



## The effect of brand experience, service quality and perceived value on brand loyalty study (Case Study: National Bank of Birjand city)

Mahdi Mahmoodzadeh

Received:20.08.2015

Revised:25.09.2015

Accepted: 30.09.2015

### ABSTRACT

In the era of knowledge-based economy, the value-creating activities of the organization are not only based on their tangible assets, but the organization's ability to use the intangible assets, will form the main power of their value creating. The aim of this study is to identify the effect of brand experience, service quality and perceived value on loyalty to the brand in the National Bank of Birjand city. Hypothesized relations between the dimensions of brand marketing experience, service quality and perceived value of loyalty, with data that were selected through structured questionnaires from 254 in person clients of National Bank of Birjand by simple random sampling, were collected and analyzed. Research methodology in this study, from the nature dimension is applied and in terms of methodology is descriptive - survey. For the questionnaire validity, content validity was used and for the reliability, the Cronbach's alpha that the results of which were calculated 0.97 for the questionnaire was used and for data analysis, the structural equation modeling method with the partial least square approach of Smart PLS software has been used. The results of the analysis showed that there is a relation between brand experience marketing dimension and perceived value with brand loyalty directly and indirectly (through a mediator variable), however, a direct relationship between the quality of service and loyalty is not confirmed, but through mediator variables, the consent of the brand and trust to the brand the relation was confirmed.

**Keyword:** Bank, service quality, brand experience, brand satisfaction, brand trust, perceived value, customer loyalty

### Introduction

In the 1980s and 1990s, the major focus of marketers and researchers was on the customer satisfaction issue and ways to increase the customer satisfaction. However, with the passage of time, marketers have found that a large number of customers, who were satisfied, did not reuse the considering product or service necessarily (hyun, 2010). Today, the organizations believe that they can only hope to survive, increase market share and their profitability in the long-term only with customer loyalty (Ganguli & Roy, 2011; Izogo, 2015). Organizations and institutions that are successful in building customer loyalty, will achieve a big competitive advantage compared to their competitors (Aksu, 2006, Chen, 2015). Previous research also showed that the cost of attracting new customers is several times more than the cost of retaining the existing customers. Thus, creating brand loyalty in customers, especially when there is an intense competition among organizations, has become one of the basic marketing strategies of organizational marketers. As mentioned above, due to an intense competition in the banking industry, one of the most important objectives of the Banks, along

with attracting new customers are attracting the loyalty and maintaining the existing customers. So one of the most important issues of the companies is identifying and assessing the role of factors that could lead to the creation of brand loyalty in the customers of organizations. A literature review of the research on brand loyalty reflects the role of different variables in this field. Including variables in the literature of the research were examined the role of them, including variables related to the brand (brand experience, brand satisfaction, brand trust) (Sahin et al., 2011), perceived value (Chen & Tsai, 2008) and Quality of Service (Al-hawari, 2015; Jamal & Anastasiadou, 2009). According to the importance of the customer loyalty issue in the banking industry, the basic issue of the research is to check the status of brand loyalty in the banking industry and the efficacy of brand-related variables, perceived value and the cost of change on brand loyalty in this industry.

### Research Literature and background Loyalty

Creating customer commitment to do business with a special organization and buying goods and service are frequently described (Ganguli & Roy, 2011; Izogo, 2015). Oliver (1999) believes, the loyalty occurs when customers feel that, the organization compared with competitors is

#### Author's Address

Department of Business Management, Birjand  
Branch, Islamic Azad University, Birjand, Iran.  
Email: mahmodzadeh2004@yahoo.com



responded their needs in the best way (Elaheh Heidari, 2006). On this basis, Richard Elior (1977) has expressed loyalty with the three approaches. 1. The customer's behavior that is the same repeated order action. 2. The customer's attitude that is the same commitment and customer's confidence. 3. The availability of many options to choose and perform the Order. (Putit, ET. Al, 2014). Oliver also (1977) divided the attitudinal approach into three parts: Cognitive: resulting in customer's behavior and relate to the customer's belief. Emotional: that is related to commitment to customer's trust and is concerned with his feeling. Action: that relates to the customer's intention to do the Order action in the future (Atalik, 2009).

**Brand satisfaction** Customers' loyalty is a function of customers' satisfaction, and satisfaction is one of the most important increasing the customers' loyalty factors that help a lot to the corporate profitability and lower costs of the products and service through repeat purchase and recommend to the consumers of other organization (Fecikova, 2004). Moreover, the consent is a necessary precondition for long-term customer relationships and likely more loyalty (Athanasopoulos ET. Al, 2001; Selnes, 1998, Bloemer and Ruyter, 1998).

**The quality of service** The quality of service is an important factor for profitability, and thus the success of service providers. The quality of service is as one of the few means for service differentiation and competitive advantage that will help attract new customers and market share. In order to compete, among others, providing a high level of service quality for service providers

is very important. (Yoo and Park, 2007; Bharati and Berg, 2005). To understand the service quality is the effect of consumer from service provider and it is significantly related to customer's satisfaction. Service quality often can be also considered as the customer's perception from the service provider Excellency and its services (Tsoukatos and Rand 2006).

**Perceived value** The perceived value is used as a stable structure to predict the buying behavior (Anderson and Srinivasan, 2003; Chen and Dubinsky, 2003; Hellier ET. Al, 2003). In addition, customers who feel the perceived value create their increasing willingness to buy and decreasing the searching aim for alternative products (Hellier, ET. Al, 2003).

**Brand trust** Trust is the cornerstone of a successful and lasting relationship with the customers (Kishada, 2013). Trust can be built when the provider is interested in satisfying the needs of the client, products, and services that create value for the customer (McKnight & Chervany, 2001). Therefore, faith can be viewed as belief and intention. When a customer trusts a service provider, he will increase his loyalty to the seller (Farhadi, et al., 2012).

**Brand experience** Brand experience means an internal call (emotional, affective and cognitive) of the consumer and his behavior response to the brand stimulus. These stimuli include the design, packaging, brand identity and concepts of this type. Brand experience can be positive or negative and more importantly, this experience has the ability to influence consumer's satisfaction and loyalty (Zarantonello & Schmitt, 2010).

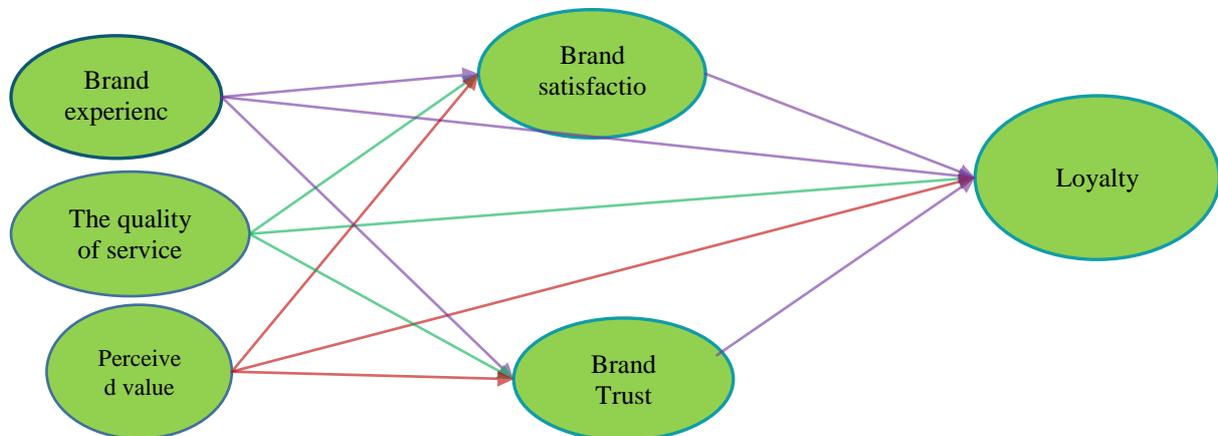


Figure 1. The conceptual model of the research

**Hypotheses :**

- H1: brand experience has a direct impact on brand trust.
- H2: brand experience has a direct impact on brand satisfaction.
- H3: brand experience has a direct impact on brand loyalty.
- H4: the quality of service has a direct impact on brand loyalty.
- H5: the quality of service has a direct impact on brand satisfaction.
- H6: the quality of service has a direct impact on brand trust.
- H7: the perceived value has a direct impact on brand trust.
- H8: the perceived value has a direct impact on brand loyalty.
- H9: the perceived value has a direct impact on brand loyalty.
- H10: brand satisfaction has a direct impact on brand loyalty.
- H11: brand trust has a direct impact on brand loyalty.

**Methodology**

**Research Objectives** The aim of this study was to evaluate the effect of brand experience, service quality and perceived value on brand loyalty.

**Research Methodology** This research, in terms of purpose is practical and in terms of data collection method is descriptive - survey. The thematic scope of this research is the effect of brand experience, service quality and perceived value of loyalty to the brand. Place territory of this research is National Bank of Birjand. The time domain of this research is from July 2015 to Feb 2016.

**Statistical population and sample**

The research, statistical population is the National Bank of Birjand customers. For sampling, simple random sampling method is used. Since (N) is the specific population size. The number of statistical samples at the confidence level of 95 percent and by Morgan's table is estimated 240 people. To obtain the data needed for the test, 300 questionnaires were distributed in person among the clients of the National Bank of Birjand, among the returned questionnaires, 240 questionnaires were completed and helpful and were used to analyze the data.

**Data collection tool:** In this study, to collect data, the field method and the questionnaire were used. Questions of the questionnaire are based on Likert's range of five-option and its range are, from 1 = strongly disagree, 5 = totally agrees. The questionnaire content Design based on a range of conducted research in this field was extracted from theoretical foundations that after the necessary reforms and its implementation with our country condition, was applied. The mentioned questionnaire includes brand experience (10 questions), brand satisfaction, (5 questions), brand trust (4 questions), brand loyalty (7 questions), perceived value (4 questions), quality of service (6 questions).

**The validity and reliability of the research-measuring tool:** To examine the reliability and actual the coordination between indices (questions), the Cronbach's alpha coefficient was used. The Cronbach's alpha range is of infinite negative to + 1 in practice, but in fact only values greater than zero has a clear and certain meaning. Accordingly, if the alpha is higher than 0.7, it indicates a broad compatibility and high reliability of indices.

**Table 1. Results of the Cronbach's alpha**

Components	The Cronbach's alpha	The number of indices
Brand experience	0.95	10
Brand satisfaction	0.84	5
Brand trust	0.86	4
Brand loyalty	0.93	7
Perceived value	0.83	4
The quality of service	0.88	6
Total	0.97	36



**The research descriptive findings  
Demographic variable data**

This research, statistical population consisted of clients of the National Bank in the city of Birjand

in 2015. In this regard, 254 questionnaires were collected. The sample frequency distribution is provided in table 2-4 according to demographic variables and variable breakdown.

**Table 2- the sample frequency distribution according to demographic variables**

Variables	Classes	Frequency	Frequency Percentage
Gender	Male	172	67.7
	Female	82	32.3
	Total	254	100
Age	19 to 25 years old	2	10.6
	26 to 32 years old	79	31.1
	33 to 39 years old	67	26.4
	40 to 46 years old	47	18.5
	47 years old and above	34	13.4
	Total	254	100
Educational level	Diploma and lower	60	23.6
	Bachelor degree	150	59.1
	Master degree	34	13.4
	PhD	10	3.9
	Total	254	100

**The research, analytical findings**

To evaluate the fit of the research model, partial the least squares approach (pls) from Smart PLS software is used. Checking the fit of the model was carried out in three stages, fitting the measuring part, fitting the structural part and fitting the overall part of the model, in the following; we examined each of these steps for the research structural equation modeling.

**Fitting the model measurement part**

The measurement part of the model is related to a part of an overall model that is examined how to explain the components by the indices. To fit the measurement part, coefficients of operating loads, the Cronbach's alpha coefficients, composite reliability, convergent validity and divergent validity were examined that the results of which are shown in Table 4-2 and 4-3.

**Table 3. The results of the three Cronbach's alpha criteria, composite reliability, and convergent validity**

Components	Cronbach's alpha coefficients (Alpha>0.7)	Combined reliability coefficient (CR>0.7)	The average variance extracted (AVE>0.5)
Brand experience	0.67	0.95	0.67
Brand satisfaction	0.84	0.88	0.62
Brand trust	0.86	0.90	0.70
Brand loyalty	0.93	0.94	0.70
Perceived value	0.83	0.88	0.66
The quality of service	0.88	0.91	0.63

Given that the appropriate value for Cronbach's alpha is 0.7 (Cronbach, 1951), for the combined reliability is 0.7(Nunnally, 1978) and for AVE is 0.5 (Fornel & Larker, 1981), according to the

results of the table, the values for each of the components of the three criteria is above its proper value, therefore the fitting of measured model is approved.



**Table 4. Divergent validity evaluation with Fornel Larker’s method**

Components	Brand experience	Brand satisfaction	Brand trust	Brand loyalty	Perceived value	The quality of service
Brand experience	0.82					
Brand satisfaction	0.82	0.79				
Brand trust	0.78	0.82	0.83			
Brand loyalty	0.82	0.83	0.81	0.83		
Perceived value	0.76	0.77	0.76	0.83	0.81	
The quality of service	0.67	0.76	0.74	0.74	0.76	0.79

In the table 4-3, Results of the divergent validity are provided by Larker Fornel’s method. Divergent validity will compare the correlation of a component with its indices against its correlation with other components. Therefore, for reviewing this criterion, we use Larker Fornel’s matrix. In accordance with the above table, the square roots of AVE (on the main diagonal), all components except the brand satisfaction component, are greater than the correlation between them. Therefore, the divergent validity of the model is confirmed. In addition, load factor coefficients of all indices, according to Chart 2. Since they are more than 0.40, will be approved, and no indices will be removed.

**4.4.Fitting of the model structural section**

The structural part does not work with indices and only examines the components with the relations between them. We use  $R^2$  and  $Q^2$  criteria to assess the fitting of the structural section. In Tables 4-4,  $R^2$  values are presented for the endogenous variables of the model.

**Table 5. The values of  $R^2$**

endogenous variables	Value $R^2$
Brand satisfaction	0.77
Brand Trust	0.71
Brand loyalty	0.82

An  $R^2$  criterion represents the impact that an endogenous component (independent) has on an endogenous component (dependently). Three levels of 0.19, 0.33, and 0.67 are considered as the basis value of the low, medium, and strong  $R^2$  value. As you can see in the table above, this criterion value for three endogenous components of brand satisfaction is 0.77 and, brand trust is 0.71 and brand loyalty is 0.82 that shows the proper fitting of the structural model section.

**Table 6. The values of  $Q^2$**

Endogenous structures	value $Q^2$
Brand satisfaction	0.47
Brand Trust	0.50
Brand loyalty	0.57

$Q^2$  Criterion indicates the model power of prediction and if the value of this criterion about an endogenous component obtains three values of 0.02, 0.15 and 0.35, respectively it shows a weak, medium and strong power of exogenous components’ prediction power related to it. As shown in Table 4.5, this criterion value of the three endogenous components of brand satisfaction is 0.47, brand trust is 0.50 and brand loyalty is 0.57, which showed the strong predictive power of these three components. So fitting of the model structural part will be confirmed.

**Fitting of the model overall section**

A general model of both parts will be measured and structured, and with its approval, reviewing the fit in a model will be completed. To study the overall model, only one criterion called GOF will be used. According to the three values of 0.01, 0.25 and 0.36 that were introduced as weak, medium and strong values for GOF (Wetzels, 2009) and obtaining the value of 0.71 for the research model GOF, it shows the strong fitting of the overall model. GOF criterion is calculated as follows:

$$GOF = \sqrt{Communalities \times R^2}$$

So that in it, the first term under the radical is the average of factors shared values (Communalities values are the same AVE values).

**The final fitted model**

In the following, as shown in Figures 2 and 3, the final fitted model is shown with the significant coefficients of t, standardized coefficients and load factor coefficients.



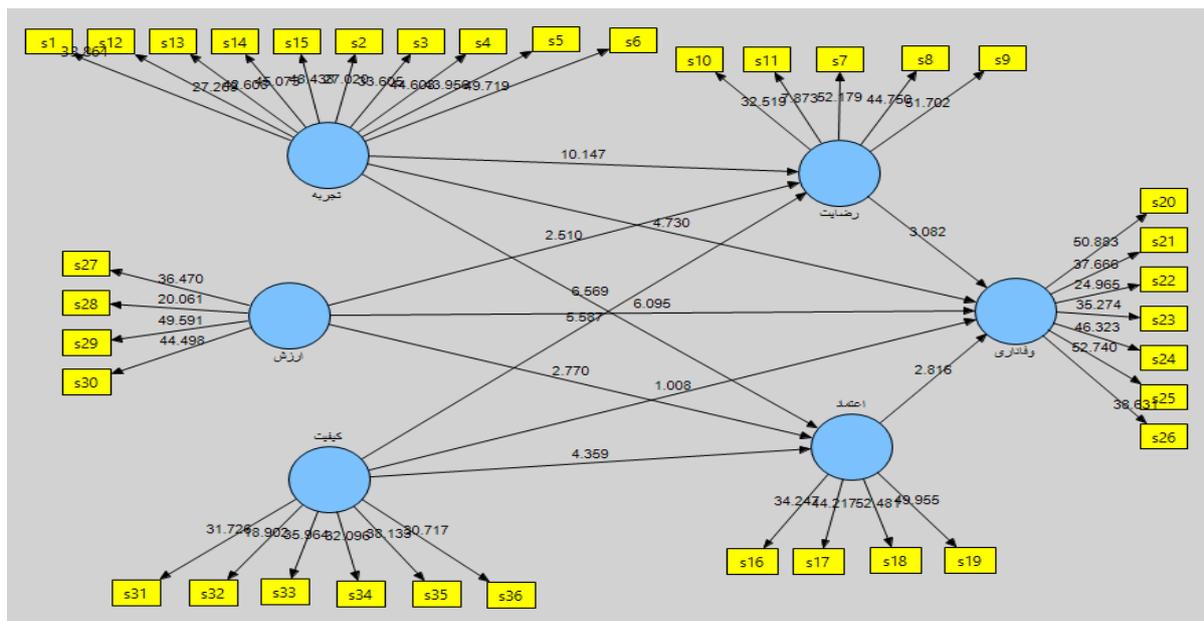


Figure 2 - the significant coefficient of t the final research model

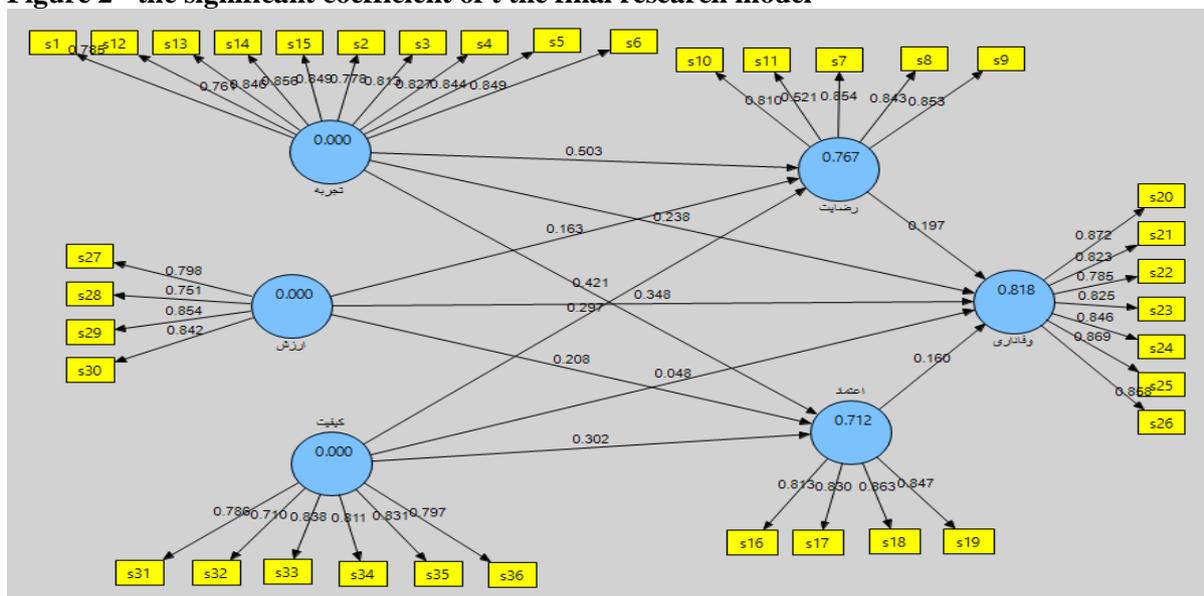


Figure 3. Standardized coefficients of final research model

Table 7. Standardized coefficients and t direct routes of research model

Direct route	Standard coefficient	T-statistics	Result
Brand experience ---> brand satisfaction	0.50	10.15	Significant (Confirmed)
Brand experience ---> brand loyalty	0.24	4.73	Significant
Brand experience ---> brand Trust	0.42	6.60	Significant
Brand value ---> brand satisfaction	0.16	2.51	Significant
Brand value ---> brand loyalty	0.35	6.09	Significant
Brand value ---> Brand trust	0.21	2.77	Significant
Service quality ---> brand satisfaction	0.30	5.59	Significant
Service quality ---> brand loyalty	0.05	1	Non-significant (not verified)
Service quality ---> Brand trust	0.30	4.36	Significant
Brand satisfaction ---> brand loyalty	0.20	3.08	Significant
Brand trust ---> brand loyalty	0.16	2.81	Significant

**The study of relations or direct effects of each research hypothesis**

According to the table above, the t-statistic for the quality of service --> brand loyalty direct route is lower than the 1.96 that shows non-significant coefficient of this path. This means that the quality of service (with a path coefficient of 0.05 and the statistic value of t =1) does not have a significant impact on brand loyalty. Among the three components of the brand experience, perceived value and service quality, the perceived value component (with a path coefficient of 0.35 and the statistic value of t =6.09) has the greatest impact on brand loyalty.

Brand experience (with a path coefficient of 0.50 and the statistic value of t =10.15) has the greatest impact on brand satisfaction component and (with a path coefficient of 0.42 and the statistic value of t =6.60) has the greatest impact on the brand trust compared to the two components of perceived value and service quality. Brand Satisfaction component (with a path coefficient of 0.20 and the statistic value of t =3.80) has more effect than brand trust to the brand loyalty.

**The study of the research hypotheses relations with the effect of mediator variable**

**Table 8. Standardized coefficients of indirect research model routes**

Indirect route	Standard coefficient	Sobel's statistic value	The significance level	Result
Brand experience -> Brand satisfaction -> Brand loyalty	0.10	3.04	0.002	Significant
Brand experience -> Brand trust -> Brand Loyalty	0.07	2.71	0.006	Significant
Perceived value -> brand satisfaction -> brand loyalty	0.03	1.94	0.051	Non-Significant
Perceived value -> brand Trust -> Brand Loyalty	0.034	2.08	0.036	Significant
Quality Services -> brand satisfaction -> brand loyalty	0.06	2.76	0.005	Significant
Service quality -> brand Trust -> Brand Loyalty	0.05	2.44	0.01	Significant

**Conclusion**

According to Table 8, the amount of Sobel's statics only for indirect route of the perceived value -> brand satisfaction -> brand loyalty, is lower than 1.96 that shows non-significant of this route coefficient. This means that the relation between perceived value and brand loyalty is not affected by the mediator variable of brand satisfaction. While the relation between perceived value and brand loyalty, is affected by the mediator variable of brand trust (with the route coefficient of 0.034 and Sobel's static value of 2.08). The relation between brand experience and brand loyalty, is affected by the mediator variable of brand satisfaction (with the route coefficient of 0.10 and Sobel's static value of 3.04) is more the relation between brand experience and brand loyalty, is affected by the mediator variable of brand trust (with the route coefficient of 0.07 and Sobel's static value of 2.71). Moreover, the relationship between service quality and brand loyalty, is affected by

the mediator variable of brand satisfaction (with the route coefficient of 0.06 and Sobel's static value of 2.76) is more the relation between service quality and brand loyalty, is affected by the mediator variable of brand trust (with the route coefficient of 0.05 and Sobel's static value of 2.44).

**Acknowledgements**

Authors are thankful to Islamic Azad University of Birjand for the support of this research.

**References**

- Aksu, A. 2006. Gap analysis in customer loyalty: A research in 5-star hotels in the Antalya Region of Turkey. *Quality and Quantity*, 40(2), 187-205.
- Al-hawari, M. A. 2015. How the personality of retail bank customers interferes with the relationship between service quality and loyalty. *International Journal of Bank Marketing*, 33(1): 41-57
- Atalik O. and Arslan M. 2009. A study to determine the effects of customer value on customer loyalty in airline



- companies operating: Case of Turkish Air Travelers. *International Journal of Business and Management*, 4(6): 154-162.
- Athanassopoulos, A., Gounaris, S. and Stathakopolous, V. 2001. "Behavioral responses to customer satisfaction: an empirical study", *European Journal of Marketing*, Vol. 35 Nos 5/6, pp. 687-707.
- Bharati, P. and Berg, D. 2005. "Service Quality from the Other Side: Information Systems Management at Duquesne Light", *International Journal of Information Management*, Vol. 25, No. 4, pp. 367-380
- Chen, C. F., & Tsai, M. H. 2008. Perceived value, satisfaction, and loyalty of TV travel product shopping: Involvement as a moderator. *Tourism Management*, 29(6), 1166-1171.
- Chen, S. C. 2015. Customer value and customer loyalty: Is competition a missing link? *Journal of Retailing and Consumer Services*, 22, 107-116.
- Evangelos Tsoukatos, Graham K. Rand, 2006. "Path analysis of perceived service quality, satisfaction and loyalty in Greek insurance", *Managing Service Quality: An International Journal*, Vol. 16 Issue: 5, pp.501 – 519
- Farhadi, F , Karimi, Saman.2012. Analyzing the Effects of e-CRM on customers Loyalty, advanced research in economic and Management Sciences, pp 2322-2360.
- Fecikova, I. 2004. An Index Method for Measurement of Customer Satisfaction, *The TQM Magazine*, Volume 16 , Number 1.
- Fred Selnes, 1998. "Antecedents and consequences of trust and satisfaction in buyer-seller relationships", *European Journal of Marketing*, Vol. 32 Iss: 3/4, pp.305 – 322.
- Ganguli, S., & Roy, S. K. 2011. Generic technology-based service quality dimensions in banking: Impact on customer satisfaction and loyalty. *International Journal of Bank Marketing*, 29(2), 168-189.
- Ganguli, S., & Roy, S. K. 2011. Generic technology-based service quality dimensions in banking: Impact on customer satisfaction and loyalty. *International Journal of Bank Marketing*, 29(2), 168-189.
- Hellier, P.K., Geursen, G.M., Carr, R.A., Rickard, J.A. 2003. "Customer repurchase intention, a general structural equation model", *European Journal of Marketing*, Vol. 37 No.11/12, pp.1762-800.
- Hyun, S. 2010. Predictors of Relationship Quality and Loyalty in the Chain Restaurant Industry. *Cornell Hospitality Quarterly*, 51(2), 251.
- Jamal, A., & Anastasiadou, K. 2009. Investigating the effects of service quality dimensions and expertise on loyalty. *European Journal of Marketing*, 43(3/4), 398-420.
- Josee Bloemer, Ko de Ruyter, and Martin Wetzels 1998. "Customer Loyalty in a Service Setting", in *E - European Advances in Consumer Research Volume 3*, eds. Basil G. English and Anna Olofsson, Provo, UT : Association for Consumer Research, Pages: 162-169.
- Kishada, Z. M. E. & Wahab, N. A., 2013. Factors Affecting Customer Loyalty in Islamic Banking:
- McKnight, D.H. and Chervany, N.L. 2001. "What Trust Means in E-Commerce Customer Relationships: An Interdisciplinary Conceptual Typology", *International Journal of Electronic Commerce*, 6(2): 35-59.
- Putit, Lrnora , chui, Carol Boon , Farzi, mohamad .2014. Impact of Relationship Marketing Tactics & Relationship Quality on Customer Loyalty: A Study within the Malaysian Mobile Telecommunication Industry, *proscenia social and behavioral sciences* , pp371-378.
- Rolph E. Anderson and Srinivasa S. Srinivasan 2003. E-satisfaction and e-loyalty: A contingency framework, *Volume 20, Issue 2, February 2003*, Pages: 123–138.
- Sahin, A., Zehir, C., & Kitapçı, H. 2011. The effects of brand experiences, trust and satisfaction on building brand loyalty; an empirical research on global brands. *Proscenia-Social and Behavioral Sciences*, 24, 1288-1301.
- Yoo, D. K., and Park, J. A. 2007. Perceived service quality: Analyzing relationships among employees, customers, and financial performance. *International Journal of Quality & Reliability Management*, 24(9): 908–926.
- Zarantonello, L. & Schmitt, B. H. 2010. "Using the brand experience scale to profile consumers and predict consumer behavior", *Journal of Brand Management*, 17, pp. 532-540.
- Zhan Chen, Alan J. Dubinsky 2003. A conceptual model of perceived customer value in e-commerce: A preliminary investigation, *Volume 20, Issue 4*, pages 323–347, April 2003

