Impact of Brand Identity on Customer Loyalty and Word of Mouth Communications, Considering Mediating Role of Customer Satisfaction and Brand Commitment (Case Study: Customers of Mellat Bank in Kermanshah)

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Abstract

Brand names in the current global economy are considered as one of the fundamental principles of business. Every brand wants to be powerful, should be able to correctly identify themselves during the birth and growth stages and over time, through innovation, improve its image in the minds of consumers. Today, the brand identity, as well as capital creates value for the organization and its products. A powerful brand has a duty to be faithful to their identity. The study analyzes the impact of brand identity on customer loyalty and word of mouth advertising and variables of customer satisfaction and brand commitment have been studied as an intermediate variable. This study is an applied research and the method of data collection is a descriptive – survey. In this study, customers of Mellat Bank in the Kermanshah selected as a Statistical population. By using Cochran formula sample size has been estimated about 384

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people who were selected randomly. A questionnaire was used for data collection. Reliability and validity of the questionnaire was confirmed by Cronbach's alpha testing and university professors. The results showed that all hypotheses are confirmed and have been showed significant relationship between brand identity, customer loyalty and word of mouth advertising considering mediating role of customer satisfaction and brand commitment.

**Keywords:** Brand Identity, Customer Loyalty, Word of Mouth Communications, Customer satisfaction, Brand commitment.

**Introduction**

Nowadays, in order to define a brand, given its emphasis on identity, which as an important invisible element. Identity, an element that is not visible but has originality and roots. One of the favorite areas of brand management is creating a sense in consumers' minds through the identity for the brands (Holliday, Sue. Kuenzel, Sven, 2008). When consumers pay attention to the quality of the brand and competitors can easily copy and imitate the characteristics of the product, creating a strong brand identity, to create value for the brand is very important and precious. (Geuens, Maggie, Weijters, Bert. Wulf, Kristof, 2009). Brand identity provides a framework for the integration of the brand. Through the brand identity could be determined the investment opportunities, means to regulate the construct of expression, and ensures durability. The concept of the brand identity reminds us not to take each sort of investment opportunities. A brand name may at first of their birth, has admission capacity of everything but the time, and symbols takes during this period, consequently provide boundaries, sense and scope for the brand (Kapfer, zhon, 2006).

**Brand Identity**

Brand identity is an important issue of brand management as the brand continues to expand and diversify the customer felt that could be facing several different brand names, not a single. If any product without values and principles are intended to be bound to a name, in the marketplace will not be defeated. This is why many companies have paid special attention to maintaining their brand identity. Brand identity in its simplest form, is defined as: identity, comes out from a single source and by symbols, messages and etc. and passed to the product. If the product and associated experiences with it, cross their paths, it is difficult to say that all the paths caused by the same brand source. Identity is the essence and authenticity of any brand. If a company wants to create a permanent image, must first create your own brand identity Then, based on this identity, the messages that make up each brands image, will be published( Behabadi. Farshad, 2009).Importance of strong brands, providing a clear brand identity that is well defined and explained. (McCormack, Jay P. & Cagan, Jonathan, 2004). According to Aaker (2002), Brand identity provides a framework for the integration of the brand. Through the brand identity could be determined the investment opportunities, means to regulate the construct of expression, and ensures durability. The concept of the brand identity reminds us not to take each sort of investment opportunities. A brand name may at first of their birth, has admission capacity of everything but the time, and symbols takes during this period, consequently provide boundaries, sense and scope for the brand.
In short, its etymological meaning imposes limitations. Brand identity, banning certain investment situations and guarantees some others. Investment opportunities should be believable and desired position for the brand might be justifiable (Kapfer, zhon, 2006). Brand identity, a unique set of brand associations that the brand strategists want to create it. These associations indicate what brand it is, and that is a promise to customers. In fact, the basis and essence of branding is that companies should attempt to create brands which are strong and powerful, desirable and unique (Kostelijik, Erik., 2008). Kapfr believes that the concept of identity is formulated based on three qualities: durability, consistency, realism. Unlike brand image, identity doesn't have prone to idealism, instability, and is seeking opportunities.

**Customer Loyalty**

Today is the era of loyalty such as customer loyalty, employee loyalty, management loyalty, and loyalty to the principles, ideals and beliefs and etc. Several studies have shown that satisfaction isn’t the key to ultimate success and profitability. In fact, the marketing concepts which emphasize satisfaction up until yesterday are getting unimportant issues. Today only the customers who have sense of belonging to the organization considered as a long term profitable investments for organizations. It should also be noted that a satisfied customer, is a good source for advertising. In other words, marketing experts, have expressed that numerous benefits to loyalty include: reducing the cost of attracting new customers, reduce customer sensitivity to price changes, the benefits of customer lifetime value, positive performance by increasing the projections And increase barriers to entry to new competitors. (Gee et al, 2008).

Customer loyalty means a commitment to doing business with specific organization and continuously purchase of certain goods and services. In another definition, loyalty is a strong commitment to repurchase a product or service of organization in the future if the product despite the potential impact of marketing efforts of competitors (Beerli A., Martin J.D., Quintana A., 2004).

Richard Oliver (1999) defines the concept of loyalty as this form: Loyalty is a deep commitment to repurchase or support the preferred product or services in the future and despite the situational influences and marketing efforts customers repeated purchasing the same brand. (Taylor, S.A. and Celuch, K. and Goodwin, S., 2004). Companies to gain customer loyalty, it is necessary to go beyond their expectations; Otherwise, customers may be leaning to another suppliers. Ryhlrd (1996) in his book "loyalty effect" are expressed loyalty benefits as follows:

**Continues profit**:The advantages of customer loyalty are long-term and cumulative. The longer a customer remains loyal, the more profit a business can get from that single customer.
Reduces marketing cost: Businesses have to invest money to attract new customers, such as advertising. For loyal customers, these costs are eliminated or minimized.

Increases per-customer revenue growth: Customer spending tends to increase over time. For example, a customer who repeatedly stays at the same hotel becomes more familiar with the hotel’s full product line, such as gift shops and banquet rooms. And that customer will be likely to sample other product lines of the company, thus helping the company achieve a larger share of customers.

Decreases operating cost: For a loyal customer, the front desk clerk does not need to spend time entering data into the computer instead she/he retrieves the loyal customer’s existent data. Loyal customers’ familiarity with the company’s products makes them less dependent on its employees for information and service, thus decreasing servicing cost.

Increases referrals: Satisfied customers recommend the business to friends and others. Referrals are a vital source of new customers, and customers who show upon the strength of a personal recommendation tend to stay longer.

Increases price premiums: Brand loyal customers pay more for a brand because they perceive some unique value in the brand that no other alternative can provide, and they are less likely to be lured away by a discount of a few dollars. Many people will pay more to stay in a hotel they know than to take a chance on a less expensive competitor.

Provides competitive advantage: As consumers become loyal to a brand, they become less sensitive to a price increase. The company can maintain a price differentiation over the competition because of the product’s ability to satisfy their needs. (Tepeci, M, 1999)

Word of Mouth Communications

Word of mouth communications refer to the extent in which a customer informs his/her friends, coworkers, and relatives about products or services that satisfy his/her needs. With regard to the relationship between customer satisfaction and word of mouth communications, some authors pointed out that the form and type of this relationship can be different in every level of customer satisfaction. Hart et al. (1990) indicated that unsatisfied customers transfer their bad experiences to 11 potential customers. They also pointed out that the satisfied customers transfer their successful experiences to 6 ones. Additionally, the Fortune indicates that the results of different studies showed that the customers offer their positive experiences for 8 ones. One of the interpretations of this fact can be described by theory of asymmetric effects of positive and negative events. It can be claimed that the positive events create more powerful responses than negative ones in the special circumstances. Based on theory of Tailor (1991), another reason of this is that the negative feelings and emotions are related to the act, but positive ones are related to the emotions and senses. Generally, it is more important for people that react to the negative environment more than positive one. Also it can be indicated that most peoples have tendency to interpret the positive affairs more than negative one. Therefore, it can be concluded that the satisfied customers transfer their positive experiences to others more than unsatisfied ones (Solderlund, 1998).

On the other hand, word of mouth communications refer to the informal communications that are transferred among society members about characteristics of a business or product (Christian and Tax, 2000). Also word of mouth communications refer to the discussion about
products and services among peoples that are autonomous from the supplier company. These discussions can be done as two-way dialog among peoples or a one-way suggestion. But the main point is that the discussion done among peoples and it is perceived that there is not any benefit from encouraging others to use products. Therefore, there is not any especial encouragement for creating trust on the product or services. The reason is that word of mouth communication encourages peoples to discuss about characteristics of the product or service through traditional marketing principle. All in all, the marketing efforts that be done through word of mouth communication is more effective than other methods of marketing. The main reason is that only 14% of the potential customers rely on the information that they receive from commercial advertisements. Also it is more attractive that 90% of the peoples rely on the information that they receive from their family, friends, or relatives about a product or service. Because they know that there is not any benefit for individuals who advertise the product or service. Word of mouth communications facilitate decision making for the receiver of the message. Because the best method of avoiding from works and doing them is that letting others to do them (Alire, 2007). It is the best method for encouraging others to doing works and accepting risk of the information collection and the product trial. In this method you do not have spent your time, pay money for informational resources, or undertake its risk. Therefore, the following conclusions can be resulted (Silverman, 2011):

- Accelerating the desirable decisions is the best method for increasing benefits.
- Simplifying the decision making process is the best method for accelerating them.

Therefore, it can be concluded that the best method of simplifying decisions is using word of mouth communications rather presenting confusing and unreliable information through advertisements, sale force, or other traditional marketing instruments. All in all, word of mouth communications play an important considerable role in the formation of consumers’ attitude and behavior influences it. The results of several studies indicate that the word of mouth communications have more effects on the customers in comparison to other sources such as suggestions or advertisements. The reason is that word of mouth communications offer more reliable information than other advertisement instruments. It is should be remembered that these communications be done in a face to face manner (Jalilvand and Samiei, 2012). The main idea in the word of mouth communications is that the information about products, services, shops, and companies can be distributed among consumers through these communications. In a comprehensive view, word of mouth communications include all of the information about the goal that is transferred from every individual to another. Based on the results of new studies, it is expected the likeable images have more positive effects on the word of mouth communications. The consumers will transfer the product to their friends and relatives if they love it (Rageh Ismail and Spinelli, 2012).

Customer satisfaction
The marketing authors present different definitions for the concept of customer satisfaction. For example, Kotler (2001) refers to the customer satisfaction as the degree of actual performance of product for satisfying customers’ expectations. According to Kotler (2001), as the company’s performance meets the customer’s expectations, his/her satisfaction will be increased. Otherwise, he/she will not be satisfied (Divandari and Delghah, 2005). Jamal and Maser (2002) define customer satisfaction as after-purchase sense or attitude of the customer
toward a product or service. They indicated that the customer satisfaction is the main outcome of the marketing efforts that act as the relation between different stages of consumer’s purchase behavior. Also some other behaviors such as repurchase and word of mouth communications influence companies’ survive and profitability directly. This definition is supported by most of the marketing theorists: the customer satisfaction is a conclusion that is resulted from comparing expected performance and perceived actual performance with regard to the payment costs (Beerli and Quintana, 2004). Also satisfaction refers to the consumers or receivers’ positive emotion about product or service. Indeed, this emotion is created through satisfying customers’ expectations or suppliers’ performance. Also degree of satisfaction or dissatisfaction depends on the relationship between customer’s expectations and supplier’s performance (Dadkhah, 2009). On the other hand, satisfaction is a positive response that resulted from an expectable unstable experience that includes observable processes. The customers compare the pre-purchase or after-purchase results with their expectations and any differences leads to insistence (Burnner et al., 2008).

The results of the experimental studies indicate that satisfaction is the background of brand and attitude loyalty to the brand in the services sections. Therefore, it can be said that there is a positive relationship between brand satisfaction and attitude loyalty (Bunnett et al., 2007).

The customer satisfaction refers to the motivation that is placed based on the past experiences. According to Hasket et al. (1994), overall satisfaction refers to the total evaluation of the consumption experiences during time that leads to maintain the customers and hereby results in more profit. Oliver (1999) pointed out that customer satisfaction leads to loyalty and also decreases switching behavior by customer. This claim is supported by most of the past studies. Since the customer satisfaction is an emotional response, it can be said that the customer satisfaction influences tendency toward switching behavior through increasing loyalty commitment level. Therefore, it can be concluded that high level of customers’ satisfaction is a positive response for meeting their needs and wants during time. This can leads to customer satisfaction. All in all, it can be said that increase in the customer satisfaction leads to increase loyalty (Loyalty commitment) and also decrease switching behavior. Based on the role of satisfaction in decreasing customers’ switching behavior, the satisfied customers suggest word of mouth recommendations about the company for their friends, relatives, and coworkers. If the positive behaviors of word of mouth communications can be controlled by company appropriately, they can be used as important critical promotional instrument. The reason is that increasing customers’ satisfaction results in more supportive activities of word of mouth communications (Sweeney and Swait, 2008).

**Brand commitment**

The commitment refers to the sustainable tendency toward continuing the buying relationship with a company. The consumers tend to improve and maintain the emotional associations with which brand that results in their warm and enjoyable feeling. On the other hand, the consumers will have more powerful emotional belonging to the brand. The commitment can be divided into two components including emotional commitment and continuity. There is a significant relationship between emotional commitment and the brand name. This refers to the powerful personal feeling and emotional business commitment based on the identification and shared brand values. The emotional commitment refers to the deep belonging toward brand.
the continuity commitment, the customer will change the brand as he/she has week feeling toward it (Aysel, 2012). Commitment was defined as a psychological attachment to the brand and also has a close relationship with behavioral loyalty. Commitment leads that the customer express his/her defensive motivations and then these will result in high levels of commitment. There are several consumer behavior studies that examine the role of commitment in the adjustment of advertisement effects. The first effect of the commitment is that the behavior and cognition are resistant to change. The customer who define the concepts of commitment and attitude in the frame of behavioral and attitude commitment, they will have more resistant to change (Kishore et al., 2008).

Theoretical Background
Shahin et al. (2011) in their study that was entitled “the effects of brand experiences, trust, and satisfaction on the brand loyalty” found that the brand experience, satisfaction, and trust influences brand loyalty positively.
Eris et al. (2012) in their study that was entitled “the effects of brand satisfaction, trust, and commitment on the brand loyalty and purchase intention” found that brand satisfaction influences emotional commitment. Another part of their results showed that brand trust influences emotional and sustainable commitment. Additionally, their results indicated that there is a significant relationship between emotional commitment and re-purchase intention and loyalty. But their results could not confirm the effect of sustainable commitment on the re-purchase intention and loyalty.
Hoseyni et al. (2011) in their study that was entitled “examining the effective factors on the brand loyalty in the dairy products” found that there are several effective factors on the brand loyalty in their case study. These include price, taste, advertisements, packaging, availability, and word of mouth communications.

Hypothesis
H1: Brand Identity has positive effect on Customer Satisfaction.
H2: Brand Identity has positive effect on Brand Commitment.
H3: Customer Satisfaction has positive effect on Customer Loyalty.
H4: Customer Satisfaction has positive effect on Word of Mouth Communications.
H5: Brand Commitment has positive effect on Word of Mouth Communications.
H6: Brand Commitment has positive effect on Customer Loyalty.
H7: Customer Loyalty has positive effect on Word of Mouth Communications.

According to the hypotheses conceptual model is shown as follows:
Figure 1: Proposed conceptual model for research

Research methodology
This study is a practical study from purpose view and is a descriptive-survey one from research methodology perspective. Because the authors seek to determine the casual relationship between research variables, the study is a casual research. The statistical population of this study includes all of the customers in Kermanshah Melli Bank Branches that the sampling table has been used for determining sample size. A sample of 384 customers was surveyed randomly.

Sampling and data collection
The main data-collection instrument of this study is questionnaire. For this purpose, each part of this questionnaire has developed from different standardized questionnaires. In order to examine and confirm reliability of the questionnaire, the questionnaire has been internalized based on the other similar questionnaires and literature review and then its measurement competency has been evaluated by academic experts. Also Confirmatory Factor Analysis (CFA) has been used for examining construct validity. For this purpose, the questions that their loading factors were less than 0.5 have been eliminated from final analysis. In order to examine reliability of the questionnaire, Cronbachs’ Alpha Coefficient has been used that its results have been presented in the following section. Based on the results of Cronbachs’ Alpha coefficient that has been indicated in table 1, the questionnaire has favorable reliability and validity. All in all, it can be concluded from these results that the questionnaire has favorable reliability and validity.
Table 1

<table>
<thead>
<tr>
<th>Factors Questionnaire</th>
<th>Brand Identity</th>
<th>Customer Satisfaction</th>
<th>Brand Commitment</th>
<th>Customer Loyalty</th>
<th>Word of Mouth Communication</th>
<th>Total Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbachs' Alpha</td>
<td>0.872</td>
<td>0.793</td>
<td>0.784</td>
<td>0.832</td>
<td>0.815</td>
<td>0.813</td>
</tr>
</tbody>
</table>

Measures

In order to test the research hypotheses, Structural Equation Modeling and path analysis have been used. For this purpose, not only addictiveness of the collected data and conceptual model has been examined, but also significance of the casual relations has been tested. Normed Fit Index (NFI), Non-Normed Fit Index (NNFI), Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), and Root Mean Square Residual (RMSR) are the main indexes that have been used for examining model fitness. Kalantari (2009) indicated that if the GFI, RFI, CFI, NFI, and NNFI were more than 0.9, RMSEA was less than 0.1, and RMR was less than 0.05 are the best indexes for model fitness. These have been used for testing the hypotheses in the Lisrel. The results of the model fitness and research hypotheses have been indicated in the following section.

Table 2

<table>
<thead>
<tr>
<th>Goodness of fit index</th>
<th>Acceptance criteria</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \chi^2/\text{df} )</td>
<td>( \chi^2/\text{df}&lt;5 )</td>
<td>3/549</td>
</tr>
<tr>
<td>GFI</td>
<td>GFI&gt;0/90</td>
<td>0/97</td>
</tr>
<tr>
<td>RMR</td>
<td>RMR&lt;0/05</td>
<td>0/046</td>
</tr>
<tr>
<td>RMSEA</td>
<td>RMSEA&lt;0/1</td>
<td>0/042</td>
</tr>
<tr>
<td>CFI</td>
<td>CFI&gt;0/90</td>
<td>0/97</td>
</tr>
<tr>
<td>RFI</td>
<td>RFI&gt;0/90</td>
<td>0/91</td>
</tr>
<tr>
<td>IFI</td>
<td>IFI&gt;0/90</td>
<td>0/998</td>
</tr>
</tbody>
</table>
Figure 2: Path coefficients

Chi-Square = 938.35, df = 223, P-value = 0.00000, RMSEA = 0.042
Figure 3: T-value

![Image of a diagram showing T-value with statistical values and significance levels.]

**Fitness index of this model include:**

- Normed Fit Index (NFI) 0.92
- Non-Normed Fit Index (NNIF) 0.94
- Goodness-of-fit index (GFI) 0.96
- Normed Fit Index (NFI) 0.95
- Comparative Fit Index (CFI) 0.97
- Relative Fit Index (RFI) 0.91
- Root Mean Square Residual (RMSEA) 0.042

As the results of model fitness indicated, all of the fitness indexes have favorable value and so the conceptual model has favorable fitness. The hypotheses have been tested after confirming model fitness through research data. As the results of table 2 shows, T-value of the effects of brand identity on the customer loyalty and word of mouth communications is significant. Also it is should be remembered that T-value is one of the significance parameters that its value will be acceptable if its value is more than 1.96 or less than -1.96.

**Research analysis and findings**

**First hypothesis:** brand identity influences customer satisfaction significantly. As the results of data analysis indicated, T-value of this hypothesis is 18.93 and its coefficient of determination is 0.94. Therefore, it can be concluded from these results that brand identity influences customer satisfaction positively and so this hypothesis is confirmed.
Second hypothesis: brand identity influences brand commitment significantly. T-value of this hypothesis is 14.62 and its coefficient of determination is 0.79. These values indicate that brand identity influences brand commitment positively and so this hypothesis is confirmed.

Third hypothesis: customer satisfaction influences customer satisfaction significantly. The results of statistical test show that T-value of this hypothesis is 4.50 and its coefficient of determination is 0.22. This confirms the hypothesis. So it can be concluded that customer satisfaction influences customer satisfaction positively.

Fourth hypothesis: customer satisfaction influences word of mouth communications significantly. As the results show, T-value is 4.16 and coefficient of determination is 0.28 for this hypothesis. These statistical values confirm the hypothesis and it can be conclude that customer satisfaction influences word of mouth communications positively.

Fifth hypothesis: brand commitment influences word of mouth communications significantly. T-value of this hypothesis is 2.94 and its coefficient of determination is 0.37 and this shows that this hypothesis is confirmed. Therefore, it can be concluded that brand commitment influences word of mouth communications significantly.

Sixth hypothesis: brand commitment influences customer satisfaction significantly. As the results indicate, T-value is 12.05 for this hypothesis and coefficient of determination is 0.73 for this hypothesis. Therefore, it can be concluded that the sixth hypothesis is confirmed and it can be said that brand commitment influences customer satisfaction positively.

Seventh hypothesis: customer loyalty influences word of mouth communications significantly. T-value of this hypothesis is 2.72 and its coefficient of determination is 0.36. Therefore it can be concluded that the seventh hypothesis is confirmed and it can be said that customer loyalty influences word of mouth communications significantly.

Finally, with regard to the significant direct effect of brand identity on the customer satisfaction (first hypothesis) and the significant direct effect of customer satisfaction on the word of mouth communications (fourth hypothesis), it can be said that the customer satisfaction plays a mediating role between brand identity and word of mouth communications. Also with regard to the significant direct effect of brand identity on the brand commitment (second hypothesis) and the significant direct effect of brand commitment on the word of mouth communications (fifth hypothesis), it can be concluded that brand commitment plays a mediating role between brand identity and word of mouth communications.

Discussion and conclusion

All in all, the results of this study confirm all of the research hypotheses and also significant relationship between brand identity and customer loyalty and word of mouth communications is significant through customer satisfaction and brand commitment in this organization. As a result, it can be said that brand identity is one of the most important instruments of word of mouth communications in the organizations. Based on the significance coefficient, it can be concluded that customer satisfaction, loyalty, and commitment are the main mediating factors of trust, brand image, and word of mouth communications that have significant positive effect on the word of mouth communications.

With regard to the significant positive effects of brand identity on the word of mouth communications and brand identity as an image for consumer, it is suggested for bank managers to consider this relationship and communicate a direct relationship between brand name and their services.
With regard to the significant positive relationship between customer satisfaction and word of mouth communications, it is suggested that the bank managers identify the effective factors on the customer satisfaction and then do the necessary activities for improving customer satisfaction and hereby increase word of mouth communications among customers. Services quality is the main factor in customer satisfaction especially. It is suggested that the bank managers improve quality of their services for increasing their customers’ satisfaction. It is necessary to do primary studies for identifying effective factors on the services quality from customer perspective and then seek to improve them.

Finally, because word of mouth communication is one of the powerful advertisement instruments, it is suggested for bank managers to rank their customers’ trust and deliver the services for them based on their trust. Also these customers can be used as sources of word of mouth communications in their advertisements.

References


