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CUSTOMER RELATIONSHIPS AND BRAND EQUITY IN CHINA'S BANKING SERVICES

RELAÇÕES COM CLIENTES E IGUALDADE DE MARCA NOS SERVIÇOS BANCÁRIOS CHINÊS

Svetla T. Marinova

University of Birmingham, United Kingdom

Jinghuan Cui

University of Birmingham, United Kingdom

Marin A. Marinov

University of Birmingham, United Kingdom

RESUMO

Apesar do enorme interesse em igualdade de marcas e marketing de relacionamento, um pequeno desenvolvimento conceitual tem abordado as relações existentes entre estas importantes questões de comercialização. Com base em quadros existentes (cliente- com base em igualdade de marcas e marketing de relacionamento), este artigo encaminha relacionamentos com os clientes como uma marca relacionada com iniciativa crítica para criação da igualdade de marca. Esse trabalho apresenta pesquisa exploratória para o desenvolvimento inicial do entendimento da construção do relacionamento entre os clientes, a dimensão da igualdade de marca e a associação entre elas. Os dados mostram que os consumidores e os prestadores de serviços do setor bancário chinês percebem que igualdade de marca pode ser influenciada pelas relações com clientes. Um quadro conceitual e uma série de hipóteses para novos estudos são propostos.

PALAVRAS-CHAVE

Igualdade de marca. Relacionamento. Bancos. China.

ABSTRACT

Despite tremendous interest in brand equity and relationship marketing, little conceptual development has addressed whether relationships exist between these important marketing *issues. Based on existing frameworks (customer-based brand equity and relationship marketing), this paper forwards customer relationships as a branding-related initiative critical to creation of brand equity. This paper presents exploratory research to develop an initial understanding of the constructs of customer relationships, the dimensions of brand equity and the associations between them. The data illustrate that both consumers and providers in Chinese banking services sector perceive that brand equity can be influenced by customer relationships. A conceptual framework and a number of hypotheses for further study are proposed.*

KEYWORDS

Brand equity. Relationship. Banks. China.

INTRODUCTION

The notion of brand equity is one of the most important business concepts that developed in the past twenty years. Brand equity is the incremental utility and value added to a product by its brand name (KAMAKURA; RUSSELL, 1993; PARK; SRINIVASAN, 1994; RANGASWAMY *et al*., 1993). HSBC, Citibank and Bank of China are illustrative examples. As a substantial asset to the company, brand equity increases cash flow to the business (SIMON; SULLIVAN, 1993). From a behavioural point of view, brand equity is critically important to make points of differentiation that lead to competitive advantages based on non-price competition (AAKER, 1991). As the result of increasing recognition of brand function and power, many researchers aim to design a proper way to measure brand equity. A number of alternative methods have been suggested and the techniques tend to be either financial or customer-related (KELLER, 2003). High brand equity implies that customers have a lot of positive and strong associations related to the brand, perceive the brand of being of high quality and are loyal to the brand.

Relationship marketing (RM), the process of attaching, maintaining and enhancing customer relationship (BERRY, 1983), has greatly influenced marketing thought and practice, causing a paradigm shift for the field as a whole (KOTLER, 1991; WEBSTER, 1992; GRÖNROOS, 1996). Over time, a growing scope of RM has been established (BUTTLE, 1996), with a number of scholars applying it to the context of consumer products and services. The concept applies to the company and the customer, requiring management to acknowledge both viewpoints when planning its activities. The social psychology literature, focusing on customers' attitudes, provides psychological dimensions of relationships that have been identified (BARNES; HOWLETT, 1998). These dimensions include relationship closeness, relationship emotional content and relationship strength.

It is important to understand better how brand equity is built and maintained. Instead of being solely created by marketing communications or the marketing mix, brand equity is developed by an entire organisation (AAKER, 1997; SCHREUER, 1998). This view points out what marketers intuitively know, but seldom implement: While marketing communications tell consumers what to expect from a brand, their experiences with the brand play a critical role. After all, these experiences reinforce or undermine brand expectations. An assessment by Czinkota and Ronkainen (2008) has shown that while intangible assets of corporations are an important component of corporate performance, value creation and tangible assets are typically the mainstay of a firm. Consumers cannot be satisfied with images only. Thus, in this view, marketing communications and operations play synergistic roles in driving brand equity. The introduction of customer relationships into the mix with brand is expected to have serious implications not only for building brand equity but also for its management and development.

Research has hardly addressed the relationship between these important marketing issues and how they interact with each other. Schreuer (2000) suggests that more attention should be paid to the development of the link between customer relationships and the brand. The management of customer relationships and the management of brand equity have traditionally been worlds apart with the running customer satisfaction programmes, while the latter focuses on branding initiatives. However, in the end, both are striving toward the same goal: positively influencing consumer behaviour. Therefore, the goal of this research is to explore the links between brand equity and customer relationships.

The context of a transition economy is another key feature of this study. The Chinese banking services sector has grown, its market power has augmented but the market infrastructure has not yet been developed (PENG; HEALTH, 1996). This study, conducted within the context of the economy of China, can help to redress the imbalances in empirical research coming from the fact that most attention to brand equity in banking has been paid to banking in developed economies while transition economies have been mostly neglected.

Firstly, this paper reviews and analyses the literature and its gaps regarding the joint consideration of customer relationships and brand equity. Secondly, the methodology of this exploratory qualitative study is developed. Thirdly, analysis of the collected data and interpretation of the results and a research framework for further study are presented.

THEORETICAL BACKGROUND

In the highly competitive arena of financial services, the creation of solid core brand benefits is no longer sufficient to carve a competitive advantage in the face of intense competition and increasing deregulation (DEBLING, 1998; HARRIS, 2002). In the digital age (MELEWAR; BAINS, 2002; WRIGHT, 2002), it is critical to develop a multidimensional financial service brand along meaningful functional and emotional values (DE CHERNATONY; DALL'OLMO RILEY, 1999), to enhance brand distinctiveness and superiority (PADGETT; DOUGLAS, 1997; MELEWAR; BAINS, 2002) and to execute the financial services positioning and brand concept (DE CHERNATONY, 2001; ROMANIUK; SHARP, 2000). Rather than being solely created by marketing communications or the marketing mix, brand equity is developed by the entire organisation (AAKER, 1997, SCHREUER, 1998). Building and preserving satisfying customer relationships are crucial strategic motivators among those leading corporations that understand brand and regard customer relationships as true assets of the total business and not merely marketing communications icons (DAVIS; HALLIGAN, 2002). Therefore, marketing actions must be in a position to create branding that is based on delivering critical elements of value, and must design marketing communications and customer experiences to reinforce that value. Under this view of branding, customer relationships and brand equity management are no longer the sole domains of marketing operations. Accordingly, brand managers should expand their measurement and management of brand equity with the understanding of the nature of customer-company interactions. Both are being leveraged to drive positive consumer behaviours that generate revenue, such as purchase and advocacy. Relationship marketing research seeks to explain and optimise behaviour through improvements in customer satisfaction. Branding work seeks to explain and optimise behaviour through improvements in competitive image positioning.

Aaker (1992) suggests that customer relationships are one of five valuable assets that can be keys to building strong a brand. Shocker *et al.* (1994) propose that brand equity management must be viewed from a systems perspective that focuses on adaptation and responsiveness to competitors, customers and past actions. Strategies proposed by Lemen *et al.* (2000), based on customer equity, allow firms to trade off between customer value, brand equity and customer relation-ship management. While brand equity could be more important in some industries and compa-nies than others, the role of brand equity depends on the level of customer involvement, the nature of the customer experience, the ease with which customers can evaluate the quality of the product or service before purchasing and the extent to which relationship equity will drives business. The convergence between the relationship marketing and branding and the close linkages between rationale for relationship marketing and the rationale for branding suggests that branding and relationship marketing are interdependent and could possibly be seen as two stages of the same process (DALL' OLMO; RILEY; DE CHERNATONY, 2000). Whenever the risks associated with purchase and consumer involvement are greater, as is the case with financial services, relationship marketing might be a supplementary tool enabling the brand to fulfil its role of risk reducer and helping customers obtain cognitive consistency and psychological comfort (DALL' OLMO; RILEY; DE CHERNATONY, 2000). An articulation of the desired relationship with the customer can provide a guide to the appropriate behaviour for the brand in its various transactions and interactions with the consumer (BLACKSTON, 1992).

Before banks can create or take advantage of the brand associations consumers have with their banks, they must first understand consumers' existing perceptions of their brands. As such, an important component of banks' effort to build better relationships with their customers will be an increased focus on soliciting, listening and responding to consumer needs. According to Keller (1998), a strong brand in the twenty-first century also will rise above other brands by better understanding the needs, wants and desires of consumers to create marketing programmes that fulfil and even surpass consumer expectations. In addition to learning more about their customers, bank managers have to realise the importance of fostering regular interactions between the consumer and their brands. The end goal of such interaction would be what Rozanski *et al.* (1999) call emotional loyalty. This kind of loyalty could be formed in two ways: from a consumer's personal relationship with a brand and through the formation of strong user communities around the brand. Retail banking services allow for direct experience with the bank brand. In this sense, services have advantages over products because they foster more direct experiences, which are vital to brand building (JOACHIMSTHALER; AAKER, 1999). In a study of branding in banking where the perceived product differentiation between institutions is virtually non-existent, Johnson (1999) argues that although branding and customer *relationship* building are not necessarily sequential, the chance of developing a *relationship* with a *customer* is much more likely if a bank has first succeeded at building *brand equity* in the mind of the *customer.*

The overall aim of this research is to investigate and develop insights into the management and consumer relevance of branding and relationship issues within retail financial services. Therefore this qualitative research explores the following issues:

The importance of branding and the elements of brand equity in consumer perceptions in relation to retail banking services;

The nature and range of the consumer relationships in banking services in respect to consumer decision-making behaviour;

The interplay and associations between branding and customer relationships

METHODOLOGY

In-depth Interviews

Management perceptions were used to explore the links between consumer relationships and brand equity in retail financial services. Semi-structured interviews were chosen as the most appropriate method since they offer a number of advantages including the length and completeness of the interview and the ability to probe in-depth into complex answers (ZIKMUND, 1999). A list of research questions focused on general issues of branding and relationships, the nature and role of brand equity and of customer relationships in retail financial services, and the interplay and association between brand equity and customer relationships, was used as interview guide.

Judgemental and snowball sampling were used so that only those people who had a strong or long-term association with retail financial services would be interviewed. Four in-depth interviews were conducted with a sample of middle and senior management financial services personnel and experts in retail banking sector in order to establish relevance of the concepts unveiled in the literature and incorporated into research questions. A profile of the research participants is shown in Table 1.

Table 1

Profile of Management Research Participants

	Position	Organisation	Years on Job	Sex	Age	Education	Annual Income (RMB)
Interviewee 1	Head of Retail Banking Department	Industrial and Commercial Bank of China (ICBC)	8	M	48	MBA	300,000
Interviewee 2	Relationship Manager	China Construction Bank (CCB)	5	F	35	Postgraduate	150,000
Interviewee 3	Personal Banking Officer	China Merchants Bank	5	F	33	Postgraduate	200,000
Interviewee 4	Customer Service Officer	Citibank	1	M	28	MBA	250,000

FOCUS GROUPS

Following the interviews, an exploratory study of consumers was conducted in order to unveil their perspectives and opinions on the role of relationship marketing and brand equity. Focus groups were used due to their amenity to in-depth follow up and group dynamic (STEWART; SHAMDASANI, 1990). A list of questions based on a range of branding and customer relationships issues was used as a topic guide.

Convenience sampling was used, appropriate for exploratory research generating ideas, insights or hypotheses or pre-tests questionnaires. On the question of how many focus groups to conduct, the general guideline has been to continue until little additional information is gained and the moderator can predict what is going to be said in the next group. As the research is exploratory, the number of groups required is usually three to four (CARSON *et al.*, 2001). While there is no consensus in the literature on the number of participants in each focus group, its size normally ranges from 6 to 12 (STEWART; SHAMDASANI, 1990). A lower number of participants encourages interactivity. Consequently, a series of three focus groups varying in the size from 5 to 8 were conducted with a total of 18 participants, stratified by employment experience, gender, age, marital status, education and income.

DATA COLLECTION

In this research, the data were analysed as follows. Firstly, during and immediately after the in-depth interviews and focus groups the ideas of interviewees and group members where recorded. Next, full transcripts were made of the taped interviews. A coding frame was developed, consisting of all issues covered in the interview guide. The content of each transcript was encoded into the framework, based on theories and principles emanating from literature. When all the transcripts had been entered onto the coding sheets, each issue was reviewed and assessed according to the objectives of exploratory research.

Interpretation of the Findings

Branding Issues

From the providers' point of view, there was consensus that branding played a central and important role in banking services. They regarded a corporate brand as encapsulating values relevant to customers and associated both functional and emotional attributes with their brands. Managers also believed that brand reputation played an important role for consumers in many areas of banking services and credibility, integrity and longevity of existence were important differentiating factors. Furthermore, managers believed that overall brand reputation was generally more salient than prices in terms of consumer decision-making. For example, the personal banking officer in China Merchants Bank proposed that only a small proportion of customers were price-conscious in relation to financial services. However, there was agreement among managers that the importance placed on price or fees appeared to vary according to product and service type. Mortgage decisions tended to be driven by the level of fees more than deposit accounts.

From a consumer perspective, there appeared to be a high level of awareness of banking service brands. Most respondents were able to recall the brand names of many if not all of the main banks. In differentiating between banking service brands, functional values such as size, presence and visibility, geographic spread and perceived dominance were salient, but there was a clear perception that all existing banks in China were very similar and their offerings differed insignificantly. Associations were made in terms of size and reputation. The evaluation of alternatives acts as a proxy for the brand credibility.

Managers believed that brand equity plays an important role for consumers. Specially, brand associations, perceived quality and brand loyalty were identified as key brand equity building criteria, in addition to facilitating brand differentiation and simplifying consumer decision-making. From consumers' perspective, the discussion of brand equity also raised a number of major issues. Importantly, consumers agreed that brand equity played a key role in their decision-making. However, the consumers also stated that both corporate brand equity and its associated advertising appeared to be largely undifferentiated across financial institutions. In addition, consumers sometimes were unable to identify any financial brand equity and specific advertising messages, and did not indicate any reassurance from the corporate brands they dealt with.

In relation to the low level of success of branding initiatives within Chinese banking services, both management and consumers highlighted the lack of existing brand differentiation in banking service brands. Managers believed that branding played salient role in consumer decision-making, while consumer research highlighted that branding has been largely unsuccessful in playing a differentiating role. In general, both managers and consumers in the study appeared to consider branding to be salient in their decisions. Present Chinese bank market has not built strong brand equity to satisfy their customers' needs.

RELATIONSHIP ISSUES

The relationships between consumers and their financial service providers were a key concern for both banking managers and customers. A wide range of relationship issues have emerged including the growth of relationships, the complexity and nature of close, strong and satisfied relationships and the role of personal relationships.

Managers felt that despite the clear importance of customer relationships, due to increasing competition, many banks have to become sales and target-driven rather than relationship-focused. Consequently, the managers knew and understood the importance of developing and maintaining relationships but found out that they were unable to address those needs due to the internal company restraints.

As consumer experience increased and service needs became more diverse and sophisticated, consumers indicated that the range and number of relationships across financial institutions multiplied. Older and higher income respondents maintained multiple relationships with several institutions. There was broad agreement that the primary financial provider was the bank in which respondents held a current or deposit account that represented the bedrock of all financial services. Although there was awareness among respondents that banks were attempting to be a one-stop shop, this was not achieved as banks were perceived not to be competitive across all their financial products and services. Therefore, most consumers continued to spread their financial needs across multiple institutions in order to attain the most competitive deals in meeting their financial needs.

Consumers also drew the distinction between a transactional relationship with front-line staff and a personal relationship with someone who actually managed their account and could influence the service quality and performance. Consumers believed that personal relationships were of key importance in their decision-making and in offering perceived benefits and advantages. Knowing someone on a personal level in the bank appeared to be of key importance in obtaining the best service, characterised by competitive rates, higher degree of personal attention, flexibility and security.

It was suggested by some consumers that the banking sector had become so competitive that interest rates were not perceived as the only real differential, but the relationship with their bank, e.g. personal interaction, would be considered while making purchasing decisions.

Consumers placed a higher degree of importance on personal relationships than managers. Although banks are becoming more sale-driven than relationship-focused, consumers highlighted the importance of face-to-face interaction, particularly when adopting new products. Both consumers and providers agreed that customer relationships are becoming more functional. Consumers evaluated their relationships with the financial providers as good.

CUSTOMER RELATIONSHIPS AND BRAND EQUITY

The linkage between customer relationships and brand equity in retail banking services emerged as an important issue for both managers and consumers. Management and consumer perspectives on issues such as the role of relationships in building and evaluating brand equity and how brand equity can be affected were explored. Moreover, through an examination of expected relationships between consumers and financial providers, consumers were found to be willing to participate in shaping customer relationships and thus influencing brand equity.

From the providers' point of view, there was an agreement that customer relationships should be considered when brand equity of the bank is created and maintained. Managers believed that keeping good customer relationships is meaningful in building and maintaining unique brand equity. Moreover, there was consensus that over time, the positive or negative relationships between the bank and customer would increase or decrease the evaluation of the bank's brand. However, almost all the managers had no idea how to build, maintain and manage bank's brand equity by addressing the relationships with their customers. They normally regarded brand equity management and relationships management as two separate marketing domains even though they intuitively knew that brand equity needed to be developed by the entire organisation.

Consumers indicated that when they felt their relationships with the bank to be strong and close, they would have more confidence in the financial products and services the bank provided to them. If the relationship between the bank and consumers was perceived as satisfactorily by the consumers, they would possibly feel loyal to the bank and unlikely to change to another bank that may provide similar services. Indeed, consumers were willing to get involved in customer relationships and an evaluation of brand equity based on their personal relationships with their financial service provider.

Both consumers and providers agreed that customer relationships can influence brand equity. However, consumers placed higher importance on employing customer relationships in branding activities, while managers were a bit confused about what associations were involved concerning brand equity and relationships and how to make them part of branding strategy.

CONCEPTUAL FRAMEWORK

Based on the analysis presented, the themes of branding and relationships, especially the relevance and interplay between brand equity and customer relationships, represent a key issue. It was found that the relationship between a bank and its customer will influence branding and brand equity building. Generally, the closer and more satisfied the relationship established between a banking service provider and a consumer, the stronger and more positive the customer's evaluation of their bank's brand. These findings are important. However, the concepts of customer relationships and brand equity require further empirical analysis and exploration. Therefore, empirical research should examine further the influence exerted by customer relationships on brand equity in financial services.

A Conceptual Framework and Hypotheses Development

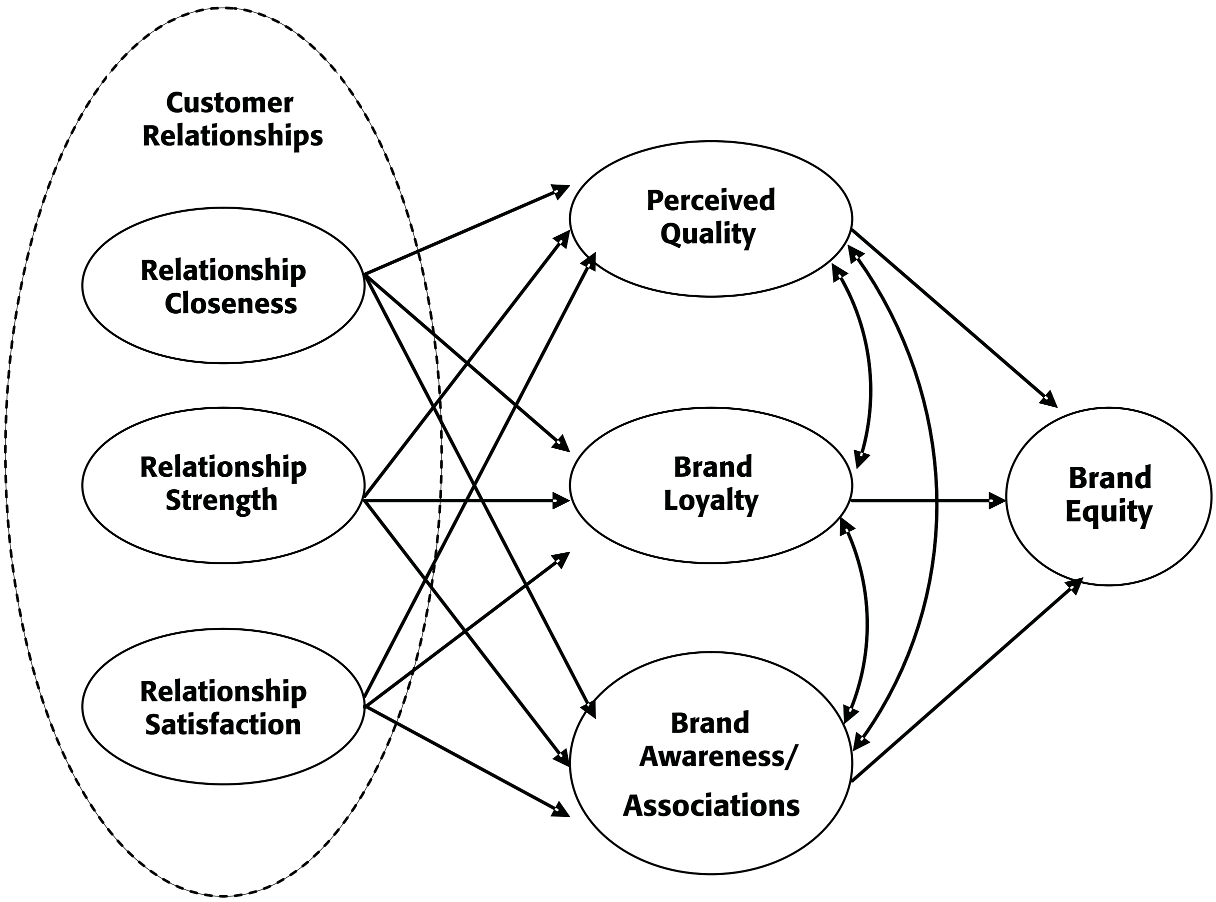
Berry (2000) has developed a model of building service brand equity, which presents the relationships among the principal components of a service brand, such as brand equity, brand awareness, brand meaning, the presented brand, external brand communications and customer experience. Even though a company's presented brand and external communications contribute to brand awareness as well as brand meaning, the crucial influence on brand meaning comes from customer experience. Furthermore, brand equity is regarded as the combined effect of brand awareness and meaning in terms of customer response to the marketing activities of a brand. Consequently, positive brand equity is the marketing advantage, which accrues to a company from the synergy of brand awareness and brand meaning, closely related to the customer experience (BERRY, 2000).

The model by Aaker (1991) proposes that brand equity creates value for both the customer and the company; creates value for the customer enhanceing value for the company; creates brand equity consisting of multiple dimensions. The functions of the brand to the customer and the company imply significant value for building a successful brand in both services provider and consumer. In Aaker's (1991) conceptualisation has been supported by examples showing that brand equity affects decision-making in mergers and acquisitions (Mahajan, *et al.*, 1994), impacts stock market responses (Simon and Sullivan, 1993) and determines the extendibility of a brand name (RANGASWAMY *et al.*, 1993). It can also help reduce the customer's search cost (ZEITHAML, 1988) and serve as a symbolic device, a file holder and a contract (ANAND, 1993) to the customer. Hence, value for the customer enhances value for the company by increasing the probability of brand choice, willingness to pay premium prices, marketing communication effectiveness, brand licensing opportunities, decreasing vulnerability to competitive marketing actions and elastic responses to price increases (FARQUHAR *et al.*, 1991; BARWISE, 1993; KELLER, 1993; SIMON; SULLIVAN, 1993). In brief, brand equity provides sustainable competitive advantage to a company, from both management and consumer perspective (BHARADWAJ *et al.*, 1993).

Figure 1 exhibits a framework for future study, an extension of Aaker's (1991) model and of Berry's (2000) service branding model. A separate construct, brand equity, is placed between the dimensions of brand equity and the value for the customer and the company. The brand equity construct shows how individual dimensions are related to brand equity. Setting a separate brand equity construct will help us understand how the dimensions contribute to brand equity. Customer relationships, an antecedent of brand equity are also added assuming they have significant effects on brand equity, further influencing the creation of brand equity. By extending the classical model of brand equity in those ways, the impact of customer relationships on brand equity can be explored and the way in which the influence can be exerted can be empirically tested. Hence, the main purpose of the quantitative research is to investigate the relationship dimensions and their brand equity links. The relational paths among the constructs are summarised in Figure 1.

Figure 1

Structural Model – Customer Relationships and Brand Equity



BRAND EQUITY

Aaker's (1991; 1997) framework of the components of brand equity, including brand awareness, brand loyalty, brand association (along with brand image), perceived quality and other proprietary assets, such as trademarks, patents and channels, appears to be the most widely accepted composition of the concept. Other researchers identify similar dimensions in accordance with what has been summarised in the literature review. As our focus is customer-based brand equity, which is defined as the different effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993), our definition of brand equity deals with the comparison of different products or services that are identical in most respects except brand name. For example, the Industrial and Commercial Bank of China (ICBC) is the biggest commercial bank in China. All Chinese consumers have an understanding what ICBC conveys in terms of a financial product or service, but they do not have a similar impression on what a financial institution with another brand. ICBC's brand equity is the value embedded in its name, as perceived by the consumer, compared with an otherwise equal financial product or service with another provider with name or no-name. Then, the difference in consumer preference between those products or services with particular brands can be assessed by measuring the dimensions of brand equity.

For the purpose of this study, treat brand equity is treated as a composite of brand-related beliefs, including perceived quality, brand loyalty and brand associations combined with brand awareness (AAKER, 1991; 1997; KELLER, 1993, 1998). High brand equity implies that customers have a lot of positive and strong associations related to the brand, perceive the brand as of high quality and are loyal to the brand. Therefore, in this framework, the dimensions of brand equity construct brand equity and each of them contributes to brand equity.

PERCEIVED QUALITY

Defined as the consumer's subjective judgment about a product's overall excellence or superiority (ZEITHAML, 1988), perceived quality may be influenced by the consumer's subjective judgement of personal product experiences, unique needs, and consumption situations. Perceived high quality implies that consumers recognise the differentiation and superiority of the brand through the long-term experience related to the brand. Zeithaml (1988) identifies perceived quality as a component of brand value. Perceived high quality would drive a consumer to choose the brand rather than other competing brands. Therefore, to the degree that brand quality is perceived by consumers, brand equity will increase.

BRAND LOYALTY

Oliver (1997) defines brand loyalty as a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour. Loyal consumers show more favourable responses to a brand than non-loyal or switching consumers do (GROVER; SRINIVASAN, 1992). Brand loyalty makes consumers purchase a brand routinely and resist switching to another brand. Hence, to the extent that consumers are loyal to the brand, brand equity will increase.

BRAND AWARENESS AND ASSOCIATIONS

Clear brand awareness and strong brand associations form a specific brand image. Aaker (1991) defines brand associations as anything linked in memory to a brand and brand image as a set of brand associations, usually in some meaningful way. Brand associations are complicated and connected to one another, and consist of multiple ideas, episodes, instances and facts that establish a solid network of brand knowledge. The associations can become stronger when they are based on many experiences or exposures to communications rather than a few (AAKER, 1991; ALBA; HUTCHINSON, 1987). Brand associations, which result in high brand awareness, are positively related to brand equity because they can be a signal of quality and commitment and they help a buyer consider the brand at the point of purchase, which leads to a favourable consumer behaviour for the brand.

CUSTOMER RELATIONSHIPS

Although there has been a lack of research on the factors that increase or decrease the quality of relationships (BERRY, 1995), reviews of the literature on relationship marketing and social psychology literature pertaining to interpersonal relationships have been carried out (BARNES, 1994; SHEAVES; BARNES, 1996). They have identified attitudinal and psychological dimensions of relationships and certain conditions, situations and behavioural variables that are often associated with the existence of a relationship. These will be used to build the construct of customer relationships in this study. Relationship closeness, relationship strength and relationship satisfaction are recognised as common constructs of customer relationships (BARNES, 1997; BARNES; HOWLETT, 1998).

RELATIONSHIP CLOSENESS

Many social psychologists have studied the phenomenon of close relationships. The construct closeness has considerable value in relationship marketing as it may be presumed that relationships, which are deemed to be close, are those, which are likely to endure. Social psychologists have acknowledged that some relationships are closer than others and that different groups may be more or less prone to the establishment of close relationships (BERSCHEID *et al.*, 1989a). Kelley *et al.* (1983) offer definitions of relationship and close relationship. According to their study, if two people's behaviour, emotions and thoughts are mutually and causally interconnected, the people are interdependent and a relationship exists. Thus, a relationship could be defined as close to the extent that it endures and involves frequent and diverse causal interconnection. Their definition of construct of closeness captures some of the meaning that people wish to convey when describing relationships as close and also permits empirical tests of the implications of closeness. Similarly, Clark and Reis (1988) observe that closeness is a concept that underlies many aspects of relationships. Additionally, other authors have developed approaches to the measurement of closeness that are appropriately applied to the measurement of consumers' relationships with companies. For instance, Berscheid *et al.* (1989b) develop a Relationship Closeness Inventory, which approaches the measurement of closeness from three perspectives: (a) the respondent's self-assessment of the closeness of the relationship; (b) a measure of the emotional tone of the relationship; and (c) a measure of the respondent's satisfaction with the relationship.

Kelly *et al.* (1983) consider a relationship to be close where a high degree of interdependence is present, as indicated by frequent contact, diverse kinds of activities and long duration of contact. This view of a close relationship represents a behaviourally based definition of the construct, implying that a relationship is close if the relationship partners interact frequently, in a variety of contexts and over a long time period. In Barnes' study (1997), a good understanding of the nature of close customer relationships in retail financial services has been provided. It shows that customers who score high on the closeness scale indicate that they rely on the bank and tend to think that the bank cares about them; and they are also close to individual staff members and make more personal visits to their branch. In this study, it is presumed that the best definition of a close relationship is that provided by the relationship partners themselves, based upon their own subjective assessment of how close they perceive the relationship to be. Relationship closeness in this research, therefore, is to demonstrate the aspects of a close relationship between the individual customer and the bank, characterized by interdependence, familiarity and duration.

RELATIONSHIP STRENGTH

Scholars have employed several terms to identify that aspect of a relationship that implies the likelihood of its continuing into the future. Lehtinen *et al.* (1994) address the measurement of the intensity of relationships in marketing. Berscheid *et al.* (1989b) incorporate a measure of relationship strength in their Relationship Closeness Inventory. The implications of the use of such terms are that strong, intense relationships are less vulnerable and more likely to endure. That study also incorporates a measure of relationship strength or depth in its examination of the relationships that customers have with their financial institutions. The measure incorporating the strength of customers' interactions with their banks indicates that the relationship is considered to be stronger when a customer gives a bank a higher percentage of his or her business, when she intends to continue the relationship into the future and when he is prepared to recommend the bank to others. Consequently, in the present study, based on the self-assessment by customers, relationship strength reflects the aspect of strength of relationship between the individual customer and the bank

RELATIONSHIP SATISFACTION

Berscheid *et al.* (1989a, 1989b) state that a relationship cannot exist without emotional content, and observe that satisfied relationships are characterised by positive affective ties. So in this research, the emotional content of customer relationships will be combined with the measurement of satisfaction. Rosen and Surprenant (1998) indicate that customer relationships are built upon repeated encounters and are dyadic. Satisfaction ban be defined as a global evaluation or feeling state (GOTLIEB *et al.* 1994). Most measures of global satisfaction have used a one-item 5- or 7-point satisfaction scale anchored from very satisfied to very dissatisfied, even though some multi-item scales are available (BABIN; GRIFFIN, 1998). Four common items cover Oliver's (1997) recent definition of satisfaction, by measuring the respondents' overall feelings toward their retail banking services provider on a 7-point semantic-differential scale, anchored by dissatisfied/satisfied, welcome/ignored, pleased/disappointed and comfortable/ uncomfortable. Also, Barnes (1997) suggests that satisfaction with one's banking relationship is very much influenced by the emotional tone of the interaction, by the frequency with which the customer is made to feel relaxed, welcome, pleased, comfortable and pleasantly surprised, as opposed to angry, frustrated, disappointed, let down and ignored. For the present study, relationship satisfaction, defined from the perspective of emotional content, delineates the aspect of satisfaction of relationship between the individual customer and the bank, which is characterised by the customer's emotion in relationships.

Based on the framework and above reflections, the following propositions are forward:

Relevance of the Dimensions of Brand Equity to Overall Brand Equity

Hypothesis 1a: The level of brand equity is positively related to the extent to which quality of products or services is perceived.

Hypothesis 1b: The level of brand equity is positively related to the extent to which brand associations and awareness are held.

Hypothesis 1c: The level of brand equity is positively related to the extent to which brand loyalty is evident.

Relevance of Constructs of Customer Relationships to Dimensions of Brand Equity

Hypothesis 2a: Perceived quality of a brand is related positively to the extent to which the closeness of a relationship with the financial services provider is perceived to be high.

Hypothesis 2b: Brand associations and awareness are related positively to the extent to which the closeness of a relationship with the financial services provider is perceived to be high.

Hypothesis 2c: Brand loyalty is related positively to the extent to which the closeness of a relationship with the financial services provider is perceived to be high.

Hypothesis 2d: Perceived quality of a brand is related positively to the extent to which the strength of a relationship with the financial services provider is perceived to be intense.

Hypothesis 2e: Brand associations and awareness are related positively to the extent to which the strength of a relationship with the financial services provider is perceived to be intense.

Hypothesis 2f: Brand loyalty is related positively to the extent to which the strength of a relationship *with the financial services provider is perceived to be intense.*

Hypothesis 2g: Perceived quality of a brand is related positively to the extent to which the customer relationship with the financial services provider is perceived to be satisfied.

Hypothesis 2h: Brand associations are related positively to the extent to which the customer relationship with the financial services provider is perceived to be satisfied.

Hypothesis 2i: Brand loyalty is related positively to the extent to which the customer relationship with the financial services provider is perceived to be satisfied.

RELEVANCE OF CONSTRUCTS OF CUSTOMER RELATIONSHIPS TO OVERALL BRAND EQUITY

Hypothesis 3a: The overall level of brand equity is related positively to the extent to which the closeness of a relationship with the financial services provider is perceived to be high.

Hypothesis 3b: The overall level of brand equity is related positively to the extent to which the strength of a relationship with the financial services provider is perceived to be intense.

Hypothesis 3c: The overall level of brand equity is related positively to the extent to which the customer relationship with the financial services provider is perceived to be satisfied.

CONCLUSION

In Chinese retail banking, both managers and consumers in the study consider branding to be most important in their decisions. However, they highlight the lack of brand differentiation in Chinese banking service brands. Even though consumers place a higher degree of importance on personal relationships than managers, they both agree that customer relationships have become more functional. Generally, consumers state that their relationships with the financial providers are good. Both consumers and providers agree that customer relationships can influence brand equity. However, in terms of analysis of managers' and consumers' perceptions of this influence there are certain differences. Consumers place a higher degree on importance on employing customer relationships in branding activities, while managers are a bit confused about what the associations are between brand equity and relationships and how to involve their influence in branding strategy. Therefore, an empirical study examining the linkages between brand equity and customer relationships would be recommendable.

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Svetla Marinova

Senior Lecturer
Birmingham Business School
University House Birmingham - B15 2TT
Tel: + 44 (0) 121 414 8576
Fax: + 44 (0) 121 414 7791
Email: s.t.marinova@bham.ac.uk

Jinghuan Cui, University

PhD student
Birmingham Business School
University House Birmingham - B15 2TT
Tel: + 44 (0) 121 414 8576
Fax: + 44 (0) 121 414 7791
Email: jchui@bham.ac.uk

Marin Marinov

Professor of International Business and Management
Department Marketing and Strategy MARINOV Marin
(Prof) Professor of Management / Strategic Man
Telephone: 01242 714880 Email: mmarinov@glos.ac.uk
Faculty: Business School - Endereço: The Park - Cheltenham
Gloucestershire - Cep: GL50 2RH - Fax: +44 (0)1242 714111

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