

EFFECT OF BRANDING ON CUSTOMER PERCEPTION AND FINANCIAL ACHIEVEMENTS

A Study on selected Indian Banks

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Abstract: You can consider a brand as the idea or image people have in mind when thinking about specific products of a company, both in a practical. It is therefore not just the physical features that create a brand but also the feelings that consumers develop towards the company's product. This combination of physical and emotional cues is triggered when exposed to the name, the logo, the visual identity, or even the message communicated. A product can be easily copied by other players in a market, but a brand will always be unique. For example Banks in India, Its biggest challenge for banking industry is to tangibilize the intangible banking experience(Sangeetha Arora, NehaChaudhary, 2016). It has been well recognized that brands are regarded as most important corporate asset but recently serious attempts have been made by various organizations in order to estimate their brand value (Farquhar, 1989). According to various academic researchers as branding is done for such financial institutions public awareness is created on the services provided by them and it will lead to the increase in financial achievements mainly through increase in financial returns and shareholder value. Perception of customers change according to the information passed to them on various means. The effectiveness of branding can be measured through brand value of banks. This thorough research focuses on the branding, perception and financial achievements of banks in India.

1. Introduction

In the Digital Age, a bank or credit union with an old, dated brand identity can't compete. You can't convince anyone your institution is tech savvy if your brand image screams "1980s." Consumers today want to do business with financial institutions that are hip and innovative banking providers that aren't stuffy and traditional. You can leverage your brand identity to convince consumers that banking doesn't have to be a boring chore. Make no mistake: your financial institution's brand identity is one of the most powerful (if not subtle) weapons in your marketing arsenal. Do not underestimate the impact your brand identity has whether positive or negative on people's perceptions... and your bottom line. (JeffreyPilche). Brands will need to learn how to connect with consumers on the consumers' terms. And the simple fact is customers are switching off to traditional advertising, wanting more meaningful and engaging interactions

with brands. Brands will have to connect on issues consumers care about; they can't afford to be seen to be pursuing their own agendas.

Banks can no longer rely on the notoriety and heritage of their brands (especially the bigger ones). Instead, consumers will begin to look for a deeper emotional connection, a richer experience and a clear purpose (Lisa Wood). This emotionality is created through branding of banks. How they create image on others about their services and make them unique among all. At first banks were lending places later it became a business under the British regime were agency houses carried on business, in addition to their trading activities. With a view to bring commercial banks into the mainstream of economic development with definite social obligations and objectives, the government issued ordinance on 19 July 1969 acquiring the ownership and control of 14 major banks in the country, with deposits exceeding Rs 50 crores each. Six more commercial banks were nationalized from 15 April 1980. The objectives of public sector banking system were outlined on 21 July 1969.

The three decades after nationalization saw a phenomenal expansion in the geographical coverage and financial spread of the banking system in the country. As certain rigidities and weaknesses were found to have developed in the system, during the late eighties the Government of India felt that these had to be addressed to enable the financial system to play its role in ushering in a more efficient and competitive economy. And in post-nationalization era, no new private sector banks were allowed to be set up. However in 1993 in recognition of need to introduce greater competition, which could lead to higher productivity and efficiency of the banking system, new private sector banks were allowed to be set up in the Indian banking system.

Commercial Banking System in India consisted of 302 scheduled banks including foreign Banks and one non-scheduled banks at the end of March 1999. Over the period March 1998 to March 1999, the number of scheduled banks increased by three while that of non-scheduled banks remained unchanged at one. Of the scheduled banks, 223 are in public sector and these account for about 83 percent of the deposits of all scheduled commercial banks. In the public sector banking system, there are 196 regional rural banks, specially set up to increase the flow of credit to small borrowers in the rural areas. These banks have specified areas of operations usually limited to two to three districts. They also undertake some other commercial banking business. The remaining 27 banks in public sector are regular commercial banks and transact all types of commercial banking during recent past.

Amongst the public sector banks, as on March 1999, The state bank of India is the biggest unit with 13,290 offices and deposits exceeding 1,39,000 crore aggregating Rs 1,71,782.48 and advances of Rs 1,14,430.37 crore. In associate banks, SBI owns either the entire or the majority of share capital. The SBI and its associate banks as a group account for around 31.9 percent aggregate banking business conducted by the public sector banks and around 26.2 percent of aggregate business of the entire banking system. The remaining 19 banks in the public sector are more nationalized in 1969 and 1980 respectively.

The financial system is the life line of the economy. The changes in the economy get mirrored in the performance of the financial system, more so of the banking industry. Liberalization and de-regulation process started in 1991-92 has made a sea change in the banking system. From a

totally regulated environment, we have gradually moved into a market driven competitive system. Our move towards global bench mark has been, by and large calibrated and regulator driven. The pace of changes gained momentum in last few years.

Structure and ownership pattern would undergo changes. There would be greater presence of international players in the Indian financial system similarly, some of the Indian banks became global players .Government is taking steps to reduce its holdings in public sector banks to 33%.However the indications are that their PSB character may still retained. In the past ,the banks in India were not much concerned about branding but in the last few years ,banks have become more conscious about their image in the market .This coupled with increase in competition in the market have forced some of the brands to undertake branding strategies in order tangibilize their intangible assets and goodwill.

2. Research Methodology

The study is descriptive and analytical in nature .Secondary data is used for study. Theoretical approach is made in research. Data from reports of Brand Finance Banking 500 is used to get information on Brand value of Banks.

Branding Of Banks India

With lots and efforts and means branding is made in these days, It is very difficult to recognize what is the importance of brand to a business. It's often associated with slogans, advertising, campaigns, logos and organizational names. But a brand is emotional when it communicates with its customers about ideas, goodwill and trust. In the past, the banks in India were not much concerned about branding but in last few years, banks have become more conscious about their image in the market. This coupled with the increase in competition in the market have forced some of banks to undertake branding strategies. This helps to ensure that the banks can differentiate their brands from the competitors.

Branding of banks will utilize all kinds of marketing strategies to enhance themselves to attain a favorable position in the minds of customers and more readily recollected by them. Hence, branding helps the banks to ensure their services are distinct and favorable impact on the target customers. In today's environment Indian customers are biggest opportunity to attain a better place in today's market. Entire profile of Indian consumer is changing with the onset of cultural shift in terms of life style aspirations and overall demographic shifts in terms of life style aspirations and overall demographic shifts in terms of income levels. In the mere future, this will act as the key driver of economic growth in India.

At start up position banks were not interested in branding or promoting themselves in the market only lending of money and services provided to customers are prior and competition and need for differentiation to make better place in customers mind .Banks become more conscious to project their name and institution to build an image and this lead to increase in their shareholder

value in market. In early 1990s, the Government of India initiated the policy of liberalization, it licensed a small number of private banks in India. These banks were known as new generation banks. According to these branding each banks have created their own brand value. To create brand identity and image through a communication medium these banks have conveyed an emotional message about their operations among customers and their value generation through various ways.

NAMES THAT COUNT

India's top banking brands
(global ranking in brackets)

Banks	Ranking		Brand value (\$ mn)	
	2014*	2015	2014	2015
State Bank of India	1 (54)	1 (40)	4,063	6,563
ICICI Bank	2 (107)	2 (80)	1,698	2,527
HDFC Bank	3 (133)	3 (104)	1,223	1,925
Axis Bank	4 (178)	4 (131)	766	1,331
Bank of Baroda	5 (208)	5 (187)	606	789
Punjab National Bank	6 (227)	6 (197)	511	748
Bank of India	8 (275)	7 (199)	397	724
Kotak Mahindra Bank	7 (245)	8 (201)	481	697
IDBI Bank	11 (351)	9 (255)	270	483
Canara Bank	9 (301)	10 (262)	339	456

* Union Bank of India ranked 10th in 2014 and 11th in 2015 Source: Brand Finance

Through introduction of IFRS there is a drastic change in valuation and in their financial reporting. IFRS requires identifiable assets to be recognized on the balance sheet of acquiring entity. Brands are one type of intangible asset, which are frequently claimed to have indefinite useful economic lives. Where acquired brands are recognized on the balance sheet post acquisition, it is important to establish a robust and supportable valuation model using best practice valuation techniques that can be consistently applied at each annual impairment review. There are various brand consulting agencies (Interbrand, Brand Finance, Brandz, Intangible Business etc.) In this study has adopted the methodology of Brand Finance 2015. Brand Finance is the world's leading independent brand valuation and strategy consultancy. Brand Finance facilitates companies to connect their brands to bottom line, strategies and investments and to evaluate marketing programmes. The Brand Finance Banking 500 is an annual ranking of the most valuable brands in banking. It is a firm who publish brand values of top 500 banking brands. The brand value is calculated on the basis of brand strength on a scale of 0 to 100 based on number attributes such as emotional connection, international presence and sustainability. This score is known as Brand strength index.

Brand value is used for the measuring the effectiveness of branding banks in India, in order to initialize the name of bank and make themselves in the customers to be a leader in market various ways are introduced and it can be valued on through a specific way of measurement like brand strength score and this is done by applying to royalty rate.

Perception of customers

Consumer perception applies the concept of sensory perception to marketing and advertising. Just as sensory perception relates to how humans perceive and process sensory stimuli through their five senses, consumer perception pertains to how individuals form opinions about companies and the merchandise they offer through the purchases they make. Merchants apply consumer perception theory to determine how their customers perceive them. They also use consumer perception theory to develop marketing and advertising strategies intended to retain current customers and attract new ones. Self-perception theory attempts to explain how individuals develop an understanding of the motivations behind their own behavior. Self-perception by customers relates to values and motivations that drive buying behavior, which is also an important aspect of consumer perception theory. For instance, a study by researchers at the University of Massachusetts at Amherst addressed how self-perception shaped consumers' buying behavior.

Brand image is the current view of customers about a brand .The impressions consumers have of a company extend well beyond the product or service the firm provides. According to (Porter 1985) brand image is a mental image that reflects the way a brand is perceived, including all the identifying elements, the product or company personality, and the emotions and associations evoked in consumers mind. Keller (2003 c) defines brand image as perceptions about a brand reflected by brand associations held in consumer memory. It is a set of beliefs held about a specific brand .It is nothing but consumer's perception about the product. Branding conveys emotional value and not just a mental image. Brand image is a composite of perceived quality and esteem dimensions. In other words, brand image of a bank is not absolute; it is relative to brand images of competing banks. The customers often form a brand image of a bank from their own banking experience. Banks brand image possesses a strategic function. Through strategic marketing activities, the brand image helps in strengthening the intensions customers have for selecting a bank.

Perception of consumers can be measured to test the hypotheses was using questionnaire. But closed and open ended questions were used and scaled. The banks are selected according to brand value of the banks ranked by Brand Finance for the period of 2009 – 2015 .Top 10 banks were selected 5 public sector banks and 5 private sector banks were selected for this study .All the accounting information is consolidated annually. In public sector banks, State bank of India, Punjab National Bank, Bank of Baroda, Bank of India and Canara bank were selected. In private sector banks, ICICI, HDFC, Axis, Kotak Mahindra and IDBI form the sample of the study. Both consumer perception and financial indicators are analyzed in this study find out need for branding an Institution like bank in a country like India. Where all people from various demographic and geographic implication are taken into consideration. Which people specifically prefer and the most perceptual factor is also analyzed. A five point scale is used in this study to

analyze the perceptual indicators but financial indicators like Stock Prices and Earnings per share are taken to find out impact of branding on various financial indicator. For measuring the branding brand value of banks are taken which is published by Bank Finance.

3. Hypothesis Development and Regression Model

Stock Prices

A share price is the price of a single share of a number of saleable stocks of a company, derivative or other financial asset. In layman's terms, the stock price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for. In the study, stock prices reflect the share price (closing price) of the respectable banks. In my studies effect of branding in financial achievements is made through taking brand value and in previous studies made by (Simon&Sullivan, 1993; Bath et al, 1998, Jacobson, 2001; Chu &Keh, 2006; Ohnemus&Jenster, 2007; Mirik& Jacobson, 2008; Edmans, 2011; Kirk et al., 2012; Hsu et al, 2013).The study presumed that brand value is the building block which helps in accelerating the share prices. Investors prefer to hold shares in well-known companies and Brand value act as a proxy for assessing the reputation and goodwill of the company (Eng&Keh, 2007). Edmans, 2011 also asserted that higher brand value lead to more share prices. In order to analyze, whether these findings are consistent to the present study, the following hypothesis were developed.

Ho: There is no significant impact of Branding on financial achievements measured with Stock Prices

H1: There is significant impact of Branding on financial achievements measured with Stock Prices

Model formulated- $Stock\ Prices = \alpha + \beta_1 BV + \beta_2 AGE + \beta_3 BANK\ SIZE + \beta_4 OWNERSHIP + E$

EPS: Earnings per share

Earnings per share are regarded as an important measure of financial performance. EPS is the monetary value of earnings per outstanding share of common stock for a company. Madikizela (2007); Angulo (2007); Mizik (2009); Gherghina et al (2015) have used EPS as performance measure. EPS is a popular indicator of shareholder return. These studies have reported the positive as well as negative impact of Brand value on EPS. The banking sector has potentially created a link between brand and shareholder return. In order to analyze, whether these findings are consistent to the present study, the following hypothesis were developed:

Ho: There is no significant impact of Branding on financial achievements measured with Earnings per Share

H1: There is significant impact of Branding on financial achievements measured with Earnings per Share

Model Formulated- $EPS = \alpha + \beta_1 BV + \beta_2 AGE + \beta_3 BANK\ SIZE + \beta_4 OWNERSHIP + E$

Where $\alpha = \alpha$ is Constant or Intercept,

$\beta = \beta$ is the coefficient of each variable.

Stock Prices = Stock Prices of the bank

EPS = Earnings per Share of the bank

BV = Brand value

AGE = Age of the Bank

BANK SIZE = Size of the bank

OWNERSHIP = ownership (public or private) of the bank

E = representing the Error term

Table 1. Impact of branding on financial achievements of banks measured in Stock prices

Variable	Coefficient	T value	P Value
C	-2757.734	-6.43	0.000***
BV	132.225	3.34	0.001***
Size	379.109	1.64	0.105
Age	733.699	4.88	0.000***
Ownership	-1384.261	-4.00	0.000***

$R^2=0.647$, $F(11,68)=11.36$, $Prob>F=0.000$.***Significant at 1% level ,**Significant at 5% level, Significant at 10% level (Source: Secondary Data)

The impact of branding on achievements of banks measured with Stock Prices. The results reflected the positive relationship between stock prices and Brand value and this relationship is significant as P value is less than .05. The results of the study are consistent with the findings of Simon & Sullivan (1993); Barth et al (1998); Chu & Keh (2006) ; Ohnemus & Jenster (2007); Mizik & Jacobson (2008); Edmans (2011); Kirk et al. (2012); Hsu et al (2013). These studies reflected that brand value is the building block which helps in accelerating the share prices. Investors prefer to hold shares in well-known companies and Brand value act as a proxy for assessing the reputation and goodwill of the company, Eng & Keh (2007). Edmans (2011) also asserted that higher brand value lead to more share prices.

Firm Size is positively associated with Stock prices which reveal that as size of the bank increases, stock prices also increases. The share prices of large sized banks are more as compared to small sized banks. The stock prices of State bank of India are more than the stock prices of Canara bank from 2007 to 2014 (Prowess, 2014). Age is found to be positively associated to stock prices which show that as age of the bank increases, it share prices also increases. The stock prices of older banks are better as compared to new banks. Ownership is found to be significantly negatively associated with stock prices which revealed that the stock prices of private banks are more than the public sector banks in the analyzed years.

Table 2. Impact of branding on financial achievements of banks measured in Earnings per Share

Variable	Coefficient	T value	P Value
C	-121.342	-3.65	0.001***
BV	9.324	3.04	0.003***
Size	-27.245	-1.52	0.132
Age	43.813	3.76	0.000***
Ownership	-58.47	-2.18	0.033**

$R^2 = 0.661$, $F(11, 68) = 12.07$, $Prob> F = 0.000$.***Significant at 1% level, **Significant at 5% level Source: Secondary data

Table 2 shows results on the impact of brand value on the financial performance measured with Earnings per Share. The table reflected the positive relationship between Earnings per share and Brand value and this relationship is significant as P value < .05. The results of the study are consistent with the findings of Madikizela (2007); Angulo (2007); Jacob and Mizik (2009) and hold the view that a high brand value increases the reputation and image of the bank in the market which persuade the new investors to buy shares and raises the earnings attached with the shares of banks.

Conclusion

The study shows a theoretical approach in consumer perception of consumers in Branding Indian Banks. In wide range of spectrum it is not easy to make prompt study in it. But researcher had attempted to make an explanatory study on Branding, Perception and Financial Achievements based of Indian Banking system .Researcher has tried to give a brief introduction on the banking history of India. Consumers always expect a fully functioning and comfortable place to generate their savings along with other benefits. Service quality and customer satisfaction are very foremost concepts that banking industry must understand in order to remain competing in business. It is very crucial to know how to measure these factors from the consumers' prospects in order to understand their demands and to make them satisfy. Banking Services are considered very important because it leads to higher customer satisfaction, reduced cost, profitability, customer loyalty and retention That leads to their financial achievements like increase in Stock prices and Earnings Per Share. Brand image is the current view of customers about a brand .The impressions consumers have of a company extend well beyond the product or service the firm provides.

According to (Porter 1985) brand image is a mental image that reflects the way a brand is perceived, including all the identifying elements, the product or company personality, and the emotions and associations evoked in consumers mind. Keller (2003 c) defines brand image as perceptions about a brand reflected by brand associations held in consumer memory. It is a set of beliefs held about a specific brand .It is nothing but consumer's perception about the product. Branding conveys emotional value and not just a mental image. Brand image is a composite of perceived quality and esteem dimensions.

Competition is fiercer than ever due to globalization. Technology allows consumers to easily compare all of their options. Banks must compete with more than other businesses, they have to compete with an exponentially increasing amount of noise just to get the consumer's attention proliferation of products and services is staggering. Many companies that were historically successful find their products have become commodities. Branding can help even a commoditized product differentiation.

When you create an emotional connection with consumers, they're more likely to stick with you. Just think about how much easier it is to say "no" with a quick phone call or email than it is to say no to a person face-to-face. When you create a brand, you create a humanistic connection that makes it harder to leave. It's a lot easier (and less expensive) to keep a current customer than it is to acquire one. When branding creates an emotional connection with customers who become attached, it get increase in Share price and earnings per share. All of the marketing efforts

become more powerful when they are coming from a strong brand that has a foothold in the hearts and minds of consumers.

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