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Functional Brand Attributes and the Corporate Brand Image of Islamic Banking Institutions

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Abstract

Building a favourable corporate brand image is crucial in determining the long term success of businesses, especially in the service sector. Although various studies have been conducted on the image of conventional institution, limited studies could be found in trying to understand the image of an organisation incorporating Islamic values. Therefore, this study aims to review the factors influencing the corporate brand image of Islamic banking institutions, which are the functional brand attributes. Details on the functional brand attributes of Islamic banking institutions, which is measured by contact personnel, access to service and product offerings and its relationship with the overall corporate brand image, is provided. Based on the reviews of literature, a model depicting the relationship between the construct is proposed, and hypothesis is developed.

Keywords: Brand Attribute, Functional Brand Attribute, Corporate Brand Image, Brand Image, Islamic Bank

Introduction

The Islamic banking sector has grown tremendously not only in Malaysia, but also in other parts of the world. As a dominant segment in the Islamic Financial Services Industry, the amount of assets for the Islamic banking sector worldwide has reached USD1.5 trillion as in the first half of the year 2015 (IFSB, 2016) and in the Malaysian banking sector alone, the market share of Islamic banks has increased to 23% in the same period (IFSB, 2016). Despite this encouraging success, Islamic banks face an intense competition due to the increasing number of institutions established in the Islamic and conventional segments and the blurring differentiation in the products and services offered (Devlin, Ennew, & Mirza, 1995). Not only that, studies also show that consumers are not aware of the differences between the Islamic and conventional banking concepts (Al-Tamimi et al., 2009; Islam & Rahman, 2017). These unsuccessful differentiation attempts lead to various misconceptions (Ahmad, 2007), which among others, Islamic banks have been accused of being interest-based rather than

interest-free, proving its depiction of their conventional rivals (Chong & Liu, 2009) and the element distinguishing the Islamic bank from its conventional counterparts is only on the use of Islamic terminology, while the *Shari'ah* compliance aspect remains in question (Khan, 2010). These misleading beliefs and accusations signal an ineffective image differentiation effort and if remain unchanged may provide no reasons for customers to choose an Islamic brand over another (Ahmad et al., 2011), thus this matter needs to be handled carefully.

Therefore, in order to face these challenges, the Islamic banking institution is proposed to focus on branding efforts by developing a strong corporate brand image (Ahmad et al., 2011). Although studies on corporate image have enormously been done before, most of the studies focused on the large conventional corporation, while religiously oriented institutions are being neglected (Arpan, Raney, & Zivnuska, 2003; Fetscherin & Usunier, 2012). In the context of the Islamic bank, although some studies are available, majority of it focused on the emotional aspect of image only (e.g.: Osman, Syed Alwi, et al., 2015; Osman, Ali, Mokhtar, Setapa, & Abd Malek, 2016), while the functional aspect is less covered, although it is widely accepted that image consists of two components, which are functional and emotional.

Hence, based on these arguments, this study attempts to focus on the influence of Islamic bank functional brand attributes towards the overall corporate brand image of the bank. By implementing this, hopefully the Islamic banking management would find a proper basis and guideline to form a suitable image for the bank.

Literature Review

Functional Brand Attributes

The functional brand attributes of a service refers to the tangible items of the brand that give an impact on service performance and could be easily evaluated such as price, accessibility, and reliability of service (Aranda, Gómez, & Molina, 2015; Dowling, 1986; Kennedy, 1977; Martineau, 1958). These attributes solve consumption-related issues (Park, Jaworski, & MacInnis, 1986) and are able to fulfil the rational and practical needs (Bhat & Reddy, 1998). Functional attributes may also relate to the perceived service quality (Da Silva & Syed Alwi, 2008) and be interpreted as beliefs and knowledge on the brand physical attributes (Hosany, Ekinci, & Uysal, 2006), as well as a cognitive attitude towards a brand (Syed Alwi & Kitchen, 2014).

Various attributes have been found and categorised under the functional brand attributes of financial institutions, especially in the conventional context. Among others, variables related to the service and product offerings, accessibility, contact personnel and servicescape have been recognised as the most cited factors in the literature (Bravo et al., 2010; Durna, Dedeoglu, & Balıkcıoglu, 2015; Nguyen & Leblanc, 2002). Service offerings in the context of bank may be perceived from the angle of interest rate, innovation and variety of products (Bravo et al., 2010). However, in the context of Islamic bank, financial services offered should be guided by the divine revelation or *shari'ah* (Maulan, Omar, & Ahmad, 2016; Temporal, 2011). On the other hand, accessibility refers to the convenience factor and the degree of easiness to use the service (Ahmad et al., 2011; Bravo et al., 2010), while servicescape relates to the style and attractiveness of the place in which service production and

consumption is delivered (Bravo et al., 2010; Nguyen & Leblanc, 2002). This includes the ambience and condition of the physical environment such as colour, odour, light and layout, which may facilitate the process of delivery and create comfortable atmosphere (Nguyen & Leblanc, 2002). Lastly, contact personnel refers to the front-line employees who interact directly with clients and create a first impression towards the organisation (Nguyen & Leblanc, 2002) through their manners in delivering service such as kindness and professionalism (Bravo et al., 2010; O'Cass & Grace, 2003). Every interaction between the firm personnel and the customers plays a central role in the formation of a company's image (Anisimova, 2014; Jalilvand & Samiei, 2012; Kennedy, 1977). For the Islamic bank, Muslim consumers perceive the bank to convey an Islamic brand identity if the bank personnel appears according to the Islamic dress code, for example by wearing hijab for women (Ashraf et al., 2015). Not only that, bank personnel should also understand and convey information on the sharia compliance aspect of products to customers (Awan & Bukhari, 2011).

In the context of the Islamic bank, although studies evaluating the functional brand attributes and its influence towards image are scarce, Ahmad et al. (2011) so far has found the importance of contact personnel, accessibility, products and services offerings in influencing Islamic banking preference. Thus, based on this and the banking literatures in the conventional context, the study believes that contact personnel, access to service and product offerings are suitable to represent functional brand attributes. The conventional financial service studies have also found the relevancy of these three factors in determining corporate brand image (Leblanc & Nguyen, 1996).

Corporate Brand Image

A human mind processes things based on its image and not exclusively based on the things itself. This process is called mental imagery, which involves input from sight, taste, sound, smell or multiple senses experience (Stern, Zinkhan, & Jaju, 2001). The concept of image combined the perception of various objects or components to form an overall perception towards an organisation or brand (Haedrich, 1993). In the context of corporate brand, image has been defined by Gray and Balmer (1998) as "the mental picture of the company held by its audiences or what comes to mind when one sees or hears the corporate name or sees its logo". It has also been viewed to be based on "what people associate with the company or all the information (perceptions, inferences, and beliefs) about it that people hold" (Martenson, 2007).

Image has been argued to be an important aspect of a strong brand (Hosany et al., 2006) and plays an important role in the formation of brand equity (Aaker, 1991; Biel, 1993; Chen, Chen, & Huang, 2012; Keller, 1993; Kim & Hyun, 2011; Van Rekom et al., 2006). In a competitive business market, creating a powerful image is considered to be part of the positioning strategy (Aaker, 1991; Biel, 1993; DiMingo, 1987; Park et al., 1986; Van Rekom et al., 2006) to differentiate a company or its offering from competitors (Hsieh, Pan, & Setono, 2004; Padgett & Allen, 1997). In the case of intangible service, image is used by consumers to define a product in their mind and is proven to be able to influence selection and intention to purchase (Andreassen & Lindestad, 1998; Dowling, 1986; Langrehr, 1985; Michel & Rieunier, 2012). Not only that, studies also found that image plays an impact in influencing satisfaction (Andreassen & Lindestad, 1998; Fatt, Wei, Yuen, & Suan, 2000; Minkiewicz, Evans, Bridson, & Mavondo, 2011; Palacio, Meneses, & Pérez, 2002; Sallam, 2016) and loyalty (Andreassen & Lindestad, 1998; Chung, Yu, Kim, & Shin, 2016), as well as determining future

behaviour (Andreassen & Lindestad, 1998). This is especially important for the Islamic bank in which the services delivered is difficult to be evaluated, and customers is said to have a limited understanding and knowledge of the products offered.

As such, developing a strong corporate brand image should be a top priority of many organisations (O'Cass & Grace, 2003), especially because it is considered as one of the intangible assets that cannot be copied by competitors (Sondoh Jr, Wan Omar, Abdul Wahid, Ismail, & Harun, 2007; Yeo & Youssef, 2010). Therefore, in order to develop a favourable image, understanding and determining the most valued attributes that form image is important so that corrective action can be taken and future strategies could be developed (Barich & Kotler, 1991). Unfortunately, limited consensus exists on the measurement of image, and as such a sound research is needed (Winchester & Fletcher, 2000). Understanding how image could be improved would help banking institutions to shape its operation and branding activities in a way that could boost image.

Proposed Model

Previous studies have shown the relationship between functional brand attributes and corporate brand image. In the context of business schools for example, cognitive brand attribute which is considered to be similar to functional brand attribute was found to be statistically significant in explaining corporate brand image (Syed Alwi & Kitchen, 2014). Other than that, functional related attributes also were proven to be positively significant in influencing the corporate brand image in the context of online and offline retailing, although the attributes are different between the two contexts (Da Silva & Syed Alwi, 2006). In destination image study, the functional brand attributes assessed through cognitive evaluation are said to have a stronger impact towards the image of the destination as compared to the affective evaluation (Martin & Bosque, 2008). Hence, based on the result of the previous studies, in the context of the Islamic bank, the following hypothesis is proposed:

H1: There is a positive and significant relationship between functional brand attribute and the corporate brand image of Islamic banking institutions.

Figure 1.0 portrayed the model indicating the relationship between the two proposed constructs.

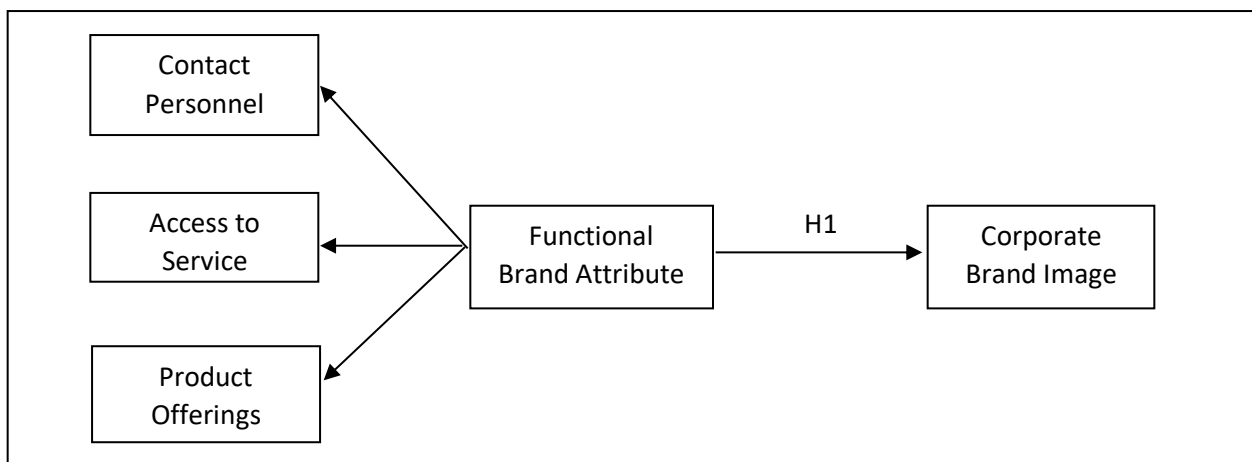


Figure 1.0 Proposed conceptual framework

Research Methodology

A quantitative research technique using survey questionnaire will be used in this study. Population of the study includes customers of Islamic banking services in Malaysia. A purposive sampling technique will be adopted to select respondents of the study. In order to test the hypothesis, a Partial Least Square analysis will be conducted using PLS-SEM software. The measurement model will be analysed first in order to ensure its validity and reliability before the structural model is tested to find the answer for the hypothesis.

Conclusion

A conceptual model has been proposed to identify the relationship between the functional brand attributes and the overall corporate brand image of Islamic banking institutions. The study contributes to the body of knowledge by determining the role of functional attributes towards image in the context of an organisation carrying an Islamic identity. Other than that, it is hoped that findings of the study would provide guidelines for the Islamic banking industry in Malaysia, especially in managing their corporate identity so that the image seen by consumers will be favourable. Future studies could consider to include other attributes of a brand such as the emotional and spiritual brand attributes to understand how they interact in influencing image.

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