

The Influence of Social Media on Brand Equity in Kenyan Banking Industry

JO Owino^{1*}, M Cherotich², WP Karuri², V Gitonga², L Kimuya² and K Kaumbulu²

¹Lecturer, School of Business, University of Nairobi, Kenya

²Undergraduate student, School of Business, University of Nairobi, Kenya

Accepted 15th January, 2016

The purpose of the study was to determine the influence of social media on brand equity in the banking industry in Kenya. The brand equity elements assessed were perceived quality, awareness and loyalty. Descriptive cross-sectional survey was used in the study. The target population was undergraduate business students aged between 18 and 30 years; with internet-enabled mobile handsets and a bank account. The sample size was 379 students. Stratified random sampling method was used to select respondents. Data was collected through interviewer administered questionnaire and a response rate of 79% was achieved. Data was analyzed through descriptive statistics and linear regression. It was established that social media has statistically significant positive influence on brand equity in the banking industry. Social media explains 81.2% of variation in brand awareness; accounts for 82.5% of perceived quality; and 85.9% of brand loyalty. We conclude that social media has positive influence on brand image and customer relations in the banking industry. We recommend the use of social media as a tool for building mutually beneficial relationship with customers in the banking industry.

Keywords: Social media, brand equity, banking industry.

BACKGROUND OF THE STUDY

Increased competition in the financial market has forced banks to review their marketing communication strategies with the view of enhancing the relevance, promoting dialogue and building long term relationships with customers. Social media is emerging as a more flexible tool for improving communication between organizations and their customers in diverse industries. Although social media is increasingly being adopted by the corporate world, it transfers control of information from marketers to customers, hence, creating both opportunities and challenges to management of organizational brand image (Constantinides & Fountain, 2008). Indeed, customers place more value on the experiences of other customers within their social networks rather than the one-way advertising messages sent out by firms. Nonetheless, customer's interpretation of value is driven by knowledge and their involvement with the brand. Therefore, effective communication of value is necessary for banks to attract and keep customers in a long-term relationship. Social media is accepted as a new source of online information which is initiated, circulated and used by customers to educate each

other about brands (Blackshaw & Nazzaro, 2004). Social media is considered as a group of internet applications based on ideological and technological foundations of Web 2.0 that allow the creation and exchange of user generated content (Kaplan & Haenlein, 2010; Carlsson, 2010).

Brand equity refers to the non monetary net worth of a brand associated with its name and symbol provided by a product to customers (Aaker, 1996). For purposes of this study, we adopt the consumer perspective of brand equity that is based on consumer attitudes about brand attributes and favorable consequences of brand use. Keller (2001) argues that brand equity in the banking industry is built by forming brand relationships with consumers characterized by closeness and loyalty. Aaker (1996) suggests that customer relationship is a valuable asset to building strong brand equity. Therefore, the use of social media in building relationships with customers through complaints management and responding to questions posed by various stakeholders is gaining momentum. Commercial banks in Kenya are using various service delivery methods, including integrating their platforms

with mobile money services, as well as the use of agency banking to bring services closer to customers. The growing influence of mobile telephone technology in Kenya has increased the use of mobile phones to carry out banking transactions (Tredger, 2014) such as checking bank balances, tracking status of bank account, transferring money and making payments for a variety of goods and services. Social media is broad-reaching and region-neutral; hence banks can leverage this platform to expand the reach of their branding efforts. Studies indicate that firms use social media to transmit innovatively customer tailored advertising content (Moayyed, Dehyadegari, & Bakhshizadeh, 2012). Advertising on social media boosts brand recognition and recall among customers and prospects.

Empirical investigations (Kioko, 2010; Mutero, 2012; Odhiambo, 2012) on the relationship between social media and brand equity draw similar conclusions demonstrating the positive influence of social media on brand awareness. Although this class of investigation offers useful insights, tests are based on a single dimension of brand equity. We bridge this gap by testing the influence of social media on multiple dimensions of brand equity. Therefore, we focus on addressing three research objectives. First, our study seeks to establish the influence of social media on brand awareness. Secondly, to determine the influence of social media on perceived quality; and thirdly, we assess the influence of social media on brand loyalty.

2. THEORITICAL PERSPECTIVES AND HYPOTHESES

The power and value of brands vary across markets, industries and nations. Brands reside in the consumer's mind depending on the strategy and style of marketing communication used by firms to connect with the market. Brand equity is defined in terms of marketing results directly linked to the brand. Brand equity delivers value to firms by enhancing marketing performance, reducing customer churn and creating a differential advantage in competitive markets (Chieng & Lee, 2011). Therefore, brand equity reinforces a firm's competitive position in the market. Besides organizational benefits, brand equity has positive consequences to customers that include improved shopping experience and improved self esteem (Tuominen, 1999).

Our study is guided by the resource based theory and Lovemarks theory. The Resource Based View (RBV) theory defines a brand as intangible asset or market based asset. According to Tokuda (2005), RBV theory involves identifying the firm's unique resources, deciding on which markets those resources can earn the highest rents and making decisions that include determining whether the rents from those assets are being effectively utilized. The RBV suggests that the resources possessed by a firm are the primary determinants of its performance and these may contribute to a sustainable competitive advantage. Chieng and Lee (2011) contend that high brand equity is an important organizational asset as it leads to accelerated consumer preferences and purchase intentions. However, brand equity's asset worth remains relevant to the extent that it is immune to imitation by competitors. A major critique of this theory is that it doesn't give precedence to the role of consumers in building up the brand equity of a firm.

Lovemarks theory suggests that a company must go beyond creating a brand to creating a Lovemark in order to build customer loyalty (Roberts, 2004). Roberts (2006) asserts

that, Lovemarks are brands, events, and experiences that people passionately love. In Roberts view, a lovemark command high brand love and respect. Lovemarks theory recognizes that people personify the world around them and develop relationships with brands (Fournier, 1998). Although the theory preaches the importance of new channels and new media, the presentation consists mainly of television advertisements. In contrast to the changing consumer experience with traditional media, Lovemarks theory maintains that television is the leading medium for delivering advertising message. Our study aims to falsify the Lovemarks theory.

2.1 Social Media and Brand Awareness

Awareness is the first step in communicating with the customers. It seeks to attract the attention of the customer (Rawal, 2013). Although traditional media have dominated the marketing communication arena for centuries, social media has gained a lot of popularity over the past few years. As a result, traditional channels have experienced decline in both business and reputation. Palmer and Lewis (2009) argue that the mainstream media channels have faced many challenges in recent times that have led to their diminishing influence over brand positioning. Firms are gradually shifting their advertising priorities to align with young shoppers who are tech savvy and social media maniacs. As a result, several marketers are advertising using different types of social media sites considered authentic to their present and prospective customers. Consequently, electronic conversations through social media influence the brand awareness. Mutero (2012) argues that customers share or retweet posts about new products whenever banks post them on their Facebook and Twitter pages respectively. He further notes that the posts by the banks on new products get huge numbers of comments and likes, especially if the product resonates with the customer's feelings and expectations.

Frequent exposure of a brand name helps to keep the brand salient. A frequently exposed brand becomes part of the social conversation, both online and offline. When customers hear more about a brand in conversations, they interpret it as big, established and successful. According to Aaker (1996), brand awareness provides a brand with a sense of familiarity and most consumers like what is familiar. Therefore, social media communication positively affects brand awareness as long as the message creates a satisfactory customer reaction to the product in question (Yoo, Donthu, & Lee 2000). Further, in their study of social media campaigns, Li and Bernoff (2011) underscored the importance of advertising on social media to create brand awareness. Additionally, social media enables consumers to share information with their peers about the product and service brands (Mangold & Foulds, 2009) leading to increased brand awareness. Consistent with an unequivocal growing body of literature, we predict that:

Hypothesis 1: Social media has a significant positive influence on brand awareness

2.2 Social Media and Brand Loyalty

One of the strongest measures of a brand's value is the ability of the brand to attract and keep customers and over time convert them to company advocates. Brand loyalty arises from a consumer's favorable attitude and disposition towards a brand. Aaker (1991) perceives brand loyalty as the level of consumer's emotional attachment to the brand. Tuominen (1999) explains that the study of brand loyalty is dominated by

the behavioral and cognitive perspectives. The behavioral approach views consistent buying of a particular brand as an indication of loyalty. On the other hand, the cognitive perspective underscores the limitations of the behavioral approach and maintains that commitment to the brand is a more accurate representation of loyalty. Brand loyalty develops due to consumer's positive experience with the brand, beliefs held and marketing communication. Consumer's emotional connection grows together with brand memory as loyalty intensifies (Gunelius, 2011). However, circumstantial loyalty such as proprietary assets, including patents, copyrights, and trademarks give a firm at least a temporary monopoly position. Although, circumstantial loyalty may be equated to forced marriage, love between customers and brands may blossom on condition that consumer expectations are at best exceeded or at least met by brand benefits. Brand loyalty provides predictability and security of demand for the firm and insulates the firm from the competition. Hence, it enhances the competitive position of the brand in the market (Keller, 2009).

Consistent use of social media has potential for driving consumer loyalty. Social media provides an avenue that organizations use to build relationships through positive engagement and ensuing influence among consumers themselves. Social media helps firms to build brand loyalty by establishing connections and good relationships with customers. The use of social media guarantees the possibility of frequent encounter or feedback between consumers and the brand (Hendrikse, 2009). Such interaction between a brand and a consumer can enhance consumer's attachment to the brand. Nevertheless, communication with social media can have the greatest effect on the loyalty of a brand only when active involvement of consumers is achieved (Keller, 2009). From the foregoing discussion, we propose as follows:

Hypothesis 2: Social media have a significant positive influence on brand loyalty

2.3 Social Media and Perceived Quality

Perceived quality is the comparison of consumer's judgment or perception of the overall quality of a particular product relative to that of a competing brand. Customers determine the perceived value of a service based on their experience with the quality of service delivered. According to Parasuraman, Zeithaml, and Berry (1985), perceived quality is the extent to which a firm successfully delivers the expectations of customers. By addressing the issue of what the consumers should think or feel about the brand, organizations try to improve perceived quality of their brands (Keller, 2001). With the growing use of social media, the consumer's tendency to seek confirmatory evidence from customers within their network to an organization's communication campaign has increased (Wason, 1960).

Social media plays a role in shaping customer's perception of quality by communicating the brand promise. Social media acts as a tool for providing supporting evidence that customers use prior to making judgment and creating a bias towards a product (Samsup & Yungwook, 2003). Rowley (1997) argues that perceived service quality is an attitude related to, but not the same as, satisfaction. Social media plays a key role in influencing how customers perceive a brand that has a social media presence. Customers value the opinions created by other customers on other brands. This means that a brand that invests in building positive electronic word of mouth and invests time to ensuring quality service delivery to their customers, also influence their potential customer's view of the

brand. The use of social media has been instrumental in seeking customer inputs towards the improvement of service quality (Li & Bernhoff, 2008). Consumer expectation of service quality changes over time and context. Social media provides a research platform for monitoring and predicting emerging consumer behavior. Theoretical propositions and previous empirical tests lead us to the following hypothesis.

Hypothesis 3: Social media has a significant positive influence on perceived quality

3. METHODOLOGY

The descriptive cross-sectional survey was our research design of choice. Our desire to test hypothesized relationships using snapshot data led us to adopt descriptive survey. The target population comprised undergraduate university students aged between 18 and 30 years and who were enrolled in business studies under the government sponsored program. Based on the nature of social media, we selected students who confirmed ownership of a mobile telephone with access to the internet. Our screening questionnaire was designed to select undergraduate university students who had a bank account, social media account and registered for online banking. Furthermore, our screening ensured that students included in the sample had used social media to access banking services at least twice between September 2015 and November 2015. The students included in the sample were from Kenyan public universities. Stratified random sampling was used to select the students who constituted our sample. Student's level of study was the basis of stratum. Consequently, we studied first year, second, third and fourth year students at the undergraduate level of study. Since the distribution of the students was varied across the different levels of study, we used disproportionate sampling technique. Random sampling was then used to select the elements of each stratum. A structured questionnaire was administered to the respondents to collect data. The use of a structured questionnaire ensured consistency across the respondents. The questionnaire was administered to screen out the students who did not meet the criteria for the target population. We subjected our data to statistical tests of rigor namely test for reliability and validity. Reliability was tested by computing the Cronbach's Alpha coefficient. Validity was tested through factor analysis. The Statistical Package for Social Scientists (SPSS Version 17) program was used to analyze the data collected from the respondents. Simple linear regression was used to establish the relationship between social media and each of the brand equity dimensions.

4. RESULTS

The study had a sample size of 379 respondents, out of which, 300 successfully filled analyzable questionnaires. This translated to a response rate of 79.2%. The highest response rate was due to zero cases of language barrier since all the respondents had a university education and understood the language in which the questionnaire was administered. Results of descriptive statistics indicate that the majority (93.7%) of the respondents were aged below 25 years. More than 80% of respondents had four social media accounts on different platforms, namely Facebook, Twitter, LinkedIn and Instagram. We established that 89% of the respondents visit social media sites at least once every hour. The cumulative number of hours that an average user spends on social media in a typical week was 10 hours.

Table 1: Regression results for the relationship between social media and brand awareness

Model	Unstandardized Coefficients		Standardized Coefficients	R ²	Adjusted R ²	T	Sig	95.0% Confidence Interval for B	
	B	Std. Error	Beta					Lower bound	Upper bound
(Constant)									
Social	2.021	.281	.901	.812		7.197	.000	1.468	2.574
Media	.323	.009				35.886	.000	.305	.341

a. Dependent Variable: Brand Awareness

Results in Table 1 show that there is a statistical significant positive relationship between social media and brand awareness (R2 = .812; p-value ≤ 0.05). The beta coefficient of 0.901 suggests that a 1% change in social media leads to 0.901% change in brand awareness. The results of the relationship between social media and brand loyalty are summarized in Table 2.

Table 2: Regression results for the relationship between social media and brand loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	R ²	Adjusted R ²	T	Sig	95.0% Confidence Interval for B	
	B	Std. Error	Beta					Lower bound	Upper bound
(Constant)									
Social	-.282	.356	.927	.859	.858	-.791	.429	-.983	.419
Media	.486	.011				42.603	.000	.464	.509

a. Dependent Variable: Brand Loyalty

The results in Table 2 support the hypothesis linking social media with positive change in brand loyalty. Social media explain 85.8% variation in brand loyalty. The standardized beta coefficient suggests that a 1% change in social media use contributes 0.927% positive change in brand loyalty. Table 3 displays results of the relationship between social media and perceived quality.

Table 3: Regression results of the relationship between social media and perceived quality

Model	Unstandardized Coefficients		Standardized Coefficients	R ²	Adjusted R ²	T	Sig	95.0% Confidence Interval for B	
	B	Std. Error	Beta					Lower bound	Upper bound
(Constant)									
Social	13.390	.891	.908	.825	.825	15.033	.000	11.637	15.143
Media	1.070	.029				37.505	.000	1.014	1.126

a. Dependent Variable: Perceived Quality

Our third hypotheses find support from empirical evidence presented in Table 3. The results indicate that social media accounts for 82.5% variation in perceived quality. The results imply that customer’s judgment of service quality is significantly influenced positively by social media.

User profile data show that majority of the respondents (54.6%) had visited their bank’s social media site(s) at least 60 times three months preceding data collection for the study. A considerable number of students (14.5%) had made at least 80 visits to their bank’s social media site(s) within the same period. Facebook and Twitter were the most popular and frequently visited social media sites by students. Rating of effective use of Facebook by banks ranged from fair to excellent. Out of the 257 respondents whose banks use Facebook, 65.8% rate the maintenance of the Facebook page as excellent, 28.8% rate it as good while only 5.4% rate it as average. Comparatively, 53% rate the maintenance of the Twitter account by banks as excellent while 39.8% rated it as good. The majority of the respondents (69.3%) considered the information posted by banks on social media as very useful while 30.7% believed it as useful. Results of regression analysis demonstrate that social media explains 81.2% of the variations in brand awareness; 85.8% of the variations in brand loyalty; and 82.5% of the variations in perceived quality. Table 1 presents results of the regression analysis on the relationship between social media and brand awareness.

5. DISCUSSION

The strong, statistically significant positive link between social media and brand awareness is attributable to the high usage of social media among the population of study. The results imply that social media has a strong influence on young techno savvy students and appears to be their media of choice for accessing brand information. The spiral nature of social media information explains its ability to deepen brand awareness among young people with a huge network of virtually linked friends. Although social media has a strong influence on brand awareness, various platforms differ in their strength of influence among youthful students. The relative influence of social media in the brand awareness creation depends on their popularity among youths. In the Kenyan case, Facebook appears to be the most popular social media platform and consequently has the highest influence on brand awareness. Our results are consistent with Mutero (2012) who established that 82.7% of customers use Facebook and Twitter to access information about their banks. Our results further support findings by Kioko (2010) who demonstrated that the popularity of a bank depends on its aggressive social media campaign. Therefore, social media presents brands with enormous reach

and endless communication possibilities. It allows brands to emerge into a world of peer-to-peer dialogue and therefore the possibility of harnessing the brand building potential of the richest communication form available.

Our study demonstrates that 81.2% of positive variations in perceived quality were associated with social media use. This means that visual appearance of the brand on social media page and content therein influence customers' overall judgement about brands and service quality. Social media influence perceived quality in many ways, including enhancing access to information, improving speed and responsiveness of communication and handling customer complaints. It also eliminates the spatial distance that would otherwise limit access to information by customers. Well maintained social media pages that are constantly updated with relevant information help improve perception of customers towards the bank. The use of social media by Kenyan banks facilitates two-way communication with customers. Further, it enables banks to communicate information about product quality to their customers continuously and address their concerns as well. Social media helps customers feel that their bank understands them by providing services and products uniquely tailored to suit their needs. The perceived quality of customers has a powerful effect on a brand. Perceived quality directly influences purchase intentions and brand loyalty, especially when a buyer is not motivated or able to conduct a detailed assessment of

the available options. Perceived quality influences the brands that are included or excluded from consideration set, and the final purchase decision.

6. CONCLUSION

We conclude that social media positively influences brand equity in the banking industry. However the relative influence of social media platforms depends on their popularity among customers in a defined geographic region. Social media provides a huge opportunity for not only creating brand awareness, but more importantly attracting and keeping customers. Therefore, social media is a strategic communication that firms use to build lasting and mutually rewarding relationship in the market. However, the effective use of social media to favourably change consumer behavior depends on the ability of the firm to understand and influence the collective wisdom of the crowd and capability to build a significant and defensible market position based on solid social acceptance. In the world of social media, customer experience happens outside the control and sometimes even the awareness of the business. In such a scenario, organizational participation in social media conversations is no longer an option for long-term success of contemporary brands.

REFERENCES

- Aaker, D. A. (1996), *Building strong brands*. New York: Free Press.
- Blackshaw, P., & Nazzaro, M. (2004), *Consumer-Generated Media (CGM) 101: Word-of-mouth in the age of the Webfortified consumer*, Retrieved (04.03.2011) from <http://www.nielsenbuzzmetrics.com/whitepapers>.
- Carlsson, U. (2010), *Children and youth in the digital media culture: From a Nordic horizon*. Göteborg, Sweden: International Clearinghouse on Children, Youth and Media, NORDICOM. University of Gothenburg.
- Chieng, F.Y.L & Lee, C.G. (2011), *Customer-based brand equity: A literature review*, *Journal of Arts Science & Commerce*, 2(1)
- Constantinides & Fountain S.J. (2008), *Web 2.0: Conceptual foundations and marketing issues*, *Journal of Direct, Data and Digital Marketing Practice*, 231–244
- Fournier, S. (1998), *Consumers and their brands: Developing relationship theory in consumer research*. *Journal of Consumer Research*, 24
- Hendrikse, M. (2009), *Customer based brand equity pyramid and social media*. Retrieved May 11, 2015, from <http://markhendrikse.com/blog/2009/7/12/customer-based-brand-equity-pyramid-social-media.html>
- Kaplan, M.A. & Haenlein, M. (2010), *Users of the world, unite! The challenges and opportunities of social media*. *Business Horizons*, 53: 59-68
- Keller, K. L (2009), *Building strong brands in a modern marketing communications environment*. *Journal of Marketing Communications*, 15(2): 139–155.
- Keller, K. L. (2001), *Building customer-based brand equity: a blueprint for creating strong brands*. Cambridge, MA: Marketing Science Institute.
- Kioko, K. M. (2010), *Use of social media to create awareness: A case of Kenyan Banks*. Unpublished Master Research Project, School of Business, University of Nairobi.
- Li, C., & Bernoff, J. (2008), *Groundswell: Winning in a world transformed by social technologies*. Boston, MA: Harvard Business Press.
- Mangold, W. G., & Faulds, D. J. (2009), *Social media: The new hybrid element of the promotion mix*. *Business Horizons*, 52(1): 357-365.
- Moayyed, F., Dehyadegari, S., & Bakhshizadeh, A. (2012), *The role of advertising through social networks to promote brand equity*. *Management Science Letters*, 2(6): 569-574.
- Mutero, J. N. (2012), *Adoption of social media by Kenyan Banks as a communication tool*. Unpublished Master Research Project, School of Business, University of Nairobi.
- Odhiambo, C. A. (2012), *Social media as a tool of marketing and creating brand awareness*. Unpublished Master Thesis. AMMA University of Applied Sciences Finland
- Palmer & Lewis (2009). *An experiential, social network-based approach to direct marketing*. *Journal of Research in Interactive Marketing*. 3(3): 162-176.
- Parasuraman, A., Zeithaml, V. & Berry, L. (1985), *A conceptual model of service quality and its implications for future research*. *Journal of Marketing (Fall)*, 41-50.
- Rawal, P. (2013), *AIDA Marketing communication model: Stimulating a purchase decision in the minds of the consumers through a linear progression of steps*. *International Journal of Multidisciplinary Research in Social & Management Sciences*, 1(1): 37-44.
- Roberts, K., (2004), *Lovemarks: The future beyond brands (1st Ed)* New York: Powerhouse Books.
- Roberts, K., (2006), *The Lovemarks effect: Winning in the consumer revolution*. New York: Powerhouse Books.
- Rowley, J. (1997), *Managing branding and corporate image for library and information services*. *Library Review*, 46(4): 242-8.
- Samsup, J. & Yungwook, K. (2003). *The effect of web characteristics on relationship building*. *Journal of Public Relations Research*, 15(3):199.
- Tokuda, A. (2005), *The Critical Assessment of the Resource-Based View of Strategic Management: The Source of Heterogeneity of the Firm*
- Tuominen, P. (1999), *Managing brand equity*, *LTA* 1/99: 65-100
- Tredger, C. (2014), *60% of Kenyans use mobile banking*. Retrieved from <http://www.itnewsafrika.com/2014/01/60-of-kenyans-use-mobile-banking>
- Yoo, B., Donthu, N. & Lee, S. (2000), *An examination of selected marketing mix elements and brand equity*. *Journal of Academy of Marketing Science*, 28: 195-211
- Wason, P.C. (1960), *On the failure to eliminate hypotheses in a conceptual task*. *Quarterly Journal of Psychology*, 12: 129-140.