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Brand equity and customer behavioral intentions: a mediated moderated model

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Brand equity and customer behavioral intentions: a mediated moderated model

Abstract

Purpose: This study examines the relationship between brand equity and customer behavioral intentions to repeat purchases, willingness to pay a price premium, switch and provide positive word of mouth. It further explores the mediating role of customer satisfaction and the moderating impact of customer age, education and gender on these relationships.

Design/methodology/approach: Data were collected from two hundred and eighty-three (283) banking customers and analyzed with structural equation modeling.

Findings: The results supported a strong relationship between brand equity and all four measures of behavioral intent with customer satisfaction partially mediating these relationships. In addition, the results supported the moderating effect of customer age and education on the customer satisfaction-switch relationship.

Implications: The study provides a useful perspective on the impact of brand building investments on consumers behavioral intentions, which bank managers can use to monitor and evaluate the outcome of branding initiatives and relationship management strategies.

Originality/value: The study provides a nuanced understanding of the effect of brand equity on consumer behavioral intentions. It also explains the mediating and moderating effects of customer satisfaction and demographical characteristics.

Paper Type: Research Paper

Keywords: Brand; Brand equity, Customer behavioral intentions, Customer satisfaction, Mediation, Moderation

1. INTRODUCTION

The resilience of brands in today's fragile and competitive environment have emphasized the strategic importance of effective branding. Arguably, strong brands boost customer acquisition, retention, market share, and profitability. However, in banking services, the benefits of brands are more intricate, given that names illuminate invisible purchases with comfort and reassurances. This point is supported by Berry (2000): "a strong brand is a heaven for services given invisibility of services makes them an appealing proposition for customers. It is the foundation for developing a trust-base relationship with customers. A strong service brand is essentially a promise of future satisfaction" (p. 129).

The literature on brand equity is heavily focused on its antecedents (Rambocas, Kirpalani and Simms, 2014; Pinar *et al.*, 2016; Fatma, Rahman and Khan, 2015; Jahanzeb, Fatima and Butt, 2013). Much less work examined the outcome of brand equity on performance parameters (Christodoulides and De Chernatony, 2010; Buil, Martínez and de Chernatony, 2013). This paucity is significant to bank managers and brand owners throughout the world given today's harsh business environment and consistent calls to justify expenditure on brand building initiatives. Consequently, evaluating the impact of marketing efforts should be on the front burner of banking literature. To this end, the relationship between brand equity and performance indicators is attracting the attention of scholars (Baldauf, Cravens and Binder, 2003; Tolba and Hassan, 2009). The marketing literature is brimming with studies which evaluated the financial consequences of brand investments on sales revenue, profit margins, and share price (Baldauf *et al.*, 2003; Kim, Kim and An, 2003; de Mortanges and Van Reil, 2003; Buil *et al.*, 2013). Baldauf *et al.* (2003) support the impact of perceived brand equity on favorable firm and consumer-related outcomes including profitability, sales volume and value. Likewise, Kim, Kim and An (2003) tested the effect of customer-based brand equity on the financial performance of hotels and concluded that hotels with high customer-based brand equity have higher sales revenue and enjoy favorable financial results. Buil *et al.* (2013) investigated the influence of brand equity on customer responses and supported a robust and direct relationship between brand equity and customer brand preference, willingness to pay price premiums, brand extension and purchase intentions. However, although important, these studies have ignored the financial industry and have failed to account for the uniqueness of this service category. Furthermore, most of these studies have examined brand equity from a developed country perspective. This study addresses these academic deficits. The study is unique in three respects. First, it is among the few to link brand equity to specific behavioral intentions (Rambocas *et al*., 2014; Buil *et al*., 2013; Christodoulides and De Chernatony, 2010). Second, it is one of the few studies to evaluate customer brand equity in the banking industry, a crucial sector for many developing, small island economies, and one of the key industries affected by the recent financial crisis (Rambocas *et al.,* 2014). Third, to the best of our knowledge this study is the only one that examines the mediating effect of customer satisfaction as well as considers how customer demographic characteristics moderate these effects.

Trinidad and Tobago is a twin island economy located in the Caribbean region, just eleven kilometers off the northeastern coast of Venezuela. The economy is highly industrialized, mainly driven by the oil and gas industry. The banking sector of Trinidad and Tobago plays a significant role in the economic development and dominates the services sector despite the challenges of deteriorating energy prices and a weakening economy. However, the market for banking services is changing. The 2008/2009 financial crisis and the collapse of three major financial institutions, CL Financial Limited, British American Insurance Company (BAICO) and the Hindu Credit Union (HCU), have impaired the reputation of financial institutions and contributed to consumer uncertainty and mistrust. In this regard, brand equity has emerged as a critical area to build customer confidence. The interest in brand equity is evident by the increased investments in customer awareness programs and customer relationship management campaigns within the banking industry. However, challenges in evaluating the effectiveness of these brand equity initiatives persist. This study responds to the decision dilemma and investigates three research questions: how does brand equity influence consumers' behavioral intentions; does customer satisfaction mediate the relationship between brand equity and behavioral intentions; and do customer demographical characteristics moderate the customer satisfaction-behavioural intention link?

The measures of behavioral intention are motivated by the contributions of Zeithaml, Berry, and Parasuraman (1996) and Cronin, Brady and Hult, 2000 and include: repeat purchases, word of mouth, willingness to pay price premiums, and switching. The study draws from Theory of Reasoned Action – TORA (Fishbein's, 1979) to formulate the conceptual model that links equity to customers' behavioral intentions. The study used the guidelines set by Baron and Kenny (1986) to investigate the mediating effect of customer satisfaction, while moderators were tested using non-metric multi-group structural equation modeling.

The paper is divided into three main sections. First, it reviews the literature on brand equity and presents the paper's hypotheses. Second, the research methodology and results are presented. Finally, the paper ends with a discussion and conclusion about the significant findings and implications for bank marketers and brand owners.

2. Literature review and hypothesis development

2.1 Brand Equity

Branding refers to both the tangible and intangible attributes that define a company's offerings and includes all identifying marks that distinguish one product from another (Kim and Kim, 2005). Brands create identities and relationships and build confidence, loyalty, and trust. Brand equity captures the favorable reactions toward particular brands. Early studies on brand equity have concentrated on the value generating function to both the firm and customers. For instance, Aaker (1992) describes brand value as a differentiating promise between the brand owner and the customer. Aaker (1992) contends that strong brands are cognitively oriented, cultivated through awareness, loyalty, perceived quality, brand association, and propriety asset. Brand awareness positively affects choice through recognition and recall. It provides a sense of familiarity to customers and drives preference. Similarly, Keller (1993) presents a linear value-based model grounded on a four-step framework. First, the brand owner must create brand salience or top-of-mind awareness. Second, the brand owner must build meaning through strong, favorable and unique brand associations forged from strong performance (a yardstick that measures how well the product or service meets functional needs), and imagery (the intangible aspects of a brand that meet the psychological and social needs). The third step involves cultivating a positive and favorable brand response through quality judgment, credibility, superiority and emotional appeals. Finally, strong brands build strong relationships with customers through loyalty, attachment, community and active engagement.

Researchers also examined the role of marketing investments and social influences as antecedents to brand equity. Using the structural equation model, Yoo, Donthu and Lee (2000) identified marketing activities that can either build or harm a brand. For instance, low price and continuous promotions will have adverse effects on customers perception of quality and brand image while advertising intensity, high price, store image and distribution intensity elevate the brand image and quality. This impact of marketing efforts is also supported by Villarejo-Ramos and Sánchez-Franco (2005) who argue that companies must invest resources in advertising if they are to improve the brand's perceived value. However, brand communications are not limited to traditional media alternatives. Bruhn, Schoenmueller and Schäfer (2012) demonstrated the instrumental role of social media in brand equity while Pappu, Quester and Cooksey (2007), added an international slant to the brand equity investigations and supported the effect of country-of-origin on brand equity. The authors show that a country-of-origin provide cues for evaluation such that brand equity is usually higher when brands originate from countries with favorable appeals. Mohd, Noor and Mohamad (2007) extended the international contribution and investigated the effect of the country image on brand equity. The study shows how favorable models increase brand distinctiveness, customer loyalty and customer associations. In addition to marketing communications and international perspective, the brand equity antecedents also extend to social influences. For instance, Moore, Wilkie and Lutz (2002) found a robust and powerful influence of generational influence on brand equity. More recently, Bravo, Fraj and Martinez (2007) investigated the family as a source of brand value and show that through awareness and associations, family members contribute to customer loyalty and overall brand equity.

In summary, the literature demonstrated significant progress in modeling antecedents of brand equity, but work on the consequences of brand equity is still developing (Buil *et al.,* 2013). This study adds to the marketing literature by examining the effect of brand equity on customer behavioral intentions. It also examines the mediating and moderating effects of customer satisfaction and demographical characteristics on these relationships.

2.2. Customer Satisfaction

Satisfaction is a leading contributor to positive behavioral outcomes (Cronin *et al*., 2000; Caruana, 2002; Chi and Gursoy, 2009). Satisfaction is a state of pleasurable fulfillment derived from consumption and reflects judgment immediately after use. As a post-purchase state, satisfaction is dependent on the extent to which the product exceeds, meets, or falls short of customer expectations. If a product outperforms expectations (positive disconfirmation), post-purchase satisfaction will result. If a product falls short of expectations (negative disconfirmation), the customer is likely to be dissatisfied.

The extant literature has yet to establish conclusive linkages between customer satisfaction and brand equity. Some researchers promote customer satisfaction as a leading antecedent of brand equity (Pappu and Quester, 2006; Torres and Tribó, 2011) while others view satisfaction as an outcome (Nam and Whyatt, 2011). For instance, Pappu and Quester (2006) suggested that customer satisfaction influence the value of a brand because of loyalty and perceived quality (two key antecedents of brand equity). However, other studies show that satisfied customers are not always loyal customers (Sivadas and Baker-Prewitt, 2000) and therefore contradict the notion that satisfaction is a leading antecedent to brand equity. Aaker (1992) acknowledged satisfaction as a possible outcome of brand equity given that brand equity uplifts the pleasures from consumption and increases a firm's value. Therefore, there is a theoretical linkage between customer satisfaction and brand equity based on the differential advantages that elevate customer evaluations, enhanced awareness, perceived quality and brand association. The following hypothesis reflects this link:

$H_{1:}$ Brand equity is positively related to customer satisfaction.

The marketing literature is replete with studies which link customer satisfaction to favorable outcomes including positive behavioral intentions and enhance company's performance. For instance, Bagozzi (1992) related satisfaction to consumers' self-regulation of attitudes, intentions, and behavior. Söderlund (1998) empirically demonstrated the relationship between satisfaction and customer loyalty. Likewise, Saha and Theingi, (2009) showed that satisfied customers are more likely to depict positive behavioral intentions of word of mouth and repeat purchase. Athanassopoulos (2000) showed significant correlations between customer satisfaction and intention to switch and (Stahl *et al.,* 2012) positioned it as a precursor to customer acquisition and retention. Given the strong empirical support, we expect that customer satisfaction with banks will be related to their favorable behavioral intentions. The following hypotheses reflect this expectation.

H_{2a}: Customer satisfaction is positively related to intentions to engage in repeat purchases

H_{2b}: Customer satisfaction is negatively related to intentions to switch

H_{2c}: Customer satisfaction is positively related to willingness to pay a price premiums

H_{2d}: Customer satisfaction is positively related to word of mouth

The hypothesized relationships implicitly outline customer satisfaction as a mediator of the relationship between brand equity and customers behavioral intentions. There is increasing evidence in consumer behavioral studies to support the mediating role of customer satisfaction. For instance, Kaura, Prasad and Sharma (2015) showed that customer satisfaction intensifies the relationship between service quality dimensions, perceived price and fairness, service convenience aspects, and customer loyalty. However, unlike other studies, the authors only found partial mediating effects and call on other researchers to extend the investigations into the mediating effects of customer satisfaction. Hussain (2016) demonstrated the mediating impact of customer satisfaction on the relationships between service quality, corporate image and perceived value on customer loyalty. Likewise, Abu-ELSamen *et al*. (2011) showed that customer satisfaction with the mobile service provider (overall, functional and technical) strengthens the relationship between customer service skills and customer loyalty. Given the mounting empirical evidence on the effect of customer satisfaction on consumer behavior, this study proposes the following hypothesis:

H_3: Customer satisfaction mediates the relationship between brand equity and behavioral intentions (repeat purchase, switching to alternative providers, price premiums, word of mouth)

2.3 Brand Equity and Customer Behavioral Intention

Erdem and Swait (1998) suggest that brand equity is a signal of value to consumers. In fact, through positioning and communication strategies, marketers can reduce consumer skepticism and increase trust. Arguably, strong brands reduce consumption uncertainty, improve customer perception and increase use. Through content, clarity and credibility, quality perceptions are increased, and consumption risks reduced. This relationship is especially significant in markets with imperfect and asymmetric information, where customers' behavioral intentions are influenced by subjective perceptions, preferences and attitudes (Hoeffler and Keller, 2003).

The link between brand equity and behavioral intentions is theoretically grounded in the Fishbein's (1979) Theory of Reasoned Action-TORA. The TORA states that a person's intention to perform or not perform an action is a significant determinant of the actual behavior. The TORA also suggests that customer attitudes and subjective norms are important factors in determining the intention to behave and ultimately the actual behavior. For instance, a favorable attitude towards a brand will lead to positive purchase intentions and acquisition of the brand. Likewise, hostile attitudes will increase customer intentions to switch providers and ultimately lead to the actual switching behavior. The TORA recognizes the impact of social norms on consumer behavior, although the intensity of this influence depends on the level of motivation to comply with these social forces. Critics of the TORA have questioned distinctions between attitude and subjective norms and have raised concerns over the model's relevance in explaining behavioral influences beyond the customer control (Miniard and Cohen, 1981). Despite this criticism, the TORA has received overwhelming support in the social sciences given the high degree of power in predicting behavior (Netemeyer, Andrews and Durvasula, 1993). The TORA is also preferred to other behavioral intention models because it introduces the impact of social influences to account for the inconsistencies between attitude, intention and actual behavior (Lyong Ha, 1998).

There is an abundance of literature that examine the antecedents of brand equity, but much less research that examines the outcomes (Buil *et al.,* 2013). This study addresses this deficit by examining the relationship between brand equity on four measures of behavioral intention (repeat purchase, word of mouth, price premiums and switch). The measures were adopted from the literature on consumer behavioural intentions which imply that favourable behavioral intentions are reflected in customers: 1) willingness to recommend the service provider to others; 2) repeat purchase intentions; 3) pay price premiums; 4) spend more with the company; and 5) remain loyal (Zeithaml *et al*., 1996; Cronin *et al*., 2000). They are also consistent with the service literature and especially relevant to financial services (Narteh, 2013; Levy and Hino, 2016; Ennew, Banerjee and Li, 2000; De Matos and Rossi, 2008). For instance, in financial services, repeat purchase behavior and customers switching are of particular importance given the rising competition and vast cost discrepancy in attracting new clients (Levy and Hino, 2016). Also, financial service providers have placed significant faith in consumers positive word of mouth (Ennew *et al*., 2000; De Matos and Rossi, 2008). Through recommendations and interpersonal influences, word of mouth enabled brand identification and commitment to organizational values for credence and experiential services such as banking (Ennew *et al*., 2000).

2.3.1 Repeat purchase

Customers' repeat purchase is a behavioral action driven by a conviction to rebuy the designated service from the current provider (Hellier *et al*., 2003). Repeat purchase is influenced by several variables including satisfaction (Cronin and Taylor, 1992); service quality (Hellier *et al.,* 2003) and value (Patterson and Spreng, 1997). In essence, the literature suggests that customers are more likely to engage in repeat purchase behavior if they receive the best value on the market. The likelihood to engage in repeat purchase leads to particular marketing advantages such as lower marketing cost, higher market share and greater profitability (Chaudhuri and Holbrook, 2001). Oliver (1999) supports repeat purchase as a strategic business goal given the influence of attitudinal and behavioral motives. These motives are quantified beyond a sense of inertia and imply a strong affective stance (Tolba and Hassan, 2009). Chaudhuri and Holbrook (2001), support the idea of affection and repeat purchase. Specifically, customer affective stance deters the tendency to investigate choice options with alternative providers. Brands with higher equity leverage on affection, and emotionally connect to customers. This connection builds trust and preferences (Buil *et al*., 2013). Brand awareness (one antecedent to brand equity) is also linked to consumer affection and plays a dominant role in consumer choice. Through recall and recognition, brand familiarity propels customers to continue purchase decisions without conscious processing (Mcdonald and Sharp, 2000). In this regard, it is reasonable to expect that brand equity will motivate customers to engage in repeat purchase behavior. The following hypothesis reflects this expectation:

> H_{4a}: Brand equity is positively related to customers' intentions to engage in repeat purchase.

2.3.2 Switch

Switching is a commonly used exit strategy that involves ending the relationship with a current provider for another. The motivation to engage in switching behavior can be varied although consumers are more likely to switch service providers when utility deficit exists which is normally reflected in a bad performance (Xavier and Ypsilanti, 2008). Switching or churn is a significant problem for companies in mature industries given the adverse effects on price premiums, volumes, customer referrals and overall profits (Ahn, Han and Lee, 2006). While the literature on customer switching is evolving, researchers have examined potential antecedents under the control of the marketer that increases the likelihood of switching behavior. Some of these antecedents include: high pricing, service failures, denied services, poor customer service (Colgate and Hedge, 2001). However, switching is also influenced by monetary and non-monetary costs including search time and psychological discomfort in ending brand relationships. Arguably, the higher the cost, the lower the likelihood of switching. In other words, customers will stay with a brand so as to minimize the cost and discomfort associated with sourcing new alternatives (Lam et al., 2004). Burnham, Frels and Mahajan (2003) extended the typology of switching cost to include relationship costs which reflect the psychological and emotional distress caused by the breaking of bonds. Related to affective losses, the familiarity and comfort with an established brand, company and representative can be a significant deterrent in switching to alternative suppliers.

Marketers can implement switching barriers that increase the costs of leaving and consequently reduce the likelihood of customer churn (Colgate and Lang, 2001; Yanamandram and White, 2006). These switching barriers may be either transactional or procedural, which force the customers to face long and challenging processes to leave (Colgate and Lang 2001). Alternatively, switching barriers can focus on consumers emotional loss, often realized through relationship marketing strategies. The long-term relationship builds trust, satisfaction, commitment and loyalty. Long-term relationships increase the benefit and value customers ascribe to the service provider (Parasuraman, Berry and Zeithaml, 1991). Given the theoretical principles of brand equity (discussed above) it is reasonable to expect that when meaningful relationships are developed and positive associations formed customers would be less likely to switch to alternative service providers. This expectation is reflected in the following hypothesis:

H_{4b}: Brand equity is negatively related to customers' intentions to switch

2.3.3 Price premium

On the technical side, strong brands are considered more complex and sophisticated compared to lesser known brands. The desire to pay more for powerful brands is a key issue in marketing, given the importance of pricing and profitability. Customers willingness to a pay price premium refers to the readiness to pay extra for a product because of the brand. Customers are expected to pay more when they expect equal and more benefits in return and the more benefits they get from consumption; the more likely they will accept higher prices. Therefore, willingness to pay higher prices for brands is attributable to perceived benefits ranging from perceived quality to a brand's reputation for innovation within a product category (Steenkamp, Van Heerde and Geyskens, 2010). However, not all strong brands are synonymous with higher prices and the argument for building more powerful brands to reap higher margins is losing momentum (Anselmsson, Bondesson and Johansson, 2014). The proliferation of imitations and private label brands can erode the price premiums associated with stronger brands. Anselmsson *et al.* (2014)

suggested that although rational and emotional appeals evoke customers' willingness to pay higher prices, the factors that influence loyalty may not be the same factors that affect willingness to pay extra. Hoeffler and Keller (2003) maintained that stronger brands give customers confidence in purchase decisions. Strong brands reduce consumption and financial risk and give cognitive and emotional trust in decisions. In this respect, strong brands send signals of greater credibility and offer a high degree of immunity to price competition. In this regard, brands built on uniqueness create a differentiated space that motivates consumers to pay more. This expectation is captured in the study's first hypothesis:

> H_{4c}: Brand equity is positively related to customers' willingness to pay a price premium.

2.3.4 Word of Mouth

Harrison-Walker (2001) defined word-of-mouth as person-to-person communication between a non-commercial communicator and the receiver of brand information. It describes recommendations and personal words to friends, associates and customer groups. Personal communication influence intention to purchase by promoting awareness of a brand's offerings. Word of mouth plays a significant role in shaping attitudes and is viewed with far less skepticism than commercially sponsored sources like print, personal selling and broadcast media alternatives (Brown and Reingen, 1987). Sociologists and social psychologists have long acknowledged the role of word of mouth in behavior. The role is exacerbated in services given that they are intangible, heterogeneous, and experiential in nature (Bansal and Voyer, 2000; De Matos and Rossi, 2008). Researchers have also identified the significant relationship between customer satisfaction and word of mouth (Brown *et al*., 2005; De Matos and Rossi, 2008). Satisfaction with purchase experiences increase customer commitment toward brands and give heightened intention to engage in positive word of mouth such as "spreading the word" or becoming "brand advocates." Given the commitment and emotional bond from experiences, it is reasonable to expect that customers will be more inclined to tell family and associates about their preferred brands and give positive recommendations to them. This expectation is reflected in the following hypothesis:

$H4_{d:}$ Brand equity is positively related to word of mouth

2.4 The moderating effects of demographical characteristics on the customer satisfaction-behavioral intention relationship

An examination of the extant literature suggests the satisfaction-intention link may vary systematically by consumer age, education and gender. Mittal and Kamakura (2001) showed that customers with different demographical characteristics have a varying threshold for satisfaction, and consequently differing behavioral intentions. More specifically, the authors found older women customers who are less educated have lower satisfaction threshold and higher intentions for repurchase than younger more educated men. The interaction effect of consumer personal characteristics on the satisfaction-intention link is supported by Han and Ryu (2007) who investigated the role of customer satisfaction on consumers repeat purchase and word of mouth in an upscale restaurant setting. The authors show that satisfied women were more likely to engage in repeat purchase than men. However, the impact was not statistically significant for word of mouth. The satisfaction-intention link is also expected to vary by age group. Han and Ryu (2007) also show that the link between satisfaction and buyers behavioral intention was stronger among older customers, who were more likely to engage in repeat purchase and spread positive word of mouth. Given the decline in information processing abilities, older customers could reduce their choice criteria and rely more on past purchase experience when shaping behavioral intentions. In this regard, we expect that the satisfaction-behavioral intention relationships will be stronger for older customers than for younger ones. This expectation is reflected in the following hypothesis:

H_{5a}: Age moderates the relationship between customer satisfaction and behavioral intentions (repeat purchase, switching, price premiums, word of mouth), such that the relationships are stronger for older customers than for younger customers

Similarly, the extant literature position gender as a potential moderator in consumer behavior studies, and more specifically between the satisfaction-behavioral intention link (Mittal and Kamakura, 2001). Men are expected to be more risky in their purchasing and are more willing to try new service providers than women who tend to be more loyal and conservative in their choices (Oly Ndubisi, 2006). Similarly, Nysveen, Pedersen and Thorbjørnsen (2005) concluded that women are more likely to be influenced by social and normative pressures than men. In addition, Mittal and Kamakura (2001) show that women have a higher tolerance and lower satisfaction threshold, and consequently will have higher repeat purchase intentions. In this regard, it is reasonable to expect that the satisfaction-intention relationships with be stronger for women than for men. This expectation is reflected in the following hypothesis:

H_{5b}: Gender moderates the relationships between customer satisfaction and behavioural intentions (repeat purchase, switching, price premiums, word of mouth), such that the relationships are stronger for women than for men.

In addition to age and gender, Mittal and Kamakura (2001) identified education levels as a significant moderator in the customer satisfaction-behavioral intent relationship. The authors show that customers with higher levels of education tend to have lower repeat purchase intentions than those who are less educated. According to the authors, higher educated customers are more likely to seek out information about competing alternatives. Because of their background, consumers with higher education levels are more cognitively equip to process information and effectively compare options on the market. This argument was also supported by Walsh, Evanschitzky and Wunderlich (2008) who indicated that customers with higher education, and by extension greater expertise, will consider an array of functional evaluation criteria when making purchase decisions. These evaluation criteria take precedence over relations. Also, customers with higher levels of education are generally less tolerant of variations satisfaction and will be more inclined to switch brands. Consequently, we expect the satisfaction-behavioural intention relationships should be stronger for customers with lower education levels. This expectation is reflected in the following hypothesis:

> H_{5c}: Customer education moderates the relationships between customer satisfaction and behavioural intentions (repeat purchase, switching, price premiums, word of mouth); such that the relationships are stronger for lower educated customers than for higher educated customers.

2.5 The Research Model

The research model that maps the relationships among the constructs is shown in Figure 1. The model proposes that favorable attitude towards banks (brand equity) will have a positive correlation on favorable behavioral intentions of repeat purchases, word of mouth, price premiums and a negative relation with the unfavorable behavioral intention of switching to alternative providers. The model shows that customer satisfaction mediates the brand equity–behavioral intention relationship. Also, customer demographical characteristics of age, gender and education are considered moderators on the effect of the customer satisfaction-behavioral intention relationships.

-----Insert Figure 1 here-----

3. Methodology

Data were collected from the four top retail banks in Trinidad and Tobago through personal intercepts at leading shopping malls and banks premises using standardized questionnaires. The study used a systematic non-probability sampling method and every third person entering the establishment was approached for participation. Convenience sampling was the only alternative available to the researchers, given the lack of a sample frame. Steps were taken to control bias and improve the representativeness. Firstly, participants were asked screening questions before participating. The questions ensured that each participant had an established preference towards one particular bank for service encounters, eighteen years and older and a citizen of Trinidad and Tobago. Second, the questionnaire was administered at different times during the day on various days of the week. Data collection was extended for three months. A total of two hundred and eighty-three (283) completed responses were collected.

The sample reflected the Trinidad and Tobago population and included 139 (49%) female respondents and 144 (51%) males. Relative to the sample age profile, 79 respondents (28%) were between 18 and 27, 62 respondents (22%) were between 28 and 37 years and 57 respondents (20%) were between 38 and 47. The remaining 85 respondents (30%) were over 47 years. Relative to the education background, 20 (7%) respondents received primary education, 110 respondents (39%) had secondary level education and 121 (43%) were university graduates. The remaining 32 (11%) had no formal education background. Regarding ethnic composition, 131 respondents (46%) were of African descent, 57 respondents were of East Indian descent (20%), 12 participants were either Chinese (2%) or Caucasian (2%), while the remaining 85 respondents (30%) were mixed. In terms of income, the majority of respondents 199 (70%) earned less than US $20,000 while 64 respondents or 23% earned between US $20,000 and $40,000 and the remaining 20 respondents (7%) earned more than US $40,000. A demographical profile is shown in Table 1.

-----Insert Table 1 here-----

3.1 Measurement instrument

The questionnaire consisted of two sections. Section A captured responses on the variables of interest and Section B focused on capturing demographical information. Participants indicated their agreement on specific statements using a scale of 1 (strongly disagree) to 5 (strongly agree) on a standardized questionnaire that comprised fifty (50) items. Section B captured demographical information on age, education background, income, gender and ethnicity. The study adopted and modified the Yoo, Donthu and Lee (2000) overall brand equity scale. The reported reliability coefficient for this scale is 0.93. Customers' behavioral intentions were patterned along the contributions made by Zeithaml *et al.* (1996). The customer satisfaction scale was adopted from Taylor Celuch and Goodwin (2004) but was modified to fit the context of the study. The satisfaction scale consisted eight (8) items with Cronbach's $\alpha = 0.93$. The items used in the survey are presented in Table 2.

-----Insert Table 2 here-----

4. RESULTS

The study used a combination of factor analysis and structural equation modeling to test the hypothesized relationships.

4.1 Factor Analysis

To maintain parsimony and simplify the analysis composite factor scores were computed for brand equity and customer satisfaction (the two multi-item scales used in this study). For *overall brand equity*, the examination of the correlation matrix showed sufficient association among indicators to proceed with the factor analysis i.e $\beta \geq 0.30$ (Hair *et al.,* 2010). The measure of sampling adequacy- MSA (0.777) and Bartlett test of Sphericity ($p < 0.05$) were also within acceptable requirements. All four (4) items explained 63.7% of total variance above the minimum requirement (50%) in social science research. These four (4) items had a strong reliability coefficient (Cronbach's α = 0.792). *Customer Satisfaction* was measured using an eight (8) item scale. An examination of the correlation matrix showed sufficient association among indicators to proceed with the factor analysis (β) $\geq$0.30 (Hair et al., 2010). The MSA (0.908) and Bartlett test of Sphericity ($p < 0.05$) were also within acceptable requirements. All eight items were retained which explained 61.8% of total variance which is above the minimum requirement (50%) in social science research. These eight (8) items had strong reliability coefficient (Cronbach's α = 0.909). Table 3 and 4summarize the statistical results.

-----Insert Table 3 here-----

-----Insert Table 4 here-----

4.2 Structural Equation Modeling

Overall, the fit indices in SEM suggests a reasonable fit (χ^2/DF = 2.48, GFI = 0.982, AGFI = 0.938 and RMSEA = 0.073). The results are shown in Figure 2. To test the mediating effect of customer satisfaction, the study used the guidelines suggested by Baron and Kenny (1986) which state that a variable is considered a mediator if 1) the independent variable significantly accounts for variation in the mediator variable; 2) variations in the mediator significantly account for variations in the criterion variable; 3) the relationship between the predictor and criterion variable is no longer significant when the mediator is mapped (perfect mediation) or is reduced in strength (partial mediation). The impact of the independent variable (brand equity) on the mediator (customer satisfaction) was assessed by adding the mediation path and checking the significance of the regression coefficients. The results are shown in Table 5. The results of the analysis show that brand equity was significantly related to customer satisfaction (β = 0.68, $p<0.05$). Therefore H_1 was supported. The results also show customer satisfaction relationship with favourable behavioral intention of price premium (β = 0.34, $p<0.05$), repeat purchase (β = 0.32, $p<0.05$) and word of mouth (β = 0.31, $p<0.05$) and support H_{2a}, H_{2C} and $H_{2d.}$ In addition, the model mapped a strong but negative relationship with customer switching intentions (β =

-0.22, $p<0.05$) and supports $H2_b$. Also, the inclusion of the mediator reduced the relationship between brand equity and customer behavioral intentions, although these remained statistically significant. The results suggest that customer satisfaction partially mediates the relationship between brand equity and behavioral intentions of price premium, repeat purchase, word of mouth and switching and therefore support H_3.

The model also supports a direct relationship between brand equity and each of the four behavioral intentions given that all structural paths were statistically significant ($p<0.05$). Specifically, the results reinforced brand equity's robust and positive relationship with customers' willingness to pay a price premium, intention to engage in repeat purchase and word of mouth and confirmed H_{4a}, H_{4c} and H_{4d} . The results also maintained brand equity's negative relationship with customer switching intentions and supported $H_{4b.}$

The moderating effects of customer age, gender and education were tested using non-metric multi-group comparison through a path-by-path analysis on a partially constrained model. The method followed the steps outlined in Yoo and Donthu (2002). The nature of the differences was also ascertained via the change in chi-square ($\Delta\ \chi^2$, $p<0.05$) for each partially constrained relationship within each moderating variable. Regarding age, the partially constrained model only found differences in customer intention to switch ($\Delta\ \chi^2 = 14.252$, $p<0.05$). A review of the satisfaction-switch coefficients suggests that the middle-aged customers (28-47years) were more likely to switch banks. For education, a similar picture emerged. Customers with lower education backgrounds were more likely to change banks when compared to higher educated customers ($\Delta\ \chi^2 = 127.708$, $p<0.05$). Therefore H_{5a} and H_{5b} are partially supported. Gender did not have significant moderating effects in the satisfaction-intention link. The results are shown in Table 6.

-----Insert Figure 2 here-----

-----Insert Table 5 here-----

-----Insert Table 6 here-----

5. Discussion

Brand equity is a psychological construct associated with positive consumer behavior. However, despite the conceptual relationships, there are lots of ambiguities surrounding the exact role of brand equity in customer behavior (Buil *et al.,* 2013). This paper addressed this deficit. Using the theoretical underpinnings of the TRA, this study developed and tested a conceptual framework that examined the relationship between brand equity, customer satisfaction and consumer behavioral intentions. The study also investigated the moderating effect of consumers' age, education and gender on the satisfaction-behavioral intention link. The findings show that brand equity has a significant and positive effect on price premium, repeat purchase and word of mouth, but has an adverse effect on customers switching to alternative providers. The study demonstrates that customers will act favorably towards brands with high equity and may reflect the psychological bond between customer and brand (Mulvey, 2012). In this regard, the findings support the relationship between brand equity and favorable customer behavioral intentions. More specifically, customers are more likely to have positive behavior intent in regards to repeat purchase, price premiums, word of mouth and lower tendency to switch to alternative brands when brand equity is high. This finding is also in congruence with the literature on consumer behavior (Lovett, Peres and Shachar, 2013; Stahl, Lehmann and Neslin, 2012). The significant impact on consumer word of mouth implies that customers with high equity towards specific brands are motivated to share information (De Matos and Rossi, 2008; Berry, 2000). Regarding willingness to pay more, Hoeffler and Keller (2003) explained that strong brands evoke rational appeals through signals of higher quality, credibility and reduce consumption risks. Also, strong brands evoke emotional appeals built on product prestige or user/usage image that motivate the customer to pay more. These non-product associations contribute to immunity toward price competition. Esch *et al*. (2012) suggest that emotions play a critical role in responding to strong brands. The authors show that strong brands activate a part of the brain that evokes positive emotions while weak unfamiliar brands activate the area related to negative emotions. Unlike unknown brands, strong brands enjoy space (memory) which facilitates elaborate associations and increases recall.

The findings also support the partial influence of customer satisfaction on customer intentions and suggest that direct brand experiences partly explain consumers' favorable intentions. More satisfied customers have higher purchase intentions. While the evaluation of these service experiences may be cognitively driven, evaluations can also be emotionally driven (Yu and Dean, 2001). As a cognitive component, brand equity could influence the expectations and evaluation of perceived service performance. As a function of emotions, the consumer behavior may be driven by a desire to maintain positive emotions and avoid negative ones. Although the study did not measure the two aspects of satisfaction, we can infer from Yu and Dean's (2001) contribution that emotional appeal through imagery, trust, quality and credibility enhance a brand's perceived value and may be a better a predictor of some behavioral intentions.

Analysis of the moderating effect of customer demographical characteristics on satisfaction-behavioral intention link showed mixed results. The findings show significant effects of age and education on the satisfaction-switching relationship. More specifically, the results indicate that satisfaction is more of a switching deterrent for older customers than younger customers. This finding suggests that once customers are satisfied with the experiences at their banks, older customers would be less likely buy services from alternative banks than younger customers. This finding is in congruence with the extant literature that suggests that older customers may be less inclined to take risks and try new service providers. Homburg and Giering (2001) attributed the age-related variance to the "crystallized abilities." The "crystallized abilities" suggest that older customers form knowledge through experiences, and place emphasis on "experience-based evaluation of the product's essential features". On the other hand, younger people tend to have a strong desire for variety. The analysis of education as a moderating variable revealed that the relationship between satisfaction and switching is strongest among lesser educated customers. This relationship means that once customers are satisfied with the experiences at their banks, customers with lower education levels will be less likely to switch to alternative financial providers. Walsh *et al.* (2008) suggest that customers with less expertise may be more inclined to place high importance on unrelated product information cues, and may be more skeptical of the alternative brands that are available. These customers tend to have higher social needs and are more likely to forge relational bonds with employees. On the other hand, higher educated customers are more likely to emphasize product related or functional cues and are less interested in relational benefits. However, contrary to expectations, the findings did not support the moderating impact of age and education on the relationship between satisfaction and other behavioral intentions investigated in the study (customer repeat purchase, willingness to pay price premiums and positive word of mouth). Also, gender was not found to be an active moderator in the satisfaction-behavioural intention relationship. This result may be reflective of the complicated nature of banking services in the Caribbean. Banks are regarded as highly involved components of the service category and are purchased based on functional and rational, rather than affective, appeals.

5.1 Managerial Implications

The empirical findings have implications for the bank managers. It provides useful insights into the outcome of brand building investments as well as an alternative objective to monitoring brand building efforts. It also presents a holistic model that maps the role of customer satisfaction on customer behavior and provides valuable information for business strategy formulation. Specifically, bank managers can benefit from this study by examining the consequences of their brand building efforts. The findings show that investments in brand equity contribute to a brand’s reputation among customers and non-customers. Bank marketers can pursue customer acquisition and customer retention strategies simultaneously by focusing on building robust and powerful brands. By understanding the relationship between brand equity and customer intentions, marketers will be able to anticipate the effects of brand equity on the main performance indicators including satisfaction and customer behavioral intentions. It can also be used to understand customer choice behavior, which is valuable information in strategy development.

The findings show that customer satisfaction partially explains the relationship between brand equity and behavioral intentions. In other words, the results indicate that through customer satisfaction, the bank’s investment in brand equity initiatives will enhance market share and profitability primarily through new and repeat purchase and higher margins. The results suggest that satisfied customers are more likely to exhibit positive behavioral responses, including a willingness to pay price premiums and repeat purchase. Additionally, the study shows that the clients with higher equity are more satisfied and likely to recommend the bank to others. This is significant to the bank manager, in light of the recent calls to justify marketing expenditure

(Amar, 2011). To the marketer, the findings demonstrate the interdependence of marketing initiatives and customer satisfaction strategies. Banks should continue to invest in marketing strategies that create awareness and positive associations, but complement these strategies with initiatives aimed to boost customer satisfaction. Grace and O'cass (2004) identified three specific, clear and actionable service areas bank managers can explore to increase customer satisfaction and consequently influence customer behavioral intentions. These areas are core service experience, employee services, and servicescape. The key to a brand-building strategy is the quality of customer service encounters customers have with employees. Financial service managers must consider augmenting external brand communication strategies with internal strategies to engage employees and harness commitment. The importance of customer satisfaction and behavioral intentions highlights the need for financial service brands to develop service areas that match the needs of customers and may involve some market research (Grace O'cass, 2004). However, the study shows that customers' age and education levels moderate the relationship between customer satisfaction and intention to switch. In this regard, by identifying customers who are inclined to switch, bank managers can design specific customer relationship management and retention programs to target these customers specifically. For instance, banks can implement programs that increase the perceived switching cost for younger professional customers and offer special incentives and promotions to these customers (such as discounts and preferential rates, club membership, customized product, etc.). Also, banks should strengthen their interpersonal and technological services. These strategies will enhance customers' confidence and trust and satisfy the variety-seeking tendency common among members of this group.

Regarding limitations, the analysis collected data from one service sector (retail banking) in one country (Trinidad and Tobago). Although this provided meaningful information, it would be useful to expand the sample to other markets and service areas. There are also some uncertainties about the influence of exogenous variables on the mapped relationships. Some examples of these external variables include service characteristics and customer personality profiles. Future studies can expand this contribution by investigating the impact of some of these external variables on the brand equity-customer satisfaction-intention relationships mapped in this study. Finally, the study focused on behavioral intentions and not final consumer behavior or choice. However, to predict behavior marketers must understand consumers' brand-related attitudes and its consequences on actual behavioral outcome or choice. Therefore, this conceptual model could be extended to include behavioral outcome variables like actual repurchase or choice.

6.0 Conclusions

Despite the recent academic interest, the empirical connection between brand equity and customer behavior intent remains sparse (Buil *et al*., 2013). This study shows that brand equity has a positive impact on favorable behavioral intentions of repeat purchase, word of mouth and willingness to pay a price premium and a negative relationship on the unfavorable behavioral intention of switching. The results confirm that satisfaction partly explains the impact of brand equity on customer intent. In this regard, banks can either improve customers' behavioral intentions or mitigate hostile intentions towards their brand by enhancing customer satisfaction. However, the satisfaction-intention relationship varies by customer age and education. More specifically, the study shows that younger highly educated customers will be more inclined to switch banks than older less educated ones.

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Figure 1 –Conceptual Model

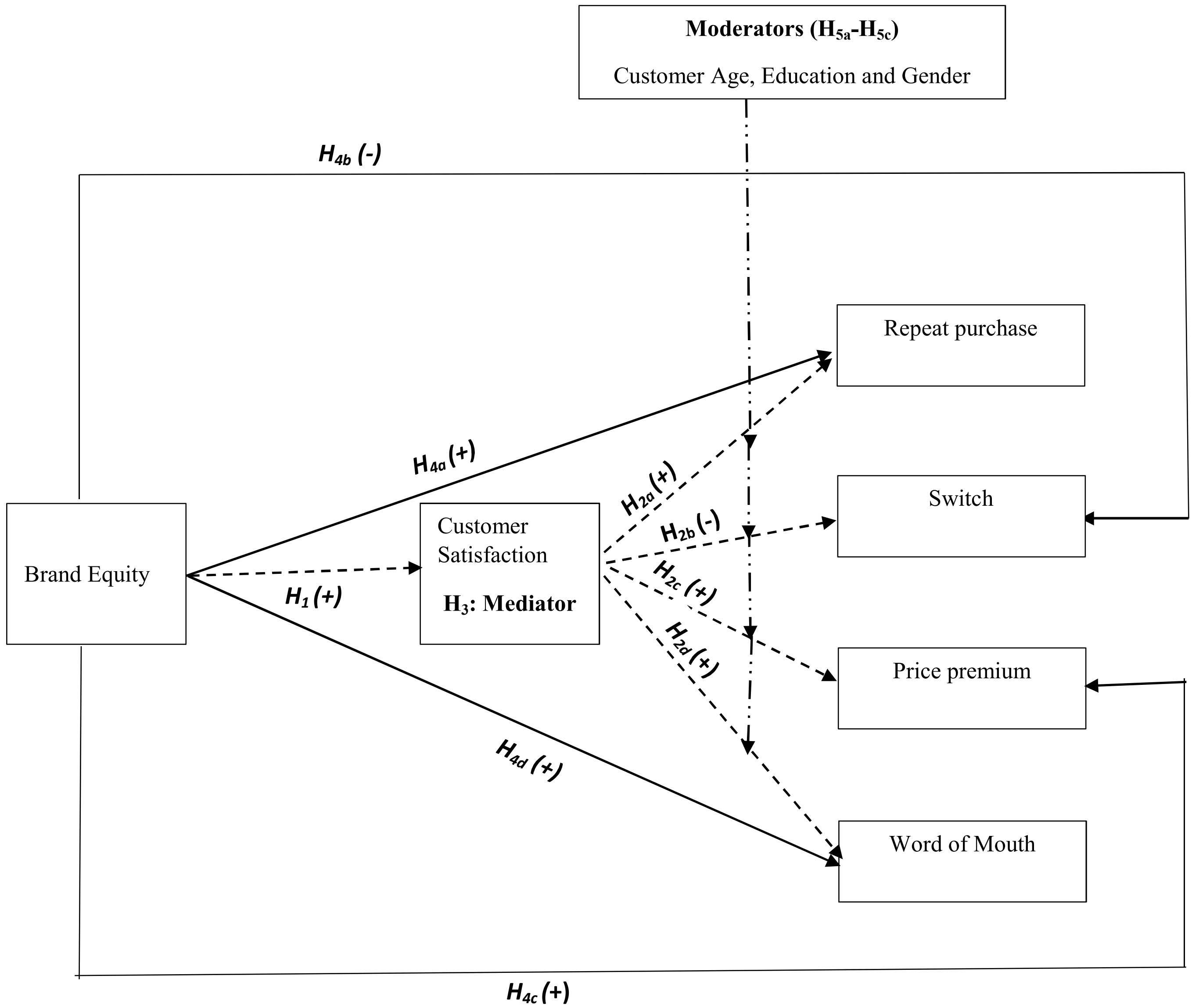
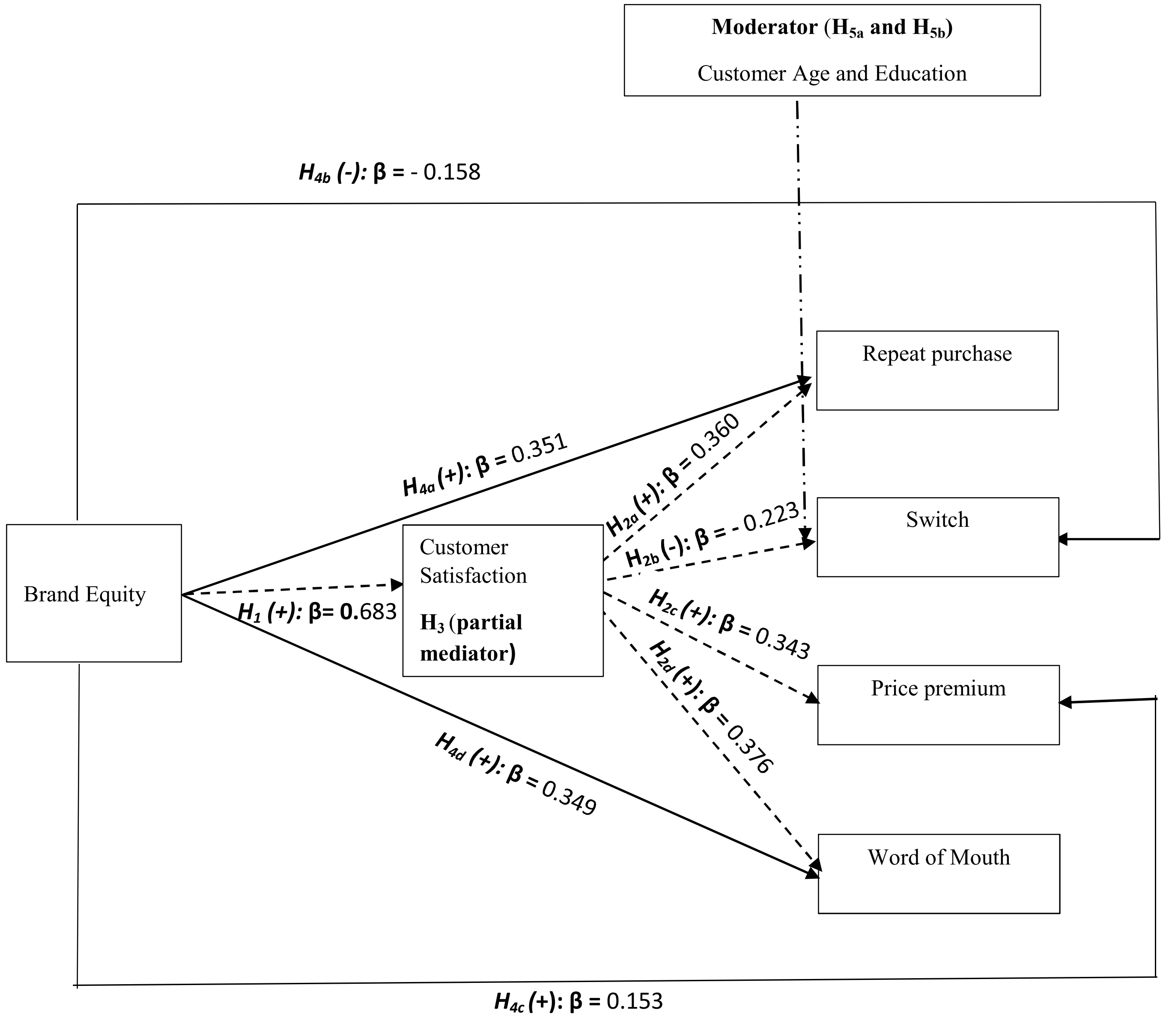


Figure 2 –Model with Test Results



Indirect Relationships	**Standardized effect**
Brand Equity - Customer Satisfaction - Repeat purchase	0.246
Brand Equity - Customer Satisfaction - Switch	- 0.152
Brand Equity - Customer Satisfaction –Price premium	0.243
Brand Equity - Customer Satisfaction –Word of mouth	0.257

Model Fit Indices

$\chi^2 = 14.999$, DF = 6, GFI = 0.982, AGFI = 0.938, RMSEA = 0.073

Notes: GFI, Goodness of Fit Index; AGFI, Adjusted Goodness of Fit Index; RMSEA, Root Mean Square Error of Approximation. All direct and indirect effects are statistically significant ($p<0.05$). Moderating effects of age and education on customer satisfaction-switch relationship are statistically significant ($\Delta \chi^2$ is significant $p < 0.05$).

Table 1 - Sample Profile

Demographic characteristic	Frequency	%
Gender		
Female	139	49
Male	144	51
Age		
18-27	79	28
28-37	62	22
38-47	57	20
Over 47	85	30
Education		
Primary	20	7
Secondary	110	39
University	121	43
No formal education	32	11
Ethnicity		
African	131	46
East Indian	56	20
Mixed	84	30
Chinese	6	2
Caucasian	6	2
Income (US $)		
Less than $20, 000	199	70
$20,000 - $40,000	64	23
Over $40,000	20	7

Table 2 - Survey items used to measure brand equity, customer satisfaction and customer behavioural responses

	Questions
Overall Brand Equity	1. It makes sense to transact with X instead of any other bank, even if they are the same
	2. Even if another bank has the same products as X, I prefer to transact with X
	3. If there is another bank as good as X, I prefer to transact with X
	4. It seems smarter to transact with X, even if banks are not all that different
Customer behavioral intentions	1. I do not intend to keep transacting with this bank (Switch)
	2. I am willing to pay higher fees to this bank (price premium)
	3. I intend to keep transacting with this bank in the future (repeat purchase)
	4. I always say positive things to others about this bank (positive word of mouth)
Customer Satisfaction	5. The services I get from my bank exceeds my expectations
	6. I am a satisfied customer of my bank
	7. My bank provides me with all the services I need from a bank
	8. I consider my choice to continue transacting with my bank a wise one
	9. My bank comes close to what I would describe as a perfect bank
	10. I am contented with my bank
	11. I am delighted with my bank
	12. I am sure that my bank is the right bank to do business with

Table 3 - Summary of statistical results of multi-item scale used to measure brand equity

Overall Brand Equity		Sense	Same Product	Prefer	Smarter	MSA	Bartlett's Test of Sphericity	Variance Extracted	Factor Loading
Overall Brand Equity Correlation	Sense	1.000	.358	.549	.597	0.777	0.000	63.734	.788
	Same Product	.358	1.000	.515	.447				.707
	Prefer	.549	.515	1.000	.613				.847
	Smarter	.597	.447	.613	1.000				.843
Sig. (1-tailed)	Sense		**.000	**.000	**.000				
	Same Product	**.000		**.000	**.000				
	Prefer	**.000	**.000		**.000				
	Smarter	**.000	**.000	**.000					

* Significant relationship - $p < 0.05$; ** Significant relationship - $p < 0.001$

Table 4 - Summary of statistical results of multi-item scale used to measure customer satisfaction

		Expectations	Overall Satisfaction	Only choice	Wise choice	Perfect	Experienc es	Delight	Right choice	MSA	Bartlett's Test of Sphericity	Variance Extracted	Component
Customer Satisfaction Correlation	Expectations	1.000	.602	.452	.408	.635	.509	.553	.426	0.908	0.000	61.849	.725
	Overall satisfaction	.602	1.000	.622	.612	.556	.607	.649	.559				.830
	Only choice	.452	.622	1.000	.564	.519	.524	.534	.501				.746
	Wise choice	.408	.612	.564	1.000	.562	.541	.533	.581				.762
	Perfect	.635	.556	.519	.562	1.000	.592	.696	.571				.818
	Experiences	.509	.607	.524	.541	.592	1.000	.672	.587				.803
	Delight	.553	.649	.534	.533	.696	.672	1.000	.583				.836
	Right choice	.426	.559	.501	.581	.571	.587	.583	1.000				.764
Sig. (1-tailed)	Expectations		**.000	**.000	**.000	**.000	**.000	**.000	**.000				
	Overall satisfaction	**.000		**.000	**.000	**.000	**.000	**.000	**.000				
	Only choice	**.000	**.000		**.000	**.000	**.000	**.000	**.000				
	Wise choice	**.000	**.000	**.000		**.000	**.000	**.000	**.000				
	Perfect	**.000	**.000	**.000	**.000		**.000	**.000	**.000				
	Experiences	**.000	**.000	**.000	**.000	**.000		**.000	**.000				
	Delight	**.000	**.000	**.000	**.000	**.000	**.000		**.000				
	Right choice	**.000	**.000	**.000	**.000	**.000	**.000	**.000					

* Significant relationship - $p < 0.05$; ** Significant relationship - $p < 0.001$

Table 5 - The mediating effects of customer satisfaction on the relationship between brand equity and behavioral intentions

			Effect - Without Mediator	Effect - With Mediator	Effect – Without Mediator	Effect - With Mediator
			Standardized Correlation Coefficients		Variance Explained	
Switch	<-	Brand Equity	**- 0.310	*-0.158	0.10	0.12
Price Premium	<-	Brand Equity	**0.387	*0.153	0.15	0.21
Word of mouth	<-	Brand Equity	**0.606	**0.349	0.37	0.44
Repeat Purchase	<-	Brand Equity	**0.597	**0.351	0.36	0.43
Customer Satisfaction	<-	Brand Equity		**0.683		
Switch	<-	Customer Satisfaction		**-0.223		
Price Premium	<-	Customer Satisfaction		**0.343		
Word of mouth	<-	Customer Satisfaction		**0.376		
Repeat Purchase	<-	Customer Satisfaction		**0.360		

* Significant relationship - $p < 0.05$; ** Significant relationship - $p < 0.001$

Table 6 - Moderating effects of customer demographical characteristics on satisfaction - behavioral intention relationships

	Relationship between customer satisfaction and Customer Behavioural Intention			
	Switching	**Price Premiums**	**Word of mouth**	**Repeat Purchase**
Age				
18-27	*- 0.042	*0.434	*0.606	*0.463
28-37	*- 0.359	*0.443	*0.736	*0.645
38-47	*- 0.674	*0.493	*0.575	*0.771
Over 47	*- 0.335	*0.390	*0.512	*0.543
χ^2 - Unconstrained model	128.455, DF = 40			
χ^2 - Fully constrained model	148.999, DF = 55			
χ^2 - Partially constrained model (Path-by-path analysis) DF = 43	**142.703	128.907	130.984	130.691
Education				
Primary	*- 0.444	*0.468	*0.448	*0.465
Secondary	*- 0.207	*0.536	*0.675	*0.583
Tertiary	*- 0.381	*0.387	*0.491	*0.625
No formal education	*- 0.621	*0.368	*0.682	*0.608
χ^2 - Unconstrained model	135.287, DF = 40			
χ^2 - Fully constrained model	151.335, DF = 55			
χ^2 - partially constrained model (Path-by-path analysis) DF = 43	**143.892	136.537	136.163	136.537
Gender				
Male	- 0.361	0.494	0.595	0.636
Female	-0.303	0.398	0.398	0.565
χ^2 - Unconstrained model	102.619, DF = 20			
χ^2 - Fully constrained model	106.769 DF = 25			
χ^2 - partially constrained model (Path-by-path analysis) DF = 21	103.104	104.771	102.80	103.95

Notes –* Significant relationship – $p < 0.05$, **$\Delta \chi^2$ is significant $p < 0.05$ and the groups are staticially variant based on the path-by-path analysis