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EFFECTS OF CORPORATE BRANDING ON CUSTOMER SATISFACTION; SURVEY OF LICENSED MICROFINANCE INSTITUTIONS IN NAIROBI, KENYA

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Abstract

Corporate branding refers to the practice of promoting the brand name of a corporate entity, as opposed to specific products or services. The activities and thinking that go into corporate branding are different from product and service branding because the scope of a corporate brand is typically much broader. The impact of corporate branding on customer satisfaction in the MFI context has not been explored specifically in the Kenyan context. The study aimed to fill the existing gap by answering the question "What are the effects of corporate branding on customer satisfaction in microfinance institutions in Kenya? The specific objectives were to assess effects of corporate activities on customer satisfaction, identifying the effects of corporate brand identity on customer satisfaction and determining effects of brand functional consumer benefit on customer satisfaction. The population of interest consists of the MFIs in Nairobi. There are 13 licensed microfinance institutions by Central Bank of Kenya which are also registered with Association of Microfinance Institutions. Primary data was collected using questionnaires. The data received was edited where necessary, coded, described, tabulated and interpreted in relation to the research objectives. The analysis of quantitative data was carried out using descriptive statistics. The results showed that all the corporate branding facets namely corporate activities, functional benefits and corporate identity have a significant effect on customer satisfaction but of the three facets that the researcher analyzed it was noted that corporate identity had the greatest effect on customer satisfaction in Microfinance Institutions.

Keywords: Corporate activities, Corporate Identity, Functional consumer benefits and Customer Satisfaction

1.0 Introduction

During the past decade, large companies have increasingly started to profile themselves to the public, through websites, corporate advertising, public interviews, annual reports, and other corporate communication efforts. Companies have ‘opened up’ with regard to the quality of their products, their financial performance, and to their environmental and social records. For example, in 1998, over 80% of the Fortune 500 companies discussed aspects of their social or environmental performance on their corporate websites (Esrock & Leichty 2000). In addition, some companies, like 3M or Ben & Jerry’s, have explicitly positioned themselves on their ‘corporate’ attributes, like innovation or social responsibility, rather than only on attributes of their products.

Corporate branding has attracted tremendous interest among academics, practitioners, and consultants. Extensive researches have been done with different focuses in different disciplines. Specifically, corporate branding has been conceived as many different things, for example, as a metaphor, a conceptual framework, a management process, a strategic tool-kit and a communication facilitator (Schultz & de Chernatony, 2002). It has been understood that corporate branding would be about managing more complex organizational associations stakeholders have with the company and the behavior of the company and its people, rather than merely associations related to individual products and services (Aspara, 2007).

Thus, to Schultz & de Chernatony (2002) corporate branding provides a solid foundation for developing a coherent and engaging promise to all stakeholders. Corporate branding or still called company branding was firstexplicitly discussed by consultants and researchers in the 1990s, corporate branding has been seen as managing and creating positive images of the company in customers’ mind as well as in other stakeholders’ mind (Aspara, 2007). Knox & Bickerton (2003) view corporate branding, with multidisciplinary perspective and organizational focus, incorporates the management of corporate image, corporate personality, corporate identity, and corporate reputation. Some researchers of corporate branding have also focused on brand image in the mind of stakeholders, with the importance of all internal and external communications of the company (Chernatony, 2002; Hatch & Schultz, 2001).

According to Roll (2009) Corporations around the world are increasingly becoming aware of the enhanced value which corporate branding strategies can provide for an organization. Branding in the classic sense is all about creating unique identities and positions for products and services hence distinguishing the offerings from competitors. Corporate branding employs the same methodology and toolbox used in product branding, but it also elevates the approach a step further into the board room, where additional issues around stakeholder relations (shareholders, media, competitors, governments and many others) can help the corporation benefit from a strong and well-managed corporate branding strategy. Not surprisingly, a strong and comprehensive corporate branding strategy requires a high level of personal attention and commitment from the organisation management to become fully effective and meet the objectives.

Customer satisfaction is captured as positive feeling (satisfaction), indifference or negative feelings (dissatisfaction) (Bhattacherjee, 2001 as cited in Swaid, 2007). It is a short-term attitude that can readily change given a constellation of circumstances. Therefore, satisfaction is not a static idea and it changes as soon as a client finds a better deal that meets his expectations. Customers can be enticed by external expressions of an entity brand, whether through corporate marketing activities, special events, word-of-mouth, corporate personality that customers associate the organisation with or functional benefits that customers seek while purchasing a product/services. It is dangerous to believe that customers will not switch given a better option. Your brand must be compelling, and true to form, so that you attract and retain the clients you target. Only by monitoring the health of your brand in the eye of your users will you be able to make the changes necessary to improve it, evolve it with the changing marketplace and keep it relevant to the needs and desires of your internal and external stakeholders (Leland, Olivia, *et al*., 2004).

1.2 Problem Statement

Previous studies have dwelt with corporate branding and have shown its benefits if applied appropriately. However, the impact of corporate branding on customer satisfaction in the MFI context has not been explored specifically in the Kenyan context. The study aimed to fill the existing gap by answering the question "What are the effects of corporate branding on customer satisfaction in micro finance institutions in Kenya?

1.3 General objective

The overall objective of this research was to determine effects of corporate branding on customer satisfaction in Kenya; survey of licensed microfinance institutions within Nairobi.

1.3.1 Specific Objectives

The specific study objectives were:

i. To determine effect of corporate activities on customer satisfaction.
ii. To identify the effect of corporate brand identity on customer satisfaction
iii. To determine the effect of brand functional consumer benefit on customer satisfaction

1.4 Methodology

The study adopted a descriptive research design which enabled the researcher to fact-find on the issue under study while using enquiries of different kinds while employing quantitative approach in the process of the study. Quantitative approach was used to enumerate data collected in the study. A survey was used because it enabled the researcher to have an in-depth understanding of the factors under study. The population of interest in this study consisted licensed MFIs in Nairobi. There are 13 Microfinance Institutions that are licensed by Central Bank of Kenya to render their services as at May 2016. The selection of the licensed MFIs was justified by the fact that these MFIs are assumed to lender services that are at par with their competitors in the banking industry. The researcher used census survey considering the number of licensed MFIs in Nairobi which were only 13 and therefore the study was conducted using the 13 MFIs which was also the target population.

1.5 Regression Analysis

Table 1: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.718	0.721	0.723	1.68291

Dependent variable: Customer satisfaction

Independent variable: Corporate activities, Functional benefits, Corporate identity

Regression was conducted to find out the relationship between independent variables of corporate activities, corporate identity, consumer functional benefit and the dependent variable customer satisfaction. The results showed that the model explained 72% of variation from an R squared of 0.72. All the independent variables were significant at 5% level of significance. From the model summary above it was evident that 72% of change in customer satisfaction was explained by corporate activities, corporate identity and functional consumer benefits.

Table 2: Regression results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.271	0.449	2.67	2.832	0.005
Corporate Activities	0.042	0.061	1.067	0.691	0.004
Corporate Identity	1.277	0.051	1.45	2.5102	0
Functional Benefits	0.215	0.091	1.076	2.366	0.001

$Y= 1.271+ 0.042X_1+ 1.277X_2+ 0.215X_3+0.0785$

Where Y= Customer Satisfaction

X_1= Corporate Activities

X_2= Corporate Identity

X_3=Consumer Functional Benefit

From the regression results represented in table 4.8 above it can be noted that corporate identity had a Beta mean of 1.277 and statistically significant which means that for each unit increase in corporate identity customer satisfaction in MFIs will increase by 1.277 units while holding the other independent variables constant, Similarly holding all other independent variables constant Beta mean of 0.042 for corporate activities means that for each unit increase in corporate activities customer satisfaction in MFIs will increase by 0.042 whereas 0.215 beta mean for consumer functional benefit means that for each unit increase in consumer functional benefit customer satisfaction in MFIs will increase by 0.215. This also gives a conclusion that corporate identity having the highest Beta mean of 1.277 has the greatest effect on customer satisfaction in MFIs while corporate activities have the least effect since it recorded the lowest Beta mean of 0.042.

1.6 Discussion

The study established that corporate activities of MFIs affect customer satisfaction. This can be explained by the fact that any corporate activity can either be customer-centric approach. In this line those activities that are customer centric and seek to improve the services the customers are offered or improve the livelihoods of the customers by alleviating poverty are likely to meet or exceed customer expectation consequently satisfaction. On the other hand corporate activities that are not customer centric seek to increase the MFI's profit for instance by charging high interest rates and reducing number of staff will likely not meet customer expectation hence will probably cause low satisfaction.

One common corporate activity is CSR where MFIs give back to the customers and community at large. As such customers stand to benefit directly or indirectly through CSR activities of MFIs. Given the high number of firms within the financial sector and other sectors that engage in CSR, it is feasible that customers of MFIs will expect their organisations to engage in CSR as well. Consequently CSR is tied to customer expectations which in turn determine customer satisfaction. MFIs that engage in CSR are likely to meet customer expectation consequently achieve customer satisfaction. The type and effect of CSR will also have an effect on the exact impact of CSR on customer expectation. Considering that most MFI customers come from poor backgrounds, the expectation is that CSR activities should be tailored to improve the livelihoods of the poor. These activities can include community projects with a social impact, sponsoring the needy to acquire education, taking part in charity events to improve the lives of rural citizens among others. In addition there are CSR activities that do not improve the livelihood of the poor or do not resonate with the target market. As such the MFIs that have CSR activities with an impact on the lives of the poor will likely meet the expectation of their customers hence satisfy them. On the other hand, those organisations whose CSR activities do not alleviate poverty or do not target immediate customers are likely not to meet customer needs hence have lower customer satisfaction.

Corporate identity is developed through association with customers, the image the organisation creates and the products and services offered as well as corporate activities. In the process an organisation develops a human like characteristic where customers expect attitudes, thoughts and behaviors from a company and its brand. As such a particular brand is expected to behave and respond in particular manner. For instance, customers are more likely to identify themselves with MFIs that are efficient and reliable, customers are likely to expect efficiency and reliability from its products and services such as ATMs and loan applications. As such the delivery on efficiency and reliability will affect customer satisfaction levels. In addition if an MFI positions itself as cheap or affordable, customers will be satisfied it offers affordable products and more satisfied if it supersedes its promises.

Customers are likely to associate with brands that they identify with. For instance an MFI that position itself to meet the needs of working class is likely to attract working class customers who expects services and products that match their needs. In addition, a brand that creates an image to offer technology products will meet techy-savvy customers who will expect technology based products and services such as mobile-banking and e-banking. In this regard customers will expect the MFI to rely on technology which will eventually affect customer satisfaction. Furthermore it is conceivable that a favorable, strong brand identity will provide customers with emotional fulfilment, increase willingness to buy products and services, pay premium for services and have image enhancement. These are likely to affect customer satisfaction.

The literature established that the actions and perceptions of stakeholders will affect overall corporate brand. In this regard how the organization represents itself is likely to result in positive/negative perceptions, behaviors and attitude from stakeholders. In the process, from customers' perspective, the creation of a distinctive and coherent identity adds value to the MFI's products and services which increases satisfaction. The perspectives of employees on the brand personality are very significant considering how the employees serve customers. If employees perceive their employer as one that takes care of their concerns, is genuine with employee welfare and customer oriented they are likely to offer better services to the customers. In and indirect manner, this will determine customer satisfaction which is tied to the quality of service received from an organisation.

The study also sought to establish the effect brand functional consumer benefit on customer satisfaction. The results show that there exist an association between brand functional and customer satisfaction**.** Brand functional is made up of service, price, quality appreciation and actions. The aforementioned elements determine the type of service a customer will get before and after. Customers expect to be given exceptional service which if delivered according to expectation will leave them satisfied. Additionally customers do not expect the quality of service or product they receive to waiver. At all times, it is expected that an MFI will offer the best quality and sometimes better that its competitors. In this regard the bar is set high for MFIs to fulfil upon which if achieved customers will be satisfied. However, not all goes according to plan by the organisation. At one point the services will not be up to standard or as expected. This is attributed to human error, misunderstanding between employee and consumer and technological failures. In the event of misfortunes, MFIs are expected to handle them professionally and cause minimal disturbance to normal service delivery or to the lives of customers. How well the events are handled will directly influence customer satisfaction. The cost of getting a service or product determines its worth. Customers who use MFIs expect the organisations to offer affordable products such as accounts with minimal charges and loans at affordable interest rates. This expectation depends on the cost of operating business and the cost of acquiring capital as well as taxation among others. As such an institution that will meet the expectation of offering affordable products will have its customers satisfied as opposed to one that offers products that are priced highly.

1.7 Conclusion

The study collected data from customers and 160 questionnaires were used in data analysis given they had complete data. The results show that corporate identity has the greatest effect on customer satisfaction followed by consumer functional benefit while corporate activities has the least effect. This can be explained by the fact that most MFIs have concentrated on offering the best services given the fact that the industry has strict regulations to follow, corporate branding enables current and new customers create an image of corporation and consequently what they expect. The exact value derived from the products and services of an MFI determined the levels of customer satisfaction.

1.8 Recommendations

There is need for MFIs to re-evaluate on the type of corporate activities that they initiate. In addition the corporate activities should include those that benefit customers directly such as opening new branches, increasing the number of staff among others and those that benefit the community at large. The study also established the corporate brand identity affects customer satisfaction to a great extent in this vein corporations should particularly focus on their brand in order to develop a mutually-profitable yet long-term relationship with their customers and create customer loyalty as competitive advantage in the market.

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