



IMPACT OF ISLAMIC BANKS' BRAND PERSONALITY
(IBBP) ON CUSTOMERS' PURCHASE INTENTION: A
STUDY OF ISLAMIC BANKS IN MALAYSIA

BY

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ABSTRACT

Given the intense competition and low switching cost, marketers employ several techniques to differentiate their brands from others. Brand personality is one such approach. It facilitates crafting customer-brand relationship, brand image, brand commitment, and most importantly, the purchase intention. Aaker's brand personality model with its five dimensions (sincerity, excitement, competence, sophistication, and ruggedness) has been studied at length especially in the manufacturing sector whereas the service industry has remained understudied. Aaker's model has also been criticized pertaining to the issues such as generalizability across countries and cultures. Considering religion (Islam), an important yet ignored element of culture, this study highlights the criticism on Aaker's framework. Based on Qur'an, hadith and the work of traditional as well as modern Muslim scholars, this research is among the early attempts to develop and validate an Islamic Banks' Brand Personality (IBBP) model in Malaysia. With the help of 388 usable responses in the Klang valley, IBBP model was empirically tested through exploratory factor analysis (EFA) followed by the confirmatory factor analysis (CFA). Two new dimensions (Trust_Just and Shariah Compliance) emerged along with the four existing dimensions. Interestingly, Trust_Just obtained the highest percentage of variance i.e. 42.106 per cent. In order to examine the impact of IBBP on customers' purchase intention, theory of planned behaviour (TPB) was employed and subsequently tested using structural equations modeling (SEM). Out of the ten hypothesized relationships, nine were supported. Findings of this research revealed that IBBP has a positive impact on brand attitude, subjective norms and perceived behavioural control. Similarly, brand attitude, subjective norms, and perceived behavioural control positively affect purchase intention. However, the direct relationship between IBBP and purchase intention was not significant. Therefore, the relationship between IBBP and purchase intention was fully mediated by brand attitude, subjective norms and perceived behavioural control. The findings of this research are significant for the Islamic banking industry. With the help of IBBP, Islamic banks can create a better brand image, employ advertising strategies effectively, and ultimately retain the existing and attract the potential customers with higher purchases as well as re-purchases. This research contributes to the literature of Islamic branding, hence benefitting academicians. Practitioners and policy makers can also benefit from the results of this research.

خلاصة البحث

يسعى علماء التسويق الى توظيف عدة تقنيات للحرص على بروز علاماتهم التجارية, و تميزها عن العلامت التجارية الأخرى, وذلك بسبب المنافسة الشديدة, وتكلفة التحويل المنخفضة. وتعد شخصية أو رمزية العلامة التجارية احدى هذا الوسائل, حيث تسهل صياغة العلاقات بين العملاء و العلامة التجارية, و صورة العلامة التجارية, و الالتزام بالعلامة التجارية, و الأهم ذلك نية الشراء, ثم القيام بدراسة مطولة عن شخصية العلامة التجارية (Aaker) مع أبعادها الخمسة (الصدق, والاثارة, والكفاءة, والتطور, والغلظة) وخاصة فيما يتعلق بقطاع الصناعات التحويلية في حين ظل قطاع الخدمات تحت الدراسة. كما تم انتقاد نموذج (Aaker) و المتعلقة ببعض القضايا, مثل: التعميم في ارجاء البلدان, والثقافات. وبأخذ الدين (الاسلام) بعين الاعتبار واذه يعد عنصرا مهما من عناصر الثقافة ولكنه مهمل ومتجاهل, لذا فان هذه الدراسة تسلط الضوء على (Aaker) من منطلق القرآن, والحديث و آراء القدامى و المعاصرين, يُعد هذا البحث من بين المحاولات المبكرة للتطوير, والتحقق من شخصية العلامة التجارية للبنوك الاسلامية (IBBP) نموذجا بماليزيا. و بمساعدة 388 من استجابات المستخدمين في منطقة Klang Valley, ثم اختبار نموذج (IBBP) تجريبيا من خلال تحليل عامل الاستكشاف (EFA) يليها التحليل العاملي التوكيدي (CFA), حيث ظهر بعدان جديان (الثقة, والعدالة, والتطابق مع الشريعة) اضافة الى الأبعاد الأربعة الحالية. والمثير للاهتمام أن بُعدي (الثقة, والعدالة) قد حصلنا على أعلى نسبة تباين بمعدل 42%106. ومن أجل دراسة تأثير على نية الشراء لدى العملاء, ثم استعمال نظرية السلوك المخطط (TPB) واختبارها لاحقا باستخدام التحليل الإحصائي (SEM), من بين العلاقات العشر المفترضة, ثم دعم تسعة علاقات. وكشفت نتائج هذا البحث أن (IBBP) له تأثير إيجابي على موقف العلامة التجارية, والمعايير الذاتية و السيطرة السلوكية المحسوسة تؤثر تأثيرا إيجابيا على نية الشراء. ومع ذلك لم يتم العثور على علاقة مباشرة ذات أهمية كبيرة بين (IBBP) ونية الشراء. ولذلك, فإن العلاقة بين (IBBP) ونية الشراء قد تمت بالكامل بواسطة موقف العلامة التجارية, و المعايير الذاتية و السيطرة السلوكية المحسوسة. تُعد نتائج هذه الأبحاث مهمة لقطاعات المصرفية الإسلامية. فبمساعدة (IBBP) يمكن للبنوك الإسلامية إيجاد صورة أفضل للعلامة التجارية, وتعزيز إستراتيجيات التسويق على نحو فعال, أخيرا يمكن الإحتفاظ بقائمة العملاء الحاليين, وجذب العملاء المحتملين مع نسبة مشتريات أعلى, فضلا عن تكرار عملية الشراء. يسهم هذا البحث في الدراسات المتعلقة بالعلامات التجارية الإسلامية, فهو يخدم الأكاديميين مباشرة. كما يمكن للممارسين, والسياسيين أن يستفيدوا أيضا من نتائج هذا البحث.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Purchase intention is an important process through which marketers examine as well as forecast consumption behaviour of consumers/customers (Lin & Lin, 2007). Purchase intention is related to consumers' attraction towards particular brand as well as readiness to buy and use (Chang & Liu, 2009; Shah et al., 2012). Laccœuilhe (2000) emphasizes that purchase intention is concerned with a chance that consumer will buy a certain product or brand.

On one hand, with the passage of time, when the relationship between customers and brand (company) becomes stronger, customers' repurchase intentions also increase (Maxham & Netemeyer, 2002). The reason for repurchasing a brand is due to the good feelings associated with it (Szymanski & Busch, 1987). In this regard, attraction of potential as well as retention of existing customers are essential which is why today, increasing purchase intention is one of the most critical issues in every industry (Tsiotsou, 2006).

On the other hand, customers sometimes get dissatisfied that leads towards weak brand-customer relationship. Aaker (2004) has highlighted few factors that make customers disinterested. These are price pressures and less improvement in the product. The possible solution to this issue is to create differentiation. Without differentiation all brands look similar to customers with their buying decisions based only on price which may lead to less commitment and loyalty towards a specific brand (Aaker, 2004). Moreover, the author mentions marketing guru Stuart Agris, highlighting the importance of differentiation in his speech at Stanford saying that

“Differentiation is the engine of the brand train...If the engine stops, so will the train”(Aaker, 2004, p. 136).

Brand differentiation is an important tool used to attract potential and retain existing customers. This research focuses on brand personality which is one of the brand differentiation techniques (Thomas & Sekar, 2008). Brand personality is defined as “the set of human characteristics associated with the brand”(Aaker, 1997). Brand personality plays a vital role with respect to customers’ decision making, their buying intentions and how they uphold a strong brand relationship (Bouhlel, Mzoughi, Hadiji & Slimane, 2009; Louis & Lombart, 2010). Not only this, brand personality can also establish competitive advantage (Freling & Forbes, 2005) and helps sustaining it (Pankaj, 2004).

Purchase intention is important for both manufacturing as well as service sector. However, this research aims to investigate purchase intention (of customers) within the service sector especially Islamic banks in Malaysia. Reasons to choose Islamic banks are many. Firstly, Islamic banking is considered one of the most vibrant parts in the overall banking industry (Amin, Isa & Fontaine, 2013). Secondly, Malaysia is deemed as an international hub for Islamic finance with both Islamic as well as conventional banking systems being fully operational (Amin, Rahman, Jr & Hwa, 2011). Lastly, Islamic banks in Malaysia have shown tremendous growth in deposits (increased from US\$50 billion in 2009 to US\$65 billion in 2010) as well as total assets (increased from US\$65 billion to US\$80 billion in 2010) (Bank Negara Malaysia, 2010). With this huge growth and progress, Malaysia is becoming world’s most attractive international marketplace for Islamic finance. As per the above reasons, present study has deemed Islamic banks as an important “service brand” in the marketing perspective that needs to be evaluated from the customers’ perspective.

Malaysia holds a population of about 28.3 million (Malaysian Census Report, 2010), out of which Muslims are in majority with 60 per cent population whereas non-Muslims account for 40 per cent altogether (Amin et al., 2013). Amin and Isa (2008) have argued that Islamic banks have both Muslim and non-Muslim customers. Interestingly, both these groups have awareness regarding the products and services being offered by the Islamic banks. As mentioned earlier, several Islamic banks and conventional banks are operational in Malaysia. Hence there is a huge competition (between Islamic and conventional banks) with respect to attracting new and retaining existing customers. Resultantly, risk related to switching behaviour from Islamic to conventional bank or from one Islamic bank to another Islamic bank is also high (Abduh, Kassim & Dahari, 2013). To cope with the above situation, Islamic banks need to differentiate themselves from the conventional banks. This differentiation in customers' minds can be created through several important associations with the brands (Islamic banks in this case) such as values, images, credibility etc. (Barich & Kotler, 1991; Gregory & Wiechmann, 1997).

1.2 PROBLEM STATEMENT

Today, due to the growing competition, it is important for marketers to differentiate their brands from others. Islamic banks are also facing somewhat similar challenges such as high competition, switching behaviour and availability of alternatives (Abduh et al., 2013). These challenges directly or indirectly affect customers' purchase/repurchase intentions. Importantly, it also matters how successful Islamic banks are in retaining the existing customers and attracting the new ones. As Wilson (1995) stated that "Islamic banking is no longer regarded as a business entity striving only to fulfill the religious obligations of the Muslim community, but more

significantly, as a business that is ineluctably in need for winning over customers at the same time as retaining the old ones”.

Purchase intention is about customers’ attraction towards a particular brand (Chang & Liu, 2009); readiness to buy or use certain product or service (Shah et al., 2012). Purchase intention helps marketers examine and forecast consumption behaviour (Lin & Lin, 2007). Moreover, it helps in developing promotional strategies and creates more product demand (Tsiotsou, 2006). The higher the purchase intention of a customer, the greater will be the possibility of purchasing behaviour (Dodds, Monroe & Grewal, 1991; Schiffman & Kanuk, 2007).

Apart from purchase intention, this research also addresses few other issues such as low customer awareness and understanding of Islamic banking, low trust and credibility factor (Khan, 2015). Additionally, there is a perception among people that products of Islamic banks and conventional banks are similar (Akbar, Shah & Kalmadi, 2012). Behind all this, majority scholars blame for lack of effective marketing strategies of Islamic banks and they suggest the need for improvement in this regard (Ahmad & Haron, 2002; Khan, 2015; Warde, 2010). Few scholars emphasize that differentiation strategies should be given more importance (Sandikci, Sandkc & Rice, 2011). Similarly, ethical and religious dimensions, characteristics or product attributes should also be utilized in the marketing campaigns (Alabar, 2012; Haque, 2010; Warde, 2010).

The notion of differentiation is important in the field of branding. Caprara, Barbaranelli, and Guido (2001) argue that just like one person is different from others due to his/her personality traits, similarly a brand can also differentiate itself from other brands with the help of its distinct features. This research focuses on brand personality which is one of the important tools used to differentiate one brand from

others. Aaker in 1997 came up with both the definition (mentioned earlier) and measurement of brand personality. Aaker's brand personality model consists of five dimensions namely Sincerity, Excitement, Competence, Sophistication and Ruggedness (Aaker, 1997).

Aaker's definition of brand personality constitutes set of human characteristics associated with the brand (Aaker, 1997) and therefore, generic in nature. This definition can be transformed and specified into the definition of Islamic banks' brand personality (IBBP). Thus, Islamic banks' brand personality (IBBP) can be defined as "set of Muslim characteristics associated with the Islamic banks". Based on Muslim characteristics/traits, this research aims to differentiate Islamic banks from conventional banks which may eventually affect purchase intention of customers. For this purpose, Muslim characteristics associated with the brand (Islamic bank) are being explored to develop Islamic banks' brand personality (IBBP) model.

Among other research gaps, Aaker's model reflects only the US population and an individualistic culture only. Aaker herself claims that the model may not work in other countries or cultures (Aaker, 1997). In addition, there is a dearth of knowledge pertaining to brand personality framework that can reflect Muslim population. Malaysia is a country with Muslim majority and collectivist culture. It is becoming an international hub for Islamic finance which is why this research has considered Islamic banks (of Malaysia) for developing Islamic banks' brand personality (IBBP) framework. Furthermore, previous research on brand personality has been conducted mostly on product-brands (Wang, Yang & Liu, 2009a). This research narrows the gap by looking into brand personality from service-brand perspective i.e. Islamic banks.

1.3 RESEARCH QUESTIONS

1. What are the determinants of Islamic banks' brand personality (IBBP)?
2. What is the impact of IBBP on brand attitude?
3. What is the influence of IBBP on subjective norms?
4. What is the impact of IBBP on perceived Behavioural control?
5. What is the effect of brand attitude on customers' purchase intention?
6. What is the influence of subjective norms on customers' purchase intention?
7. What is the effect of perceived Behavioural control on customers' purchase intention?
8. What is the influence of IBBP on customers' purchase intention?
9. Does brand attitude mediate the relationship between IBBP and customers' purchase intention?
10. Do subjective norms mediate the relationship between IBBP and customers' purchase intention?
11. Does perceived Behavioural control mediate the relationship between IBBP and customers' purchase intention?

1.4 RESEARCH OBJECTIVES

1. To identify the determinants of Islamic banks' brand personality (IBBP)
2. To investigate the impact of IBBP on brand attitude
3. To examine the influence of IBBP on subjective norms
4. To examine the impact of IBBP on perceived Behavioural control
5. To investigate the effect of brand attitude on customers' purchase intention

6. To investigate the influence of subjective norms on customers' purchase intention
7. To investigate the effect of perceived behavioural control on customers' purchase intention
8. To examine the impact of IBBP on customers' purchase intention
9. To examine the mediating role of brand attitude between the relationship of IBBP and customers' purchase intention
10. To investigate the mediating role of subjective norms between the relationship of IBBP and customers' purchase intention
11. To examine the mediating role of perceived Behavioural control between the relationship of IBBP and customers' purchase intention

1.5 SIGNIFICANCE

The significance of this research is twofold, one being an early attempt to develop and validate Islamic banks' brand personality (IBBP) model and the other being the investigation of its impact on customers' purchase intention with underlying theory of planned behavior (TPB). Findings of this research may help Islamic banks advertise effectively. Rather than showing generic advertisements, Islamic banks can highlight certain characteristics that have been highlighted in the IBBP model. For example, they should illuminate their strengths with the concepts based on Shariah compliance, sincerity, trustworthiness, and justice. Advertisements loaded with such unique characteristics will convey a strong message to the potential as well as existing customers. In particular, Muslim customers find a peace of mind while making transactions in an Islamic bank rather than riba-based conventional banks. Ultimately, such customers will become the brand ambassadors for Islamic banks and therefore, a

positive word-of-mouth will spread in the society about Islamic banking industry. Hence, the purchase and repurchase intention of customers will rise while making Islamic banks more competitive and strong in the market. Beyond this, IBBP will also play a significant role in developing loyalty and commitment among the target customers.

Apart from the customers' side, IBBP may also benefit Islamic banks with their human resource training. Effective advertisements may bring potential customers into the bank. However, their interaction with the bank in reality should also match with what the Islamic bank proclaims. For that purpose, the development of the bank employees can be ensured with the Muslim traits highlighted in the IBBP model. When Muslim traits become part of the employees' personality, they will interact accordingly and effectively with the customers. Such work environment will instill confidence both in employees as well as the customers while strengthening their commitment and loyalty towards the Islamic banking industry. Finally, the IBBP model can also be utilized in other Muslim as well as Muslim majority or minority countries.

1.6 ORGANIZATION OF THESIS

This thesis comprises of five chapters. Chapter one begins with the background of purchase intention and brand personality, followed by the problem statement, research questions and objectives, and the significance of the study. Chapter two elaborates the notion of brand personality and illuminates the gaps found in the literature. Additionally, it contains deep analysis of brand personality dimensions (existing as well as new ones) from Islamic perspective based on Qur'an, hadith, and the work of both traditional and modern scholars. The research methodology of the study is

explicated in chapter three in detail. It contains information regarding what, how, where, and when data are sourced for using it in the present research. Chapter four represents data analysis and discussion. It gives detailed insight into those procedures which are undertaken in investigating the validity and reliability of scales used for measurement of the model of this research. Further, a comprehensive description of the utilization of structural equation modeling for testing the research hypotheses are is discussed. Finally, chapter fives concludes the research questions addressed in the study followed by the implications to theory, Islamic banks, and policy makers. Limitations as well as suggestions for future research have also been explicated.

CHAPTER TWO

LITERATURE REVIEW

2.1 PERSONALITY, BRAND AND BRAND PERSONALITY

Personality of human being has been studied for decades in psychology as well as in other research arenas. Personality is the “tendency to show coherent modes of cognition, affect and behaviour” (Costa & McCrae, 1998b, pp. 103-121). It has also been defined as “the sum total of ways in which an individual react and interact with others” (Stephen P. Robbins, 2007, p. 106). Similar, yet more elaborative definition of personality has been stated as “the unique combination of emotional thought and behavioural patterns that affect how a person reacts to situations and interacts with others” (Stephen P. Robbins, 2008, p. 307). Furthermore, with respect to human characteristics, personality is “the systematic description of traits” (McCrae & Costa, 1987, p. 81).

Traits, in relation to personality are “fairly consistent characteristics a person exhibits” (Daft, 2011, p. 413). Another research has defined traits as “relatively enduring styles of thinking, feeling, and acting” (McCrae & Costa Jr, 1997, p. 509). Trait approach is one of four major approaches that have been used in the leadership research namely the behavioural approach, the contingency approach and transactional vs. transformational leader approach (Vasu, Stewart & Garson, 1998). Batra, Lehmann, and Singh (2013) have described traits on the grounds of trait approach as “any distinguishable, relatively enduring way in which one individual differs from others”.

Just like one person is different from others due to his/her personality, similarly a brand also differentiates itself from other brands with its distinct features (Caprara et