakeholders. So the study related to a broader approach than branding, called "service branding" (Kasper et al.,2006) [4]. In this study, we asked, "How much customers' perceptions from service brand do affect on perceived value-loyalty process?"

There are two other questions as follows:

How the nature of customer value can lead to perceived customer value-loyalty process? How it can yield economic incomes? These questions are considered in various academic societies.

Some authors solely focus on advantages of value creation for customers. Others accept a cost-benefit approach leading to measurement of value based on a

give-and-take viewpoint. Using a "value against payment" approach, these studies reach to the same conclusions of studies of Drew and Bolton (1991) and Varki and Colgate (2001) [5] which showed that there is a more useful and beneficial way to investigate relationship between value for customer and his/her loyalty (Monroe ,1990) [6].

Today in most commercial markets, transfer of value to customer is a continuous concern for managers, and the concept is considered as one of the fundamental values. Perceived value by the customer is a function of quality and price. It means that customers perceive value of goods and services by the two measures. So, creation of value for customers is a necessity because higher satisfaction and value of customer, lead organization toward more loyal customers, more powerful competitive situation and higher market share (Chen & Dubinsky,2003) [7].

II. CONCEPTUAL FRAMEWORK FOR THE SERVICE BRAND

To develop a conceptual framework for service brand, a model was initially provided by Calonijs (2006) [8] later accepted by Gronroos and Bitner in 1996, 2006 and 2007 [9] (see fig.1). This theoretical framework shapes external, internal and interactive marketing activities, customers' and employees' perceptions and organization brand. It also suggests that service brand has a consolidating role in adjusting approaches and perceptions of customers with employees' and company's brand. The three marketing processes are as follows:

1-External marketing: Relationship among organization and customers, formed from commitment for service requests.

2-Interactive marketing: Interaction among employees or members of the network and final customers, linking service experience via meeting expectations of individuals for the requested services.

3-Internal marketing: Value creation via supportive resources and processes, engaging organization and its members in satisfying expectations for requested services.

In the study, our focus is on customer perception from service brand, which external and interactive marketing directly and internal marketing indirectly affect it.



Fig1.Types of marketing and their influence on the perceptions of the service brand.

Activities of external marketing are related to "meeting the commitments" and heavily depend on relationship between organizations and their customers. Firstly, those relationships are considered which include brand and logo awareness with a different image for the demand. Secondly, there are some features in the company image showing a higher importance for company's fame than other aspects of the provided services. Activities of the interactive marketing relate to "commitment to promises" including interactions and experiences among company, service providers and customers. If these experiences are positive and in line with "commitment to promises", they lead to trust building in customers. On the other hand, with a negative experience, it leads to a decline in customers' trust (Grönroos, 2007) [10].

As a result, internal marketing means that the organization, as a provider of the goods or services, should effectively support all satisfying factors of its employees having relationships with its final consumers. In fact, internal marketing adapts all organizational levels with the services provided to customers. Hence, internal marketing is more important than the external one. Although this is not completely defined in most organizations or is not in the scope of authorities of marketing function, modern marketing considers adaptation of employees as an agenda. After homogeneous and faultless execution of internal and external processes, interactive marketing completes modern marketing model for goods or services. Interactive marketing means that quality of perceived services depend on characteristics of direct relationships among employees and customers (Brodie, 2006) [11].

III. CONCEPTUAL MODEL

The leading studies by Berry (2000) [1] about his personal experiences with service organizations showed that brands have a broader role than our image about them. Studies made by Dallolmo Riley and de Chernarnatony (2000) [12] and Davis, et al. (2000) [13] develops Berry's model. Findings of his studies show that service brand acts as a relationship-maker. They conclude that service brand is an important process generated as a result of relationship between a company and its employees and would be

sustained during the interaction between the employees and customers. Moreover, following studies of Sirdeshmukh et al. (2002), [14] they succeeded to play an important role using their conceptual framework and discriminate between "trust of customers to service-providers" and "trust of customers to managerial policies and their performance".

Figure 2 shows a conceptual model for the study and its variables prepared by Brodie and whittome (2009) [15] to analyze customers' perceptions from provided service brand.

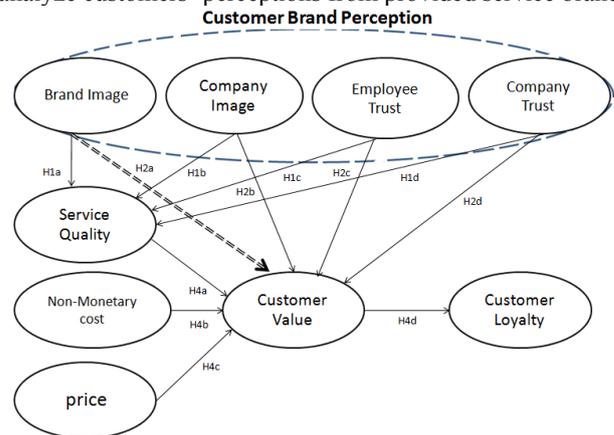


Fig.2. conceptual model and hypotheses

IV. BRAND IMAGE HYPOTHESES

Brand image includes perception of consumers from brand in the form of coincidences or associations in the minds of consumers. Based on the definition, these associations can be shaped via direct experience of goods or services, connections between the company and other commercial sources, conversations, inferences, respecting to previous associations, etc. These associations make a mind picture with tangible, intangible, inherent or acquired facets (keller,1993) [16]. Aaker offered three dimensions for assessment of a mind picture: perceived value, personality and organization. Perceived value include performance advantages of product and measures the relationship between performance and price. Personality relates to emotional and symbolic advantages resulted from brand. So, organizations can be defined as coincidences matched with the company image (Aaker,1992) [17].

The following hypotheses are proposed:

H1a. Customer perception of brand image positively influences customer perception of the quality of the service offer.

H2a. Customer perception of brand image positively influences customer perception of value.

V. COMPANY IMAGE HYPOTHESES

In services, in addition to perceptions resulted from service exposure and assessment of service evidences, customers' perceptions are affected by the mind image or company's fame. Organizational mind image reflects subjects inherent in the customers' minds from organization. These subjects can be related to the service, company or its users. Company image, like a filter, affects customers'

perceptions from company's operations. A positive mind image acts as a shield against weak services. In other words, with a positive mind image of customers from the company, occurrence of a bad experience would not be fatal for the organization. (zeithaml,1988) [18].

The following hypotheses are proposed:

H1b. Customer perception of company image positively influences customer perception of the quality of the service offer.

H2b. Customer perception of company image positively influences customer perception of value.

VI. EMPLOYEE AND COMPANY TRUST HYPOTHESE

Murgan and Hant refer to necessity of trust in forming a relationship commitment among customers and organizations. They defined the concept of trust as follows: "trust is when one side relies on creditworthiness and integrity of the other side". (Murgan & Hant 1994) [19].

Doney and Cannon suggest that highly trustable employees can maintain customers committed, even when difficult conditions are imposed by management on customers. So, it seems that emergence of trust or distrust to employees can be transferred to company. Based on the comments of Murgan and Hant (1994) [19], it can be concluded that trust to company stems from meeting expectations of customers which the company tries to satisfy them and consider their interests. In fact, Doney and Cannon argue that training and informing customers about the company, is one of the main five factors leading to trust. (Doney & Cannon,1997) [20].

Thus the following hypotheses are proposed about employee and company trust:

H1c. Customer trust in employee behavior positively influences customer perceptions of the quality of the service offer.

H2c. Customer trust in employee behavior positively influences customer perceptions of value.

H1d. Customer trust in the company's management policies and practices positively influences customer perceptions of the quality of the service offer.

H2d. Customer trust in the company's management policies and practices positively influences customer perceptions of value.

VII. CUSTOMER VALUE-LOYALTY HYPOTHESES

Dey believes that customer perceived value is the difference between perceived benefits and costs of customer. So, the attributed value to a product or service has a direct relationship with the expectations of customers from its benefits and an adverse relationship with its costs. Received value of the final customer is the difference between value attributed by customers for a product or service and its costs. Haber, et al. believe that providing higher value for customers is the key element ensuring success of the companies (Dolphin,2004) [21].

Brown believes that service loyalty includes three components: purchase, attitude and recognition (perception).

They have defined service loyalty as the degree of repetitive purchases of a customer from a service provider. In this situation, the customer has a positive tendency toward the service provider and when the need arises, only uses the same service provider (Johnson, 2006) [22].

The following hypotheses are proposed:

H4a. Customer perception of the quality of the market offer positively influences customer perceptions of the value of the market offer.

H4b. Customer perception of non-monetary cost offer negatively influences customer perceptions of the value of the market offer.

H4c. Customer perception of price offer negatively influences customer perceptions of the value of the market offer.

H4d. Customer perceptions of the value of the market offer positively influences customer loyalty.

VIII. RESEARCH METHODOLOGY

From the goal perspective, the current study is an applied one. With respect to type and nature of the problem, a descriptive research plus a survey method for data gathering are used. The statistical population of the study includes customers of the Iran Insurance Company in Tehran and a one-step cluster sampling is used. Because of impossibility of preparation of an exhaustive list of the statistical population, to determine number of the samples, the formula for infinite population is used. So, with maximum variance of 25%, margin of error of 9% and $p=5\%$, 120 samples were selected.

IX. MEASURES

Based on standard questionnaires of Brodie, Wittome and Brush (2009) [15] and other scholars to obtain the required data, the key factors were extracted by a library study and a finalized questionnaire was prepared based on the information and distributed among the samples including 120 customers of the Iran Insurance Company. Also, the questions were designed based on a Likert's 5 point scale continuum.

Validity of the questionnaire was tested via face validity and to determine its reliability, the Chronbakh alpha is used. Answers to the questionnaires were tested using SPSS software with $\alpha=0.941$.

X. ANALYSIS AND FINDING

In this study, the variables have an interval scale. Since the goal and plan of the study is to analyze the relationship and impact of independent variables on dependent ones, such a relationship is expectable based on theoretical principles. So, the study adapts with a multi-variable regression analysis. In this test, the null hypothesis indicates a zero coefficient for partial regression of independent variables in relation to dependent ones. In contrast, the opposite hypothesis shows a high coefficient for regression analysis.

XI. HYPOTHESES TESTING

To test the one to four hypotheses of the study, the following regression equation is designed.

$$SQ = \beta_0 + \beta_1 BI + \beta_2 CI + \beta_3 ET + \beta_4 CT + e$$

TABLE I. RESULT OF REGRESSION ANALYSIS FOR SERVICE QUALITY VARIABLE

SE	R	2R	Sig	T	B	
0/45527	0/756	0/571	0/006	2/819	**0/248	BI
	0/756	0/571	0/000	6/336	***0/557	CI
F=77/833 (0/000)						

**Magnifful in 99% validity and 1% error

In H_{1a} hypothesis, the t-value calculated for partial regression of the brand image (as an independent variable) is greater than critical limit (t=2.819>2.33) and the t-value equals with sig=0.006<0.01. So, the first hypothesis would be accepted. In H_{1b} hypothesis, the t-value calculated for partial regression of the company image (as an independent variable) is greater than critical limit (t=6.336>2.33) and the t-value equals with sig=0.000<0.01. So, the second hypothesis would be accepted.

TABLE II. RESULT OF REGRESSION ANALYSIS FOR SERVICE QUALITY VARIABLE

SE	R	2R	Sig	T	B	
0/39600	0/822	0/675	0/000	5/726	**0/446	ET
	0/822	0/675	0/000	5/587	**0/435	CT
F=121/702 (0/000)						

**Magnifful in 99% validity and 1% error

In H_{1c} hypothesis, the t-value calculated for partial regression of the employee trust (as an independent variable) is greater than critical limit (t=5.726>2.33) and the t-value equals with sig=0.000<0.01. So, the third hypothesis would be accepted. In H_{1d} hypothesis, the t-value calculated for partial regression of the company trust (as an independent variable) is greater than critical limit (t=5.587>2.33) and the t-value equals with sig=0.000<0.01. So, the forth hypothesis would be accepted.

To test the five to eight hypotheses of the study, the following regression equation is designed.

$$CV = \beta_0 + \beta_1 BI + \beta_2 CI + \beta_3 ET + \beta_4 CT + \beta_5 SQ + \beta_6 C + \beta_7 p + e$$

TABLE III. RESULT OF REGRESSION ANALYSIS FOR CUSTOMER VALUE VARIABLE

SE	R	2R	Sig	T	B	
0/54600	0/531	0/282	0/564	*0/579	0/066	BI
	0/531	0/282	0/000	**4/238	0/482	CI
F=22/998 (0/000)						

**Magnifful in 99% validity and 1% error

*Magnifful in 95% validity and 5% error

In H_{2a} hypothesis, the t-value calculated for partial regression of the brand (as an independent variable) is less than critical limit (t=0.579<1.96) and the t-value is sig=0.564<0.05. So, in relation to the BI variable, because the t-value is 0.579 and the level of reported t-value is 0.564, the H₀ hypothesis indicting lack of relationship between BI and CV can not be rejected. Hence, from a statistical standpoint, the above coefficient is insignificant and the fifth hypothesis would not be accepted. In H_{2b} hypothesis, the t-value calculated for partial regression of the company image (as an independent variable) is greater than critical limit (t=4.238>2.33) and the t-value equals with sig=0.000<0.01. So, the sixth hypothesis would be accepted.

TABLE IV. TABLE4.RESULT OF REGRESSION ANALYSIS FOR CUSTOMER VALUE VARIABLE

SE	R	2R	Sig	T	B	
0/53425	0/559	0/313	0/063	**1/879	0/213	ET
	0/559	0/313	0/001	**3/380	0/383	CT
f=26/621 (0/000)						

**Magnifful in 99% validity and 1% error

***Magnifful in 90% validity and 10% error

In H_{2c} hypothesis, the t-value calculated for partial regression of the employee trust (as an independent variable) is greater than critical limit (t=1/879>1.64) and the t-value equals with sig=0.063<0.1. So, the seventh hypothesis would be accepted. In H_{2d} hypothesis, the t-value calculated for partial regression of the company trust (as an independent variable) is greater than critical limit (t=3.380>2.33) and the t-value equals with sig=0.000<0.1. So, the eighth hypothesis would be accepted.

To test the nine to eleven hypotheses of the study, the following regression equation is designed.

$$CV = \beta_0 + \beta_1 BI + \beta_2 CI + \beta_3 ET + \beta_4 CT + \beta_5 SQ + \beta_6 C + \beta_7 p + e$$

TABLE V. RESULT OF REGRESSION ANALYSIS FOR CUSTOMER VALUE VARIABLE

SE	R	2R	Sig	T	B	
0/47751	0/675	0/456	0/048	*1/995	0/190	SQ
	0/675	0/456	0/056	***1/930	0/187	P
	0/675	0/456	0/000	**4/334	0/397	C
F=32/370 (0/000)						

*Magnifful in 95% validity and 5% error

**Magnifful in 99% validity and 1% error

***Magnifful in 90% validity and 10% error

In H_{4a} hypothesis, the t-value calculated for partial regression of the service quality (as an independent variable) is greater than critical limit (t=1.995>1.96) and the t-value equals with sig=0.048<0.05. So, the ninth hypothesis would be accepted.

In H_{4c} hypothesis, the t-value calculated for partial regression of the price (as an independent variable) is greater than critical limit (t=1.930>1.64) and the t-value

equals with $\text{sig}=0.056<0.1$. So, the tenth hypothesis would be accepted. In H_{4b} hypothesis, the t-value calculated for partial regression of the non-monetary cost (as an independent variable) is greater than critical limit ($t=4.334>2.33$) and the t-value equals with $\text{sig}=0.000<0.01$. So, the eleventh hypothesis would be accepted. To test the twelve hypotheses of the study, the following regression equation is designed.

TABLE VI. TABLE6.RESULT OF REGRESSION ANALYSIS FOR CUSTOMER VALUE VARIABLE

SE	R	2R	Sig	T	B	
0/59236	0/519	0/269	0/000	**6/597	0/519	CV
F=43/518 (0/000)						

**Magnifful in 99% validity and 1% error

In H_{4d} hypothesis, the t-value calculated for partial regression of the customer value (as an independent variable) is greater than critical limit ($t=6.579>2.33$) and the t-value equals with $\text{sig}=0.000<0.01$. So, the twelfth hypothesis would be accepted.

XII. CONCLUSION

The main results of the study can be summarized as follows:

1- There is a clear difference between impact of brand and company images on perceived value. Company image has a high, positive impact on perceived value but there is not a significant relationship between brand and perceived value.

2- Both company and employee trusts have a significant impact on quality of services provided and customer's perceived value but the impact of company trust on perceived value is very stronger than the impact of employee trust on perceived value.

3- Results show that price and intangible costs have a negative impact on customer's perceived value but with respect to their amounts, it is clear that intangible costs (devoted time, energy and mind involvement) are more important than price of services provided for customers.

4- Perceived value of the customer has a direct and positive impact on loyalty of customers. Thus, if the services provided don't meet their demands, they rarely repeat their purchases from the company.

5- Company trust has the highest impact on customer loyalty. Also, quality of services has the highest direct impact on loyalty.

6- Results of the study show the direct impact of customer's perceptions from service brand (brand image, company image, company trust and employee trust) on quality of services. In other words, for a high perceived value, there should be a high perception from quality of the services.

REFERENCES

[1] Berry L. Cultivating service brand equity. *J Acad Mark Sci* 2000; 128-37.

[2] Keller K, Lehmann DR. Brands and branding research: research findings and future priorities. *Mark Sci* 2006;25(6):740-59.

[3] Vargo S, Lusch R. Evolving to a new dominant logic for marketing. *J Mark* 2004;68(1):1-17.

[4] Kasper H, van Helsdingen P, Gabbott M. *Service marketing management: a strategic perspective*. John Wiley; 2006.

[5] Varki S, Colgate M. The role of price perceptions in an integrated model of behavioral intentions. *J Serv Res* 2001;3(3):232-40.

[6] Monroe KB. *Pricing: making profitable decisions*. New York: McGraw Hill; 1990.

[7] Chen Z, Dubinsky A. A conceptual model of perceived customer value in e-commerce: a preliminary investigation. *Psychol Mark* 2003;20(4):323-47.

[8] Calonius H. A market behavior framework. Paper presented at the 15th annual conference of the European Marketing Academy (EMAC), Swedish School of Business and Economics, Helsinki, Finland 1986; 515-524 (reprinted in *Marketing Theory* 2006; 6 (4): 419-428).

[9] Grönroos C. On defining marketing: finding a new roadmap. *Mark Theory* 2006;6(4):395-417.

[10] Grönroos C. *In search of a new logic for marketing: foundations for contemporary theory*. John Wiley and Sons; 2007.

[11] Brodie RJ, Glynn MS, Little V. The service brand and the service dominant logic: missing fundamental premise or the need for stronger theory. *Mark Theory* 2006;6(3):363-79.

[12] Dall'Olmo Riley F, de Chernatony L. The service brand as a relationship builder. *Br J Manage* 2000;11:137-50.

[13] Davis R, Buchanan-Oliver M, Brodie R. Retail service branding in electronic-commerce environments. *J Serv Res* 2000;3(2):178-86.

[14] Sirdeshmukh D, Singh J, Sabol B. Consumer trust, value and loyalty in relational exchanges. *J Mark* 2002;66(1):15-37.

[15] Brodie and Whitome, *Investigating the service brand*, 2009, 345-355.

[16] Keller K. Conceptualizing, measuring, managing customer-based brand equity. *J Mark* 1993;57 (1):1-22.

[17] Aaker D. The value of brand equity. *J Bus Strategy* 1992;13(4):27-32.

[18] Zeithaml V. Consumer perceptions of price, quality and value: a means-end model and synthesis of evidence. *J Mark* 1988;52(3):2-22.

[19] Morgan R, Hunt S. The commitment-trust theory of relationship marketing. *J Mark* 1994;58(3): 20-38.

[20] Doney P, Cannon J. An examination of the nature of trust in buyer-seller relationships. *J Mark* 1997;61:35-51.

[21] Dolphin R. Corporate reputation — a value creating strategy. *Corp Gov* 2004;4(3):77-92.

[22] Johnson MD, Herrmann A, Huber F. The evolution of loyalty intentions. *J Mark* 2006;70:122-32 (April).