



RESEARCH PAPER

Mediating Character of Commitment between Brand Image and Customer Loyalty: A Study of Banking Sector of Pakistan

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ABSTRACT

This paper attempts to inspect the mediating role of commitment in enhancing customer loyalty and to explore the impact of brand image on commitment, and ultimately toward customer loyalty. Survey method is employed in this study. Questionnaires were distributed to 450 respondents who have a personal bank account in any commercial bank of Pakistan. Out of 450 questionnaires distributed, 379 valid responses are analyzed in the study. The findings of the study revealed that existence of commitment enhances the impact of brand image on the loyalty of the customer. The findings of the study are useful for the marketing departments of financial institutions e.g. commercial banks so they can understand the role of building bank image to enhance customer loyalty. It is recommended that marketing strategies of the bank should focus on improving their brand image which in turn will lead to the higher customer loyalty. Banks in Pakistan may target establishing their bank image via offering range of services and their service quality so that they can ensure loyal customer that can ultimately enhance their profitability.

Keywords: Brand Image, Commitment, Loyalty

Introduction

Customer loyalty is an area of concern for many researchers and marketers as the cost of attracting new customers is much higher than retaining the existing customers (Oliver, 1999). For the service industries specially, creating the customer loyalty is to utmost importance for the business professionals (Kandampully & Duddy, 1999). Loyalty can be defined as the attitude of the customer toward the products of a company (Jacoby & Kyner, 1973). Companies all over the world have enjoyed the results of loyalty that makes company gain the competitive advantage and maintain the targeted market share in the industry (McMullan & Gilmore, 2008). Customers who exhibit loyalty are typically less responsive to changes in price, and even in the event of an occasional negative encounter with the brand, they may not switch to competing alternatives (Hankinson, 2015). Companies that possess devoted and loyal customers enjoy multiple advantages. Such companies often have expanded market share by diversifying its product offerings across various categories (Govers & Go, 2016). Banking industry in Pakistan is one the largest industries and hence studying the variables that affect the loyalty of customer are of critical importance.

On the other hand, brand image can be defined as the perception of the customer about the company (Keller, 1993). A company that has high brand image requires fewer marketing expenditures (Taqi & Muhammad, 2020). A robust brand image ensures that the organization remains in the mind of potential customer (Abbas et. al., 2021). Banking industry of Pakistan has been facing immense competition due to large number of banks in the industry and also due to the government policies (Afsar et al., 2010). Similarly, existence

of commitment towards the brand is of great importance in determination of the loyalty (Day, 1969).

In the contemporary business environment, every organization aims to capture customer loyalty with the goal of occupying a dedicated customer base for their business (Rahman et. al., 2023). In the past few decades, large number of entrants has entered the industry has affected the market share of major leaders also resulted in increase in competition. Furthermore, rules and regulations imposed on industry are much tougher now. Due to the mentioned significant changes in the industry, it is necessary for the banking companies to create customer loyalty in order to prevail in the industry. Hence it is of great importance that how the loyalty of customers can be increased through the presence of commitment and brand image in an organization. Current research paper attempts to test empirically the mediating role of commitment between brand image and loyalty in the banking sector of Pakistan. Variables impacting the customer loyalty are of great importance to the researchers. This study is unique in its nature as it attempts to find the mediating role of customer commitment on the loyalty of customer.

Operational Definitions and Hypothesis Development

Customer Loyalty

Loyalty refers to a commitment of an individual to buy the product or service again in the future despite the fact that marketing efforts are being made to cause a switch in product (Oliver, 1997). It is a necessity for a service provider to strengthen the customer loyalty (Kandampully & Duddy, 1999). Loyal customer can ultimately result in better word of mouth which enables a company to increase the market share ultimately (McMullan & Gilmore, 2008). A loyal customer will not consider an option to switch the use of the product (Gwinner & Gremler, 2002).

Brand Image

Brand image is the way a customer perceives a brand (Keller, 1993). According to De Chertanony (1999), brand image are such assets of a company which are intangible and these assets are difficult to imitate. Customer does not only buy a product of a company, in fact it is a set of values that has been bought by the customer. Sum of such value is known as a brand (Ind, 1997). It has been proven by many previous researches that customer tends to buy a product of a company which has a better brand image in terms of perceived quality (Johnson et al., 2001).

Customer Commitment

Customer commitment refers to foreseen result from a marketing effort those results in a purchase of a product (Ogba & Tan, 2009). Moorman et al. (1993) found that commitment is a lasting attitude of a customer towards a specific firm or a brand. Customer commitment refers to the extent to which an individual is emotionally, mentally, and behaviorally dedicated to a particular brand or company. It involves a conscious decision to continue engaging with a specific product or service. Commitment can manifest in various ways, such as repeat purchases, positive word-of-mouth, and a willingness to overcome challenges or inconveniences for the sake of maintaining the relationship with the brand.

Brand Image and Customer Loyalty

Oliver (1999) argued that the loyalty of customers is influenced by perceived product excellence and social connections with the product, and the combined impact of these factors. A closer examination of Oliver's argument implies that loyalty is not merely commitment; rather, it is a facet of commitment known as the attitudinal or emotional

component of commitment (Meyer and Allen, 1997; Ogba, 2008). According to Low and Lamb (2000), brand image create an emotional attachment of the brand in the customers and that leads to more customer loyalty. Ogba and Tan (2009) found out the relationship between brand image and customer loyalty in contextual framework of China. The results of the study supported that there exist a positive relationship between the brand image and customer loyalty. Hence, the following hypothesis is constructed:

H1: There exists a positive relationship between brand image and customer loyalty

Brand Image and Customer Commitment

A positive brand image can inculcate trust, induce positive emotions, and create a favorable perception of the brand in the eyes of consumers. This, in turn, can foster a sense of commitment. Customers who perceive a brand positively are more likely to commit to repeated purchases, advocate for the brand, and resist switching to competing alternatives. Conversely, a negative or inconsistent brand image can erode trust and diminish customer commitment. In a competitive market where consumers have various options, a weak or unfavorable brand image may lead to decreased loyalty, as customers may explore alternatives that align better with their preferences and values. Hennig-Thurau (2000) in his study found that brand image and customer commitment are positively correlated. Gwinner et al. (1998) also confirmed the same phenomena in his study. Berry (1995) studied the relationship between brand image and commitment on the pharmaceutical industry of Britain and found that brand image and commitment are positively correlated. Therefore, on basis of literature we propose that:

H2. Brand image are positively related to customer commitment.

Customer commitment and loyalty

Willingness to sustain the relationship is known as commitment (Moorman et al.1993) Customer commitment is perceived as very critical for long lasting relations (Dwyer et al., 1987). When customers are committed, they are more likely to exhibit loyalty behaviors. Commitment is the foundation upon which loyalty is built. It signifies a customer's dedication and attachment to the brand, laying the groundwork for ongoing loyalty. Wang and Pho (2009) pointed out that commitment in the customers of a firm in service industry enable them maintaining better long-term relationship. The customers having higher level of commitment towards the organization have higher level loyalty (Moorman et al., 1993). To derive loyalty, customer commitment is an important variable to study (Wang et. al., 2011). So, on the basis of aforementioned arguments, based on literature we can now hypothesis that:

H3. Customer commitment has positive impact on customer loyalty.

H4 There exist a mediating role of commitment between the brand image and loyalty

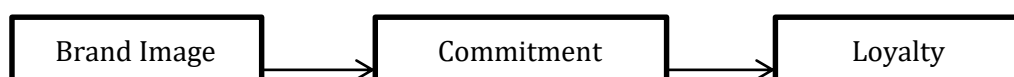


Figure 1: Conceptual Framework

Material and Methods

This is cross-sectional research. Data was collected from the customers who have at least one personal bank account in any of the bank in Pakistan. Questionnaire is used to collect the data from the respondents. Initially 450 questionnaires were distributed. 406

responses are obtained. Out of those, 379 valid responses are used for analysis. All items of the questionnaire are measure at 7-point likert scale (1=Strongly disagree and 7= strongly agree).

Out of the 379 respondents 264 are male and 115 are female. 226 respondents were of age between 21 years and 30 years. 108 respondents have an age greater than 30 years but less than 40 years. 45 respondents were of age above 40 years. As far as the education of the respondents is concerned, 33 respondents have a bachelor's degree, 246 have a master's degree, 93 respondents have done their M.Phil and 7 of them holds a PhD degree. The details are given in the table as follows:

Table 1
Demographic Statistics of the Respondents

Demographics	Categories	Frequency	Percentage
Gender	Male	264	69.7
	Female	115	30.3
Age	21-30 years	226	59.6
	31-40 years	108	28.5
	Above 40 years	45	11.9
Education	Bachelors	33	8.7
	Masters	246	64.9
	M.Phil	93	24.5
	Ph.D	7	1.9

Instrument

The detail of the measures used for collection of data is listed as follows:

Loyalty

Seven item scale developed by Dagger et al. (2011) has been adapted and used to capture the loyalty of the bank customers for the purpose of this research. The sample item of the scale includes "I recommend the bank to someone who seeks my advice".

Customer Commitment

Scale to capture commitment has been adapted from has been adapted Dagger et al. (2011). It is a seven item scale. A sample item of the scale is "I believe the bank and I view our relationship as a long-term partnership".

Brand Image

Chen, & TSENG (2010) has developed a scale to measure the brand image. The scale contains 4 items and has been adapted in this study to capture brand image in this study. One of the items of the scale is "The bank has a good reputation".

Data Analysis

SPSS 20 has been used to analyze the responses obtained from the respondents.

Results and Discussion

Reliability Statistics

Reliability of the scales used in the study is measured using the Cronbach's alpha value. The threshold for a scale to be considered reliable is its value has to be above 0.7. For all the scales used in this study, cronbach's alpha value is above 0.7. The reliability values are given as follows:

Table 2
Reliability Statistics

Variables	No. of items	Cronbach's Alpha Value
Brand Image	4	0.888
Commitment	7	0.936
Loyalty	7	0.885

Validity and Model Fitness

Confirmatory Factor Analysis (CFA) has been employed to assess the validity of the scales. CFA model is given as follows:

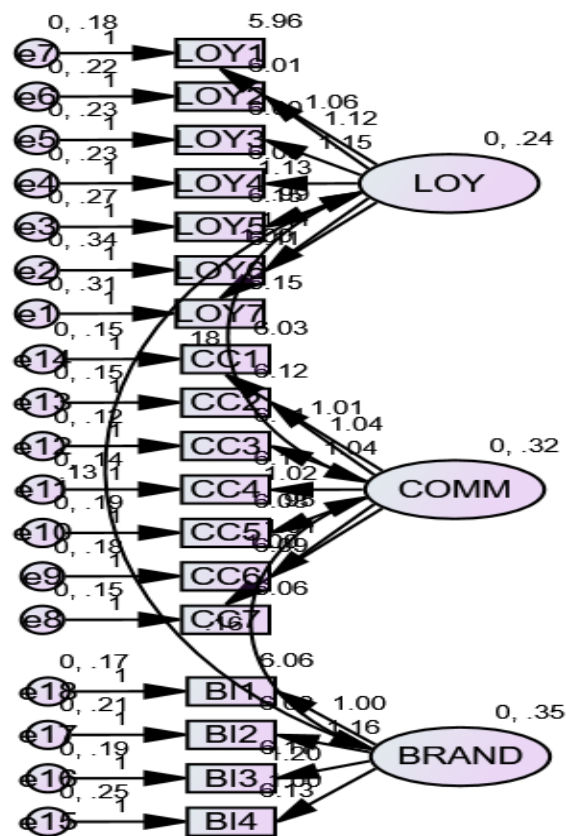


Figure 2 Confirmatory Factor Analysis

If the Average Variance Extracted (AVE) of the scale is above 0.5, this specifies that the convergent validity holds for the scale. If the AVE of the scale is higher than the respective MSV value discriminant validity holds. Scales used in the study were found valid. The validity values are given in the Table 4.2 given as follows:

Table 3
Validity Indices

Variable	CR	AVE	MSV	MaxR(H)
LOY	0.886	0.527	0.417	0.89

COMM	0.936	0.678	0.417	0.938
BRAND	0.89	0.669	0.237	0.894

Descriptive Statistics and Correlation

Descriptive analysis and the correlation among the variables are given in the Table 4.3. Correlation indicates the relationship between the variables. Brand image and commitment have a positive relation with each other. The correlation is significant at $p < 0.01$. Similarly, commitment and loyalty has a significant positive association ($p < 0.01$). Further stated that brand image and loyal has significant positive association between them.

Table 4
Means, Standard Deviations and Correlations

Variables	Mean	Std. Deviation	1	2	3
Brand Image	6.07	0.686	1		
Commitment	6.08	0.589	0.445**	1	
Loyalty	6.06	0.563	0.409**	0.581**	1

* $p < 0.1$; ** $p < 0.01$; *** $p < 0.001$

Test of Model

Model for the study is tested using AMOS 24. The graphical model constructed using AMOS 24 is given as follows:

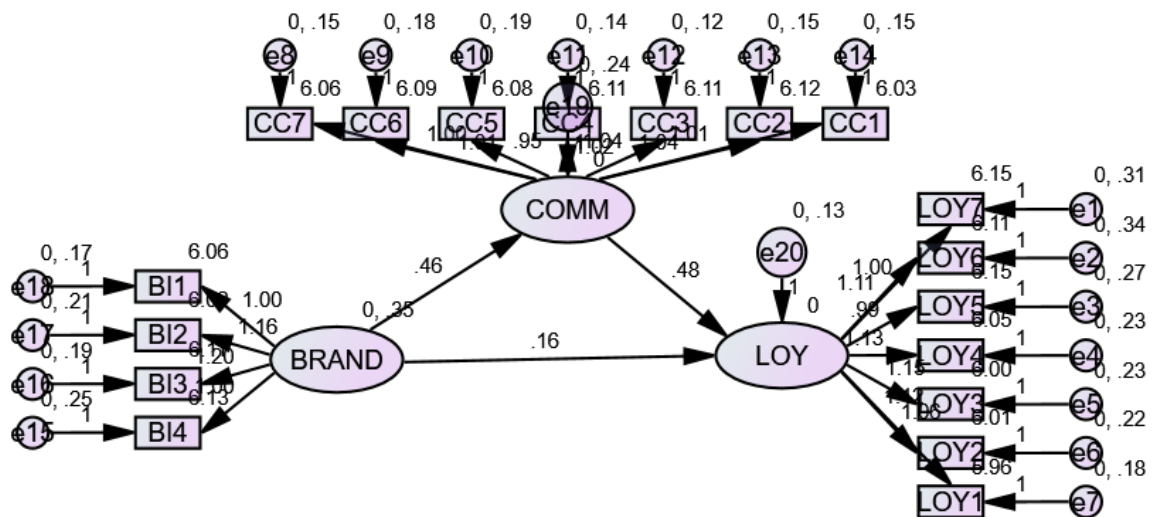


Figure 3 Graphical Model

Initially, model fitness indices were measured. Model fitness indices are given as follows:

Table 5
Model Fitness Indices

Measure	Value	Interpretation
CMIN	418.289	--
DF	132	--
CMIN/DF	3.169	Acceptable

CFI	0.937	Acceptable
SRMR	0.04	Excellent
RMSEA	0.076	Acceptable

Statistical Results

As the model fitness indices are found within the range, results obtained through model testing can now be interpreted. From the analysis of statistical results, it was found out the indirect effect is 0.1818 which is highly significant at p-value 0.00. This shows that there is strong mediating effect of commitment on the relationship between brand image and loyalty. Indirect effect is significant and it implies that presence of one unit of commitment increases 0.1818 unit effect of brand image on loyalty. Mediation is tested using the process initially suggested by Preacher & Haynes (2004).

Table 6
Mediation Results

	Effect	p-value
Direct Effect	0.1547	0.0000
Indirect Effect	0.1818	0.0000

Discussion and Conclusion

The study has found out that brand image increase the customer loyalty and when the commitment is present in customers of the banking firm in Pakistan their loyalty towards the bank increase even further. It is hence empirically testified that commitment plays a vital role in enhancing the impact of brand image on customer loyalty in the banking industry of Pakistan. The study found out that when bank customers are committed, they are more likely to be loyal with the bank and are less likely to move to an alternative bank. Commitment is the foundation upon which loyalty is built. Banks can make strategic and tactical plans to enhance the level of commitment of customers and their own brand image by providing superior products and service to their client. This in turn will enable the banks to have a customer loyalty which is a necessity in this era of high competition to create long term profitable relationship with the customers of the bank.

Recommendations

It is recommended that marketing strategies of the bank may be designed by the banks in such a way that it can improve their brand image which in turn will lead to the higher customer loyalty. Furthermore, banks in Pakistan may target establishing their bank image via offering range of services and their service quality so that they can ensure loyal customer that can ultimately enhance their profitability in the long run.

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