

St. Petersburg University
Master in Management

AN EXPLORATORY STUDY ON CUSTOMER-BASED BRAND EQUITY OF
RUSSIAN RETAIL BANKS AMONG YOUNGER AUDIENCE

Master's Thesis by the 2nd year student
Concentration – Management
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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Описание цели, задач и основных результатов	<p>Работа исследует факторы, влияющие на марочный капитал российских розничных банков среди молодого поколения. В дополнение, основные модели клиентского марочного капитала и их активы были проанализированы, вместе с особенностями их использования в секторе услуг и розничных банков. Модель измерения клиентского марочного капитала для российских розничных банков с фокусом на молодом поколении была предложена и протестирована. Оценки марочного капитала среди трех типов банков (с государственным, иностранным и частным участием в капитале) были проанализированы. Практические рекомендации для улучшения конкурентных позиций существующих банков и банков, рассматривающих возможность выхода на рынок и в нишу обслуживания молодого поколения, были предложены.</p>
Ключевые слова	бренды, марочный капитал, банковский сектор, молодое поколение, Россия

Abstract

Master Student`s Name	Donat Dzhamaev
Master Thesis Title	An exploratory study on customer-based brand equity of Russian retail banks among younger audience
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Description of the goal, tasks, and main results	<p>The paper explores the factors that affect brand equity of Russian retail banks among younger audience. Additionally, key models of customer-based brand equity and its assets have been analyzed, along with study specificity of the application of brand equity concept in services and in retail banking. A customer-based brand equity measurement model for the Russian retail banking sector with a focus on the youngsters has been proposed and tested. Brand equity evaluations across three bank types (state-owned, foreign and private) have been analyzed. Managerial recommendations for improving competitive positions of existing banks and of those interested in entering the market and the youngsters niche have been proposed.</p>
Keywords	brand, brand equity, banking, younger audience, Russia

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INTRODUCTION

With the increasing level of competition and fighting for market positions, companies are turning to brands as their source of competitive advantage (Aaker, 1991). Companies are starting to pay more attention to creation, management and valuation of their brands and often see them as their key assets. John Stuart, former Chairman of Quaker, in 1950s, was possibly the first to express increased attention of marketers to the issues of brands: "If this business were to be split up, I would be glad to take the brands, trademarks and goodwill and you could have all the bricks and mortar - and I would fare better than you" (Blackett, 1998, p. 89). Modern Johnson & Johnson marketers put it even more succinctly: "Our company's name and trademarks are by far our most valuable assets."¹

This attention from business is supported by the researchers and marketers. Having emerged in late 1980s and been firstly defined in early 1990s, the concept of brand has been one of the most important areas of research in the academic literature, providing many different opinions on the definition, concept, models for measurement of brand and brand equity.

The concept of brand equity has been mostly discussed in the context of product markets and product brand. However, it is no less important for service markets, especially those with high level of contact (Chahal & Bala, 2010). One of such high-contact industries is retail banking, which provides the setting for this research. An industry in development, undergoing a substantial change terms of its composition, main players, market shares and may provide unique setting for research on the topic. The Russian retail banking as of early 2018 can be described as exactly such setting.

An additional dimension of this research is created by focusing on a specific target audience, the audience of younger consumers. Being primarily defined as representing the 18-30 years old age group, the generation is essential for any bank looking to build a sustainable competitive advantage and market positioning that is to last for years. Thus, one of the aims of this paper is to bring researchers and practitioners useful insights into the perception of Russian retail bank brands by the younger generation of the Russian clients. Thus, the generational aspect and peculiarities are integral themes of this paper.

This research investigates customer-based brand equity of Russian retail banks, an industry with high customer involvement undergoing substantial change. Along with classical problems of relationships between brand equity and the factors determining it, a problem of

¹ https://www.forbes.com/2008/05/09/trout-marketing-brands-oped-cx_jt_0509trout.html#2556c4d91b2c

different types of bank ownership (state-owned, private and foreign²) is investigated. As a result of development and testing of a model of customer-based brand equity for the Russian retail banking market, practical recommendations for improving competitive position and strengthening brand equity have been developed. These may be beneficial for banks already on the market, banks considering penetration of the market (including internationalization), other companies operating in high-involvement service industries, academics and the broader public of bank clients and regulators investigating serving younger generation of Russian retail banking clients.

² Foreign being banks with foreign parent holding companies, i.e. with equity coming from a foreign source. These are legitimate players on the Russian market, having established legal entities in accordance with the Russian law. The term itself comes from Arora & Neha (2016) and Pinar et al. (2011).

1. THEORETICAL BACKGROUND

The role of branding has been becoming increasingly popular among researchers, practitioners and other stakeholders (Kotler, 549, 2005). Though becoming an essential part of the professional and academic debate, effective branding and successful brand still lack a common viewpoint on their measurement and dimensions and require further conceptualization (Brahmbhat & Shah, 2017).

Researchers (Brahmbhat & Shah, 2017) notice that there are a lot of definitions of the word “brand” in marketing literature; a classical one, championed by Kotler et al. (2013) refers to the definition given by the American Marketing Association as “a name, term, design, symbol, or any other feature that identifies the seller’s goods or services as distinct from those of other sellers” (Kotler et al., 2013).

Kotler (2005, 549) has identified a number of benefits of branding for the buyer, the seller and the society in general. For the buyer, these include delivering a message about product quality, increasing shopper’s efficiency (assistance in identification of a product) and attracting customers’ attention to new, possibly beneficial, products. On the seller side, the benefits are explained by assistance in simplification of order processing and tracking down of problems, provision of legal protection for unique product features, attraction of loyal customers and assistance in market segmentation. Additionally, societal benefits include higher and more consistent quality of branded goods, facilitation of innovation, improved product variety and provision of additional information about the product.

The benefits the customers are looking for are often described as the key for brand management and development (Brahmbatt, Shah, 2017). These benefits may be functional, but also intangible such as status, image, lifestyle, success, personality (Brahmbatt, Shah, 2017). The added value (or the incremental utility) of the product that comes with the brand is termed brand equity.

We shall discuss the concept of brand equity and its development below.

1.1 Brand Equity: Introduction to the Term

The term “brand equity” was introduced in the 1980s, even though its role was realized by practitioners much earlier (Brahmbatt, Shah, 2017). Modern researches argue that the reason for such a late conceptualization was that the primary focus of academics at the time was on “the total combined effect of the brand and the product”, so that the distinction between the impact of the brand from that of the product was not closely researched (Brahmbatt, Shah, 2017). Since the 1980s, the importance of brand equity has been widely recognized, and multiple definitions and conceptualizations have been developed.

The concept of brand equity has changed substantially throughout its development. Early definitions of brand equity were frequently finance-focused, with (Shocker & Weitz, 1988) defining it as “the net present value of the incremental cash flows attributable to a brand name”. However, this definition was challenged early on by Leuthesser (1988), focusing on the behavioral component and defining brand equity as a “set of associations and behavior on the part of the brand’s customers, channel members and parent corporation”. Early development of the concept is frequently summarized by referring to a Farquhar’s (1989) much broader definition of “the added value that a brand confers to a product or a service”.

We shall discuss further development of the brand equity concept below, with a particular focus on definitions and key components or dimensions of brand equity.

1.2 Customer-Based Brand Equity (CBBE): a Concept in Development

In this section, the development of the concept of Customer-Based Brand Equity (CBBE) is discussed. Special attention is paid to the key papers on the topic, as well as to the development of the definition and main metrics or components of CBBE.

As discussed above, academic development of the concept began in the 1980s, with 3 noticeable approaches (Shocker & Weitz, 1988; Leuthesser, 1988; Farquhar, 1989) proposed by the end of the decade. Leuthesser (1988) proposed a single component of brand equity – brand meaning, while Farquhar (1989) made the first attempt in academic literature to decompose the dimensions of brand equity: these dimensions included brand evaluation, brand attitude and brand image.

However, this decomposition did not have significant further development. By 1993, the dominant stream of research on the topic of brand equity has been established (Christodoulides & de Chernatony, 2010) by two major papers – Aaker (1991) and Keller (1993). A distinguishing feature of this stream is that it was grounded in cognitive psychology and focused primarily on memory structure.

Aaker (1991) saw brand equity as “a set of assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product or a service to a firm and/or to that firm’s customers”. While using the language of finance (value, assets and liabilities), the definitions stops short of describing these measurements as financial or money-linked; this leads to understanding of these terms as being of synthetic origin, incorporating both financial and psychological aspects.

Additionally, Aaker (1991) specifies the following five conceptual dimensions of brand equity: brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary brand assets such as patents, trademarks and channel relationships established. Christodoulides & de Chernatony (2010) notice that the former four dimensions represent customer perceptions and reactions to the brand, while proprietary brand assets are not directly linked to customer-based brand equity. Aaker’s (1991) conceptualization of brand equity is presented in the Figure 1.

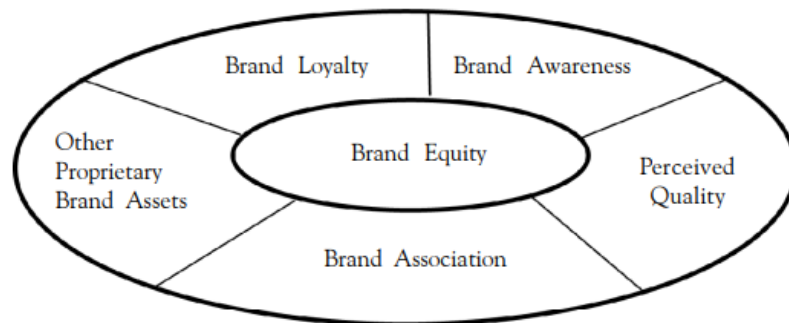


Figure 1. Aaker’s (1991) model of brand equity.

As noticed above, only four out of five components of this model refer to CBBE. In 1996, Aaker modified this brand equity model to incorporate market behavior of the brand and replaced the proprietary assets component (Aaker, 1996). The new measure, market behavior of the brand, included two sub-components: market share and price and distribution.

Another major work on the topic was Keller (1993). In this paper, CBBE is analyzed from a customer psychology point of view and defined as “the differential effect of brand knowledge on customer response to the marketing of the brand”. The paper suggests that a brand has a positive value if the customer reacts more favourably to the marketing mix of a product with a known brand name than to the marketing mix of an identical yet unbranded product. Keller (1993) also treats brand knowledge as a key premise of CBBE; it is then split into two separate constructs: brand awareness and brand image. Brand awareness is described as “the extent to which a customer can recognize or recall the brand name and identify it with a product/service and/or a product category”, which are comprised of brand recall and brand recognition, and brand image as “the entire set of brand associations the customer has for the

brand”, which are comprised of attributes, benefits and attitudes. Keller (1993) conceptualization of brand equity is presented in the Figure 2.

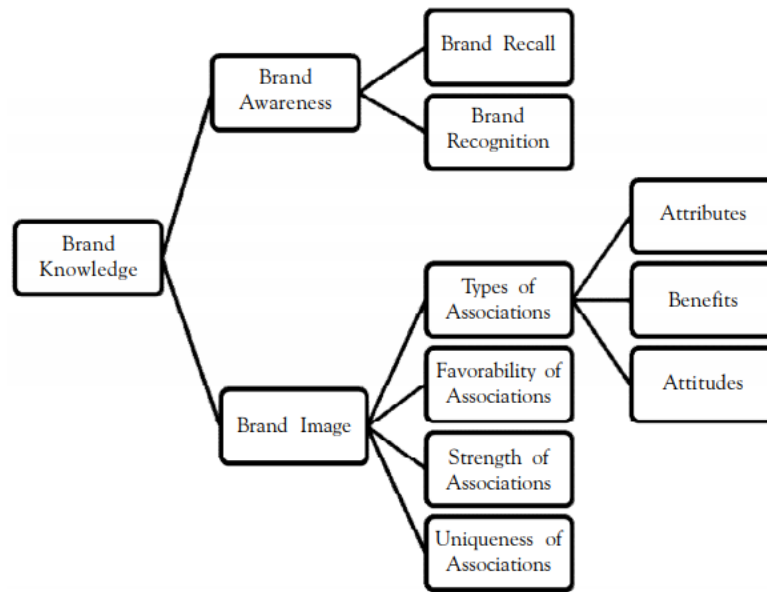


Figure 2. Keller`s (1993) model of brand equity.

Keller (1993) has been described as a pivotal paper on the topic, with “the majority of later conceptual studies agreeing that awareness and associations are important components of customer-based brand equity” (Christodoulides & de Chernatony, 2010). Further conceptual studies on CBBE were mostly empirical, deriving or modifying the conceptual model from Keller (1993) or Aaker (1991; 1996).

Cobb-Walgren et al. (1995), drawing on Aaker (1991), paid special attention to advertising and added advertising awareness to the aforementioned perceived quality, brand awareness and brand associations. Brand equity is thus directly linked to advertising efficiency, with “the brand with greater advertising budget yielding substantially higher levels of brand equity”. However, if advertising can be seen as a metric inherently related to the brand remains disputable, and the conceptualization which includes exogenous factors may lack consistency.

Focusing on professional services firms, Sharp (1995) complements brand awareness and brand image with customer relationships. Brand equity is seen very broadly as “all of a firm’s intangible assets, which are distinct from internal intangible assets and skills”. Anyway, this approach has been described as being strongly connected to the specifics of the professional services industry by the author himself.

Lassar et al. (1995) model of brand equity was significantly different from those discussed above and consisted of five dimensions: performance, value, social image, trustworthiness and commitment. This model builds on the Martin & Brown (1990) conceptualization of brand equity (termed as “customer-perceived” brand equity), which

included five components, too: perceived quality, perceived value, image, trustworthiness and commitment.

An important contribution of Lassar et al. (1995) is considered by Christodoulides & de Chernatony (2010) to be were the first attempt “to make brand equity measurement a very simple affair, an improvement over previous complex techniques”. A number of drawbacks has been identified; these included the model not accounting for brand loyalty (Christodoulides & de Chernatony, 2010) and that the findings lacking external validity (Brahmbhatt & Shah, 2017).

A significantly simplified approach is proposed by Berry (2000), where brand equity is seen as “the differential effect of brand awareness and meaning on the customer’s response to marketing of the brand” and only two brand equity components are identified: brand awareness and brand meaning. It is remarkable by being one of the first papers on brand equity in service industry. The paper will be discussed in more detail in the following sub-chapter. Its apparent simplicity (having only two brand equity dimensions) is remarkable, too, with more recent conceptual frameworks having generally from four to seven dimensions.

Vázquez et al. (2002) define customer-based brand equity (CBBE) as the “overall utility that the customer associates to the use and consumption of the brand; including associations expressing both functional and symbolic utilities”. Christodoulides & de Chernatony (2010) notice that this definition focuses on ex-post (i.e. utilities obtained following a brand’s purchase) as opposed to ex-ante utilities (i.e. utilities obtained prior to purchase). Vázquez et al. (2002) brand equity dimensions focus on ex-post utilities, obtained by a customer, and include product functional utility, product symbolic utility, brand functional utility and, respectively, brand symbolic utility. Christodoulides & de Chernatony (2010) also argue that though the method developed “is relatively easy to administer”, the framework “neglects significant ex-ante brand utilities”.

Building on Aaker (1996) and using four out of five dimensions of brand equity proposed by Aaker (1996) – brand loyalty, perceived quality, brand awareness and brand associations, Gil (2007) propose that “brand loyalty is much closer to the concept of overall brand equity than brand awareness, associations and perceived quality”.

A significant development of the concept is presented in Burmann et al. (2009), with significantly re-developed conceptual framework, consisting of brand benefit clarity, perceived brand quality, brand benefit uniqueness, brand sympathy and brand trust. Brand trust as a component of the CBBE model was introduced by Atilgan et al. (2009) and “complied well with recent literature on global branding” (Brahmbhatt & Shah, 2017). Burmann et al. (2009) explore the sources of CBBE from both internal and external perspectives at the behavioral and financial

level and aims at achieving a more accurate brand equity measurement approach (Brahmbhatt, & Shah, 2017).

Mishra & Datta (2011) present a reformulated brand equity model, in which some components of the brand such as brand name, awareness and personality are seen as antecedents of brand equity and some others like brand preference and purchase intention are seen as consequences. The dimensions include brand name, brand communication, brand association, brand personality, brand awareness, brand image, perceived brand quality and brand loyalty.

Emotional aspect has been added to the CBBE model in the recent Wang & Finn (2013); this emotional aspect is enclosed in the brand emotion dimension, which adds to other six dimensions employed in the paper: past brand loyalty, current brand awareness, current brand association, current perceived quality, current perceived value for the cost and uniqueness.

To sum up, Brahmbhatt & Shah (2017) conclude that the most widely accepted and quoted works on the conceptualization and dimensions of customer-based brand equity are Aaker (1991; 1996) and Keller (1993). The concept has undergone significant development since the publication of these papers; however, most of further research is significantly influenced by the definitions, conceptualization or both presented by Aaker (1991; 1996) and Keller (1993).

1.3 Service Brand Equity: a Concept with Increasing Popularity

Despite the prevailing argument that branding and brand equity play such a vital role in services (Hongwei & Yan, 2010; Christodoulides & de Chernatony, 2010), a majority of the CBBE studies focus on products only, and not on the service sector (Brahmbhatt & Shah, 2017). There are very few studies which investigate CBBE measurement in the services sector and the research on service brand equity is underdeveloped (Hongwei & Yan, 2010), even though such characteristics as intangibility, perishability, separability and variability render additional significance and value of brand and brand equity for service companies (Berry, 2000; de Chernatony & Segal-Horn, 2003). Additionally, Christodoulides & de Chernatony (2010) argue that CBBE measures should be tested with service brands, and if necessary new service-specific CBBE scales should be developed.

Hongwei & Yan (2010) propose that since services are generally intangible, variable and complex, customers find it more difficult to evaluate their qualities, which in turn could increase customers' perception of risk associated with buying services. And brand, given its intrinsic value, can act here as an assistance in reducing the perceived risks of buying and consuming services. Thus, branding is essential for services (Christodoulides & de Chernatony, 2010) as it is a way of their differentiation (Brahmbhatt & Shah, 2017) and because strong brands increase

customers` trust of the invisible purchase and reduce customers` perceived risk in buying services (Berry, 2000).

In this sub-chapter, we will outline existing literature on the topic of defining and conceptualization of customer-based brand equity in the service industry.

As mentioned above, Berry (2000) presents a much simpler approach to brand equity than the classical Aaker (1991) and Keller (1993) or the then-contemporary Vázquez et al. (2002), with only two brand equity components identified: brand awareness and brand meaning. Berry`s (2000) service brand equity model is presented in the Figure 3 below.

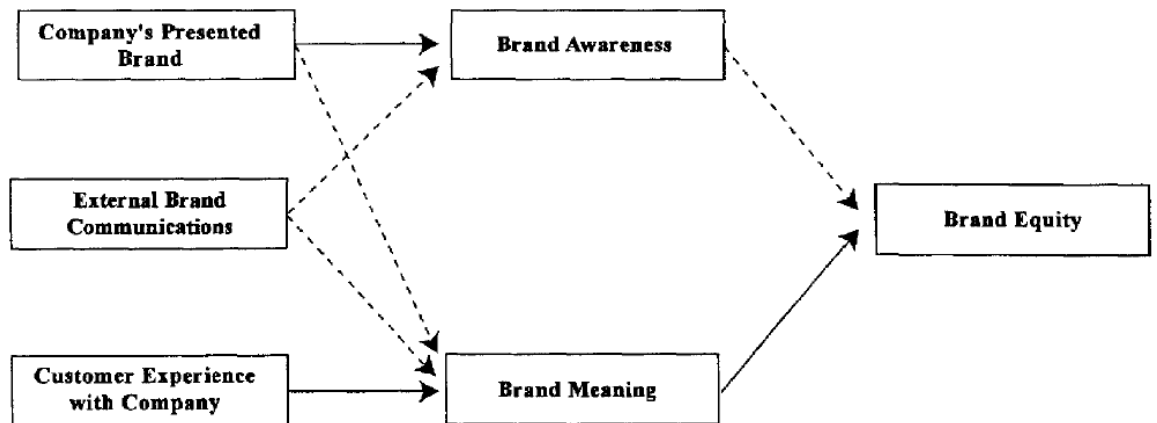


Figure 3. Berry`s (2000) service brand equity model.

However, three sub-dimensions have been proposed: company`s presented brand, external brand communication and customer experience with company. The author notices that the model proposed “differs in degree, not kind, from a packaged-goods branding model” and the main difference is thus “the salient force of service performance”.

Berry (2000) goes beyond conceptualization and discusses and proposes brand cultivation strategies. The model of brand cultivation strategy includes internalizing the brand, daring to be different, making an emotional connection and determining your own fame. This model is presented in the Figure 4 below.

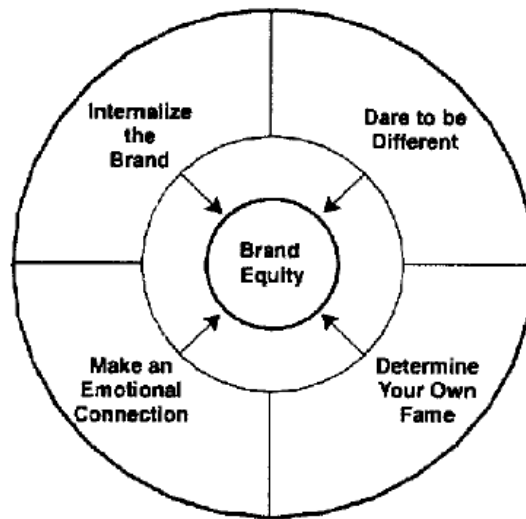


Figure 4. Berry's (2000) brand cultivation strategy model.

The model presented build on the analysis of a number of examples of strong brands among service companies. Special attention is paid to the transition inherent for service companies where the company itself becomes the brand.

Hongwei & Yan (2010) notice the relationship between a company's service quality and brand equity has been researched not enough. The paper references Chiou & Droge (2006), quoting that "service quality investment has become a significant strategic priority for many service companies" and the connection between service quality and brand equity to be researched in a more detailed way. This link is believed to be performed via mechanisms of brand association. Hongwei & Yan (2010) suggest that both functional aspects of a service and human interaction aspects (such as empathy and assurance) are significant dimensions of overall service quality and of a stronger brand equity. The paper concludes that the identification of key services drivers can help service firms to make important strategic decisions on services investments, effectively agreeing with Chiou & Droge (2006).

Another important contribution to the topic of dimensions of customer-based brand equity in service is Chahal & Bala (2010). The paper examines three key dimensions of service brand equity – perceived service quality, brand loyalty and brand image; it also focuses on relationships among these dimensions and also their relationship with brand equity. The paper finds that service brand equity in the service sector is significantly influenced by brand loyalty and perceived quality. However, brand image (indirectly) affects service brand equity through brand loyalty. The model is presented in the Figure 5 below.

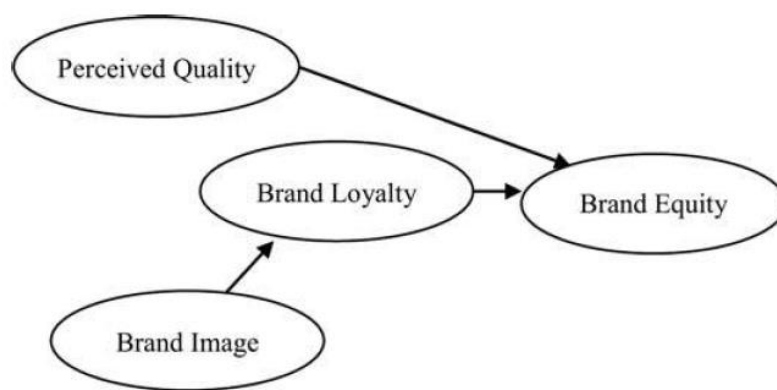


Figure 5. Chahal & Bala's (2010) service brand equity (indirect) model.

Chahal & Bala (2010) identify three dimensions of service brand equity – perceived service quality, brand loyalty and brand image. The model is significantly different from the preceding Berry (2000) and shares many dimensions with the more classical Aaker (1996) and Keller (1993). Perceived service quality is defined as “the customers’ overall perception about the quality of a particular service in comparison to other available services”. Aaker (1991) provides a “harder” definition of perceived service quality as “an intangible overall feeling about a brand that affects market share, price, and profitability”. Brand loyalty, a crucial and strongest dimension of customer-based brand equity in services (Atilgan et al., 2005), is defined by Aaker (1991) as “the attachment of a customer towards a brand even when an organization makes changes in the price or other product features”. The paper argues that clients’ loyalty is essential for service companies to retain clients and to survive in the competitive market. Finally, brand image is described as “the customers’ perception of a brand as reflected by the brand associations held in their memory” (Chahal, Bala, 2010), while brand associations are “the informational nodes linked to the brand in the memory of the customers” (Keller, 1993). In the academic literature, two kinds of relationships between brand and brand equity are observed: direct effect of brand image on brand equity and indirect effect on brand equity through mediating variables such as brand loyalty. The paper finds that there exists an indirect relationship between brand equity and brand image (via brand loyalty).

Mukherjee et al. (2010) suggest that elements within a service encounter, service landscape and service staff, have significant influence on service brand equity in high contact and highly customized services. The findings show that elements of the service encounter – service landscape and service personnel have a predominant contribution to service brand equity. Service landscape or so-called “servicescape” and service staff proved significant in influencing perceived quality and both awareness and associations, and as a result, customer-based brand equity for high contact services. A high advertising investment strategy also had significant

impact on brand equity. As a result, findings from this paper validate continued focus on the service encounter in high contact services.

1.4 Retail Banking Brand Equity: a Unique High-Contact Sector Setting

In the last decade, significant attention has been paid to the issues of conceptualization and measurement of brand equity in retail banking industry. Since the 1990s was a period of development of the brand equity concept and the 2000s added service industry component to the concept, the 2010s can be described as a period of significant development of the concept in retail banking industry.

Examination of brand equity in a setting of banking industry, an industry classified as complex with high customer involvement by Aldlaigan & Buttle (2001), may be beneficial to both those connected to this particular industry and those interested in branding and brand equity in services in general.

Below, we will discuss key research on the topic of conceptualization and measurement of brand equity in retail banking industry.

Mukherjee & Shivani (2016) present a composite research with retail banking as an industry sector and loans as the product category. The paper proposes a service branding model for banking industry. The model represents service marketing mix impact on certain composites of brand equity – brand image and perceived service quality and on brand equity. The model is presented in the Figure 6.

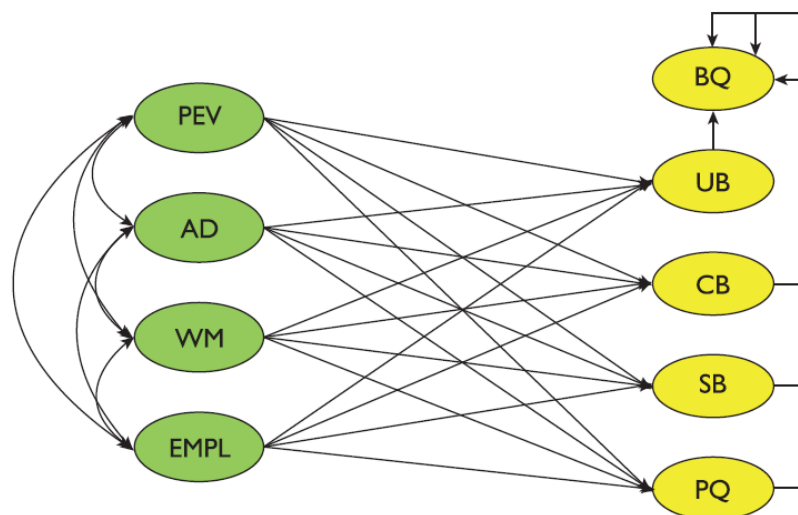


Figure 6. Mukherjee & Shivani's (2016) service brand equity model for retail banking

where green:

PEV – physical evidence, AD – advertising, WM – word of mouth, EMPL – employees mix,

yellow:

UB – user brand image, CB – corporate brand image, SB – service brand image, PQ – perceived service quality, BQ – brand equity.

The model is interesting in the way it decomposes different aspects of the brand image into three dimensions – user, corporate and service brand images. Traditionally for services, and perceived service quality (introduced by Chiou & Droge (2006) and further developed by Hongwei & Yan (2010), Chahal & Bala (2010), additional contributions include Gronroos (1982), Parashuraman et al. (1985), Zeithaml (1988), Aaker (1991, 1996), Michell et al. (2001), Ching & Tseng (2010)) is a final dimension of the model.

In the paper, perceived service quality is described as a highly subjective metric of “what the customer judges of the product’s overall superiority”; however, the aforementioned definitions from Aaker (1991) and Chahal & Bala (2010) are also referenced. Three-dimensional construct of brand image (user, corporate and service) is defined as “perceptions about a brand as reflected by the brands associations held in the customer memory”.

The issue of relationship between brand equity and bank types has been investigated, among others, by Arora & Neha (2016). The paper investigates whether brand equity differs across different types of banks – public and private ones (in the setting of Indian state Jalandhar); it also examines the relationship between the dimensions of customer-based brand equity.

The dimensions of brand equity the paper analyzes are brand investments, brand performance, brand salience, brand unfamiliarity, brand feelings and the brand verdict. Among all these constructs, brand verdict emerged as the main factor in determining brand equity since brand verdict is “the overall opinion of the customers who see the bank as a brand” and it is “the final perception of the customers built over a time in the mental map of the customers”. Regarding the difference in perception of banking depending on its bank type, no statistically significant difference has been identified.

Another study on the topic of difference in brand equity among banks of different types is Pinar et al. (2011). The paper examines if customer-based brand equity significantly differs across three bank types—state, private, and foreign – in the setting of Turkey. The findings show that customer perceived quality and brand loyalty are significantly higher for private banks than state and foreign ones. Additionally, the paper examined if demographic profiles of customers differ significantly among the three bank types, with customers with higher education and income, as well as women perceived higher service quality for and felt more loyal to private banks. The authors also notice that these findings are consistent with the positioning, marketing mix, objectives, and resources of the banks in Turkey, with private banks having more resources.

Rambocas & Kirpalani (2014) investigate a customer-based brand equity model consisting of brand affinity, customer experience, and customer satisfaction in the setting of the

retail banking industry of Trinidad and Tobago. The findings indicate the mediating influence of customer satisfaction on customer-based brand equity; they also indicate the essential role of brand affinity, customer satisfaction, and service experience as dimensions of brand equity.

The paper is particularly interesting for its use and analysis of a mediating variable as a dimension of brand equity. The authors notice the existing critique of a simple first order approach (Yoo & Donthu (2001), Low & Lamb (2000), Kim & Kim (2005), Christodoulides & de Chernatony (2010)) that maps relationships among antecedents in isolation (Kim et al., 2001), arguing that conceptualizations with mediating variables “offer explanations for the causal relationships between independent and dependent variables”.

Additionally, there are two recent papers that examine customer-based brand equity in banking sector with a particular focus on the Internet. Loureiro (2013) examines the relations among such dimensions as trust, brand awareness and brand associations, perceived quality and brand loyalty and their role in online banking brand equity. The findings suggest that brand loyalty and perceived quality are more important in explaining online banking brand equity than brand awareness, brand associations and trust. As with customer satisfaction in Rambocas & Kirpalani (2014), researches find an indirect relationship between one of the dimensions of brand equity and the brand equity itself; trust contributes to online banking brand equity indirectly, through perceived quality, brand awareness and brand association.

The second research on this sub-topic is Al-Hawari (2011) which examines the relationship between online service quality factors and customer-based banking brand equity in the setting of the United Arab Emirates (UAE) banking industry. And once again, as in Rambocas & Kirpalani (2014) and Loureiro (2013), an indirect relationship exists, with online service factors influencing brand loyalty indirectly via brand awareness and image.

1.5 Measurement of Customer-Based Brand Equity: Approaches and Models

As previously noted and observed by researchers (Brahmbhat & Shah (2017); Christodoulides & de Chernatony (2010)), there exist many different viewpoints on customer-based brand equity definition, conceptualization and its key dimensions. We have analysed these above and in this part we will focus on measurement of customer-based brand equity.

Christodoulides & de Chernatony (2010) notice that even though Aaker (1991; 1996) and Keller (1993) laid foundations for brand equity definition and conceptualization, “they never operationalized a scale for its measurement”. This has led to a number of different approaches aimed at developing a comprehensive measurement scale or model for customer-based brand equity. Such endeavours to operationalise brand equity are usually classified based on their approach to measurement (i.e. direct or indirect). Direct approaches aim at measuring directly by

focusing on consumers' preferences or utilities (i.e. quality, value, and importance), while indirect approaches measure brand equity via its demonstrable manifestations (i.e. awareness, associations, loyalty, reputation). It should be noted that the indirect approach is currently the prevailing stream of thought in the area of brand equity measurement, with the absolute majority of research investigating measurement models based on this approach.

Below, we shall analyze key characteristics of the research on the direct and indirect approaches, as well as outline other approaches to brand equity measurement, including the price premium and consultancy-based approaches.

1.5.1 Direct Approaches

The main focus of studies employing the direct approach is to achieve a separation of the value of the brand from the value of the product. This has proved to be conceptually and methodologically problematic over the years because “brands supervene on products, much as the mental has been claimed to supervene on non-aesthetic properties” (Grassl, 1999).

Srinivasan (1979), Park and Srinivasan (1994) and Jourdan (2002) use the multi-attribute model as a common departure point to measure customer-based brand equity. The pioneering paper on the topic – Srinivasan (1979) – measures brand equity by comparing observed preferences based on actual choice with customer preferences derived from a multi-attribute conjoint analysis. The difference between the two is subsequently quantified using a monetary scale. However, two limitations associated with this approach have been identified. Firstly, brand equity estimates resulting from this approach are segment-level at best; secondly this approach does investigate the sources of brand value (Christodoulides & de Chernatony, 2010).

Park & Srinivasan (1994) decompose brand equity into two parts: an attribute component (based on customers' evaluations of the brand's physical characteristics) and a non-product attribute component (based on symbolic associations). This method is said to “provide important insights into the perceptual distortions caused by a specific product attribute” (Christodoulides & de Chernatony, 2010); however, it does not break down the non-attribute-based component of brand equity, so that it still lacks explaining power.

Finally, Jourdan (2002) argues that the difference of utility implied by Park & Srinivasan (1994) may not entirely be attributable to the brand as portion of may be connected to measurement error. To address the issue, an error component has been proposed; this design improvement results in significantly higher levels of reliability and validity of brand equity measurement. Despite this enhancement, the complexity of method's experimental design leads to limited applicability and managerial value.

Being in line with the approaches employed in the aforementioned papers, Leuthesser et al. (1995) assume that personal evaluation of a given brand is always biased, with this bias being caused by the fact that customers are inclined towards brands they know. It is thus this emotional distortion that forms the foundation of brand equity. Still, the method relies heavily on advanced statistical methods, which limits its applicability.

Kamakura & Russell (1993) present an important development in measuring brand equity: they examine consumers' factual purchase behaviour based on purchase data from supermarket checkout scanners and apply a logit model. Customer-based brand equity is thus measured as "the implied utility or value assigned to a brand by consumer". Two key components of brand equity have been identified – brand value and intangible brand value. With that, brand value has been preliminarily decomposed into some dimensions, while intangible brand value has not been.

A multinomial logit model has also been used by Swait et al. (1993) to measure the entire utility value attached to a brand rather than estimating specific its parameters. utility. They propose a new measure of CBBE – equalisation price (EP), which is "the monetary expression of the utility a consumer attributes to a bundle consisting of a brand name, product attributes and price". p. 30). Based on a choice task and information relating to customers' purchases, equalisation price is then calculated using a multinomial logit model. This hypothetical price is the price at which each brand would have the same market share in that customer's purchases.

Finally, the recent Shankar et al. (2008) present a brand equity model that combines financial and customer data. Offering value and relative brand importance are two brand equity dimensions. Offering value is the net present value of a product having a brand name and is estimated using financial measures (e.g. forecast revenues, profit margins). Relative brand importance is a measure that seeks to isolate the effect of brand image on consumer utility compared to the effect of other factors that also have an effect on consumer choice. Brand reputation, brand uniqueness, brand fit, brand associations, brand trust, brand innovation, brand regard and brand fame are identified as drivers of brand image. While this method allows estimating brand equity for multi-category brands and is beneficial due to combining both financial and consumer data, it makes comparisons with rival brands difficult as competitor financials often are not available at the brand level.

1.5.2 Indirect Approaches

By far the most popular group of approaches to measurement of brand equity are indirect approaches. Compared to direct ones, they adopt a more holistic view of the brand and seek to

measure brand equity either via its dimensions or via an outcome variable (e.g. price premium) (Christodoulides & de Chernatony, 2010).

As a starting point, Lassar et al. (1995) set foundations for a much simpler technique that enables managers to easily monitor their brand equity via its constructs. These constructs include performance, value, social image, trustworthiness and commitment.

Vázquez et al. (2002) specifically focus on both functional and symbolic brand associations. Results indicate that product and brand utilities maintain discriminant validity, suggesting that customers do not view product and brand as identical items. Nevertheless, there exist significant correlations among brand equity constructs; that requires brand managers to consider product and brand name as interrelated items.

Yoo & Donthu (2001) develop a model of customer-based brand equity that draws on the theoretical dimensions put forward by the classical Aaker (1991; 1996) and Keller (1993). As a result, ten items are believed to reflect brand equity dimensions – brand loyalty, perceived quality and brand awareness (associations). Among the indirect approaches to customer-based brand equity measurement, this study is frequently cited as having the most strengths and fewest weaknesses (Christodoulides & de Chernatony, 2010); the scale has proved to be applicable to various product categories; the measurement is easy to administer, making it simple for brand managers to assess equity of their brands; finally, a rigorous multi-step validation process was performed.

Since Yoo & Donthu (2001), academic development of this group of approaches has been mostly focused on modification of the set of dimensions proposed by Aaker (1991; 1996) and Keller (1993) and validated by Yoo & Donthu (2001). Special attention has been paid to the distinction between brand awareness and brand associations. The question if these constructs should be collapsed into one has been described as “critical” (Christodoulides & de Chernatony, 2010). Though brand awareness must precede brand associations (Aaker, 1991), the two are not synonymous as customers can be aware of a brand without having a set of brand associations. Similar issue is connected to brand awareness and brand loyalty, which are operationalised by one or two constructs.

Apart from further development of the model constructs, different category- and industry-specific measures of brand equity have been recently researched. As stated above, research on the service industry is one of the most important areas of development of brand equity measurement using the indirect approach.

1.5.3 Price Premium and Consultancy-Based Approaches

Another way to measure customer-based brand equity indirectly is via an outcome variable, i.e. price premium. This method estimates the additional income (profit) that is attributed to the differential selling price between a branded and a generic (non-branded) product (Barwise et al. 1989). This is defined as “the difference in revenue between a branded good and a corresponding private label”.

This approach relies on real market data and calculation is relatively easy (Christodoulides & de Chernatony, 2010). However, no insights into the sources of brand equity can be inferred from the price premium approach to CBBE.

Additionally, various consultancy and market research firms have also developed their own methodologies to measure brand equity. The best-known methodologies are presented in Figure 7. Generally, these approaches exhibit little common ground in terms of the dimensions of brand equity applied in their frameworks.

Name	Measures of CBBE
Interbrand Brand Strength	Market Stability Brand leadership Trend Brand support Diversification Protection
Y&R Brand Asset Valuator	Knowledge Esteem Relevance Differentiation
WPP Brand Dynamics	Presence Relevance Performance Advantage Bonding
Research International Equity Engine	Affinity Perceived functional performance The interaction between the brand's equity and its price

Figure 7. Consultancy-based brand equity measures (as presented in (Christodoulides & de Chernatony, 2010))

1.6 Brand Equity Review: Key Findings and the Research Gap

As a result of our analysis, we observe that brand equity is dominating the academic literature as one of the most popular discussion objects in marketing as it is often seen as one of strategic solutions of organization, assisting in creating a competitive advantage in a market (Vaitkiene & Vainauskiene, 2010). Branding and brand equity are seen as playing an even more important role for service companies as they increase the level of customers trust (Berry, 2000), assist customers in visualizing services (Kim et al., 2008) and deliver value to the customers. Brand equity is believed to be essential for products and is vital for services, too (Chahal & Bala, 2010).

Yet despite the popularity of the concept in general and its essential role for the service industry in particular, the concept of brand equity and its dimensions are not properly explored in the academic service marketing literature (Chahal & Bala, 2010; Kim et al., 2003). Thus, there still exist a significant research gap in conceptualization and defining of brand equity in the setting of the service sector and an even more significant research gap in empirical analysis and measurement of brand equity in particular geographical and service markets.

One of such service markets is retail banking market, which is a classical high-contact sector of the service industry. Understanding of relationships between brand equity and its constructs in high contact services, such as retail banking, airline companies etc., can be indicative for research in other sectors and provide managers with reasons to channel significant corporate resources into the areas where the essential processes of building service brand equity exist. Thus, existence of a research gap in the setting of a high-contact sector, such as retail banking, provides a unique environment for marketing research.

Finally, significant research gaps exist in terms of the geographical market chosen. Russia, and the Russian banking sector, has not been properly researched in the marketing literature. Russia, being a major transitional economy, provides an applicable environment for marketing studies that can be helpful for understanding of marketing, branding and brand equity dimensions both in the setting of Russia and of other transitional economies.

1.7 Research Model Choice

In this section, the choice of the research model is discussed. We shall focus on the foundations of the choice of a research model, description of the model chosen and then proceed to the hypotheses formulation.

1.7.1 Foundations for the choice of a research model

As discussed in the literature research, there exists an abundance of different conceptualizations of customer-based brand equity and, consequently, models of customer-based brand equity measurement. We have identified a number of recent papers on the topic of measurement of customer-based brand equity in retail banking. These include Pinar et al. (2011), Rambocas & Kirpalani (2014), Arora & Neha (2016).

Of these, Pinar et al. (2011) and Arora & Neha (2016) focus on evaluating difference in the dimensions of customer-based brand equity among different groups of banks (state, private and foreign) in the Turkish and Indian setting respectively. These are important contributions on the topic and are well referred to in this paper. With respect to the conceptualization, Arora &

Neha (2016) identify six constructs of CBBE, while Pinar et al. (2011) suggest four, building strongly on the legacy of Aaker (1991).

We identify a number of issues connected to these approaches to the conceptualization. Firstly, of Pinar et al. (2011) six constructs, two (brand investment and brand unfamiliarity) have been found to be statistically not significant at 0.01. At the same time, Arora & Neha (2016) have been criticized for relying solely on the classical legacy approach of Aaker (1991), meanwhile, Rambocas & Kirpalani (2014) three-construct conceptualization build both on classical and modern approach to defining CBBE and is in line with both other papers discussed, avoiding undue constructs.

Along with different conceptualizations, there exist a variety of different measurement models (which have been discussed in the literature research section of this paper). However, most of them, developed in 1990-2000s, employ a first order approach to the modelling of the relationship. This approach has been recently often criticized (Yoo and Donthu, 2001; Low and Lamb, 2000; Kim and Kim, 2005; Christodoulides & De Chernatony, 2010), as it maps relationships among constructs in isolation (Kim et al., 2001).

To address this issue, researchers are increasingly employing higher order models to explicitly represent causal relationships via modeling mediating effects (Kim et al., 2001; Hair et al., 2010; Jahanzeb et al., 2013). Models with mediating variables offer explanations for the causal relationships between independent and dependent variables (Baron and Kenny, 1986).

Thus, regarding the choice of the econometric formulation of the research model, a model with mediating variables has been chosen as potentially the most adequate for explaining the interaction between the brand equity constructs.

Of the brand equity measurement models considered, Rambocas & Kirpalani (2014) is the only one to adhere to the mediating variable approach, with customer satisfaction being a mediating variable. The paper has been thus considered as a step in this direction and can be described as one of the most up-to-date from both conceptual and methodological point of view among papers on CBBE in retail banking.

1.7.2 Description of the model

As noted above, the design of the conceptual model of this research is significantly influenced by Rambocas & Kirpalani (2014). The following constructs of brand equity have been selected for analysis: brand affinity, customer satisfaction and service experience. The model assumes both direct and indirect relationship between service experience and brand equity and between brand affinity and brand equity. The graphical representation of the model is given in the Figure 8 below.

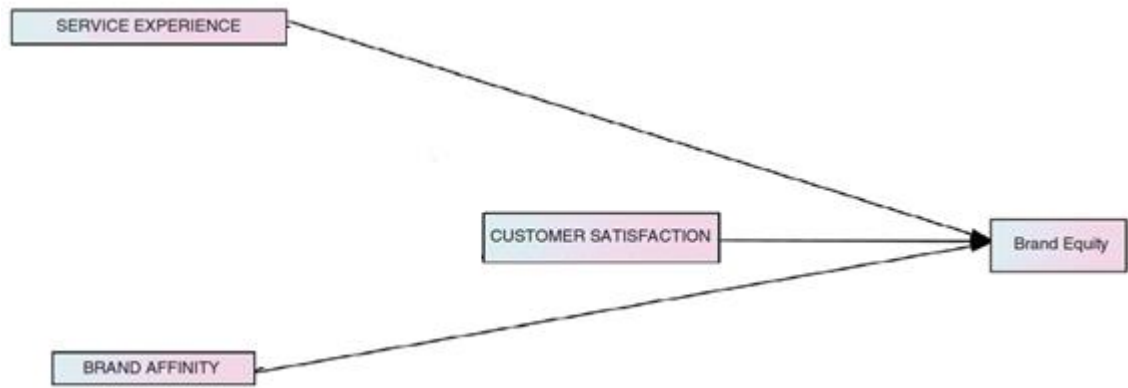


Figure 8. Graphical representation of the brand equity conceptual model employed in the current research paper.

Given the importance of the understanding the constructs of brand equity, we would like to briefly revisit definitions of the key dimensions employed in this model.

Service experiences stimulate emotional connections, trust and emotional fulfilment (Rambocas & Kirpalani, 2014). Evaluation of service experience impacts emotional response towards the brand in question, which in turn influences attitudes and behaviors (Grace & O’Cass, 2004). Grace & O’Cass (2004) also conclude that as a result of a service experience, behavioral and emotional elements are evoked which in the end affect the way consumers evaluate their overall service encounter.

The construct of brand affinity is employed to describe the emotional connection between customers and brands. Successful brands are believed to make stronger emotional connections with customers (Berry, 2000). Brand affinity may go beyond rational economic behavior and reflect the emotional affection customers exhibit for their preferred brands.

Finally, customer satisfaction is an overall judgment on one product’s superiority that occurs upon consumption, guided by referencing to the points set before the consumption (Rambocas & Kirpalani, 2014). Even though satisfaction is related to perceived quality, it is considered to be a much more long-term and distinct mental state.

Data analysis begins with factor analysis on predictor items using principal component approach with varimax rotation. Then, confirmatory factor analysis (CFA) is used to test the theoretical pattern of factor loadings on each of the constructs (service experience, brand affinity, customer satisfaction). CFA establishes uni-dimensional constructs through varimax rotation and ensures that the combination of measured indicators measure one and only one construct.

The second stage of the analysis utilizes Structural Equation Modelling (SEM) to estimate the brand equity model. The rationale for using Structural Equation Modelling is due to the method’s ability to estimate a series of separate, but interdependent regression equations simultaneously. This allows both the strength and significance of interconnections to be assessed

in the context of the entire econometric model. Moreover, SEM allows complex and multiple relationships to be modelled simultaneously so that an independent variable in one relationship can also be modelled as a dependent variable in another relationship, and is an instrumental tool to allow for testing mediating effects.

1.8 Hypotheses Formulation

Having conducted theoretical analysis and having identified the research gap, we will now move to the formulation of research hypotheses. There are two main hypotheses in this research paper.

Initial comparison of state, private and foreign banks in Russia reveal that the level of customer satisfaction is the lowest for state banks, with foreign and private banks exhibiting significantly higher scores³. Consistent with Pinar et al. (2011) findings in the Turkish banking sector, the author expects brand equity to be the highest for private banks, followed by foreign banks, and then by state banks.

Hypothesis 1: Customer-based brand equity will significantly differ across the three types of banks – state, private and foreign.

Based on the previous research on the topic (Pinar et al., 2011; Rambocas & Kirpalani, 2014; Loureiro, 2013; Arora & Neha, 2016), a three-dimensional model has been proposed, with service experience, customer satisfaction and brand affinity being the dimensions of customer-based brand equity.

Hypothesis 2: The relationships between customer-based brand equity and its constructs will be significant and positive.

In line with the research discussed above, a significantly positive relationship between the constructs and brand equity is expected. This includes the following sub-hypotheses referring to the three constructs of customer-based brand equity employed in the paper – brand affinity, service experience, customer satisfaction:

Hypothesis 2a: The relationship between customer-based brand equity and brand affinity is significant and positive.

Brand affinity is considered to be one of dimensions of differentiation and brand positioning (Aaker and Biel, 1993) via supporting a price premium and converting other brands into imperfect substitutes, fostering loyalty (Romaniuk et al., 2007) and directly affecting brand equity.

³ <http://www.banki.ru/services/responses/>

Hypothesis 2b: The relationship between customer-based brand equity and customer satisfaction is significant and positive.

Anderson et al. (2004) suggested a framework that described how customer satisfaction impacts current and future consumer behavior. Satisfied customers identify preferred brands easily, therefore, reducing demand volatility and improving cash flows.

Hypothesis 2c: The relationship between customer-based brand equity and service experience is significant and positive.

The significance and direction of relationships hypothesized is influenced by Grace and O’Cass (2004) who examined the influence of service experience on customer evaluation and concluded that service experience affects overall evaluation of the service encounter. The authors concluded that emotional stimuli created via positive service experience lead to favorable attitude towards a service brand and ultimately to higher brand equity.

2. RESEARCH METHODOLOGY

2.1 Choice of a research design

The type of this research paper is an exploratory study. This type of research is employed to find out what is happening, to ask questions and to assess a phenomenon in a new light (Saunders et al., 2009).

As this research paper is one of the first on the topic of measuring retail banking customer-based brand equity in the Russian context, precise nature of the problem is not yet clear. The paper's strategic goal is to clarify academic understanding of the problem; taking this goal into account, this research cannot be classified as an empirical study, even though it employs a significant number of empirical tools and methods.

Saunders et al. (2009) propose three principal ways of conducting an exploratory study: these include literature research, expert interviews and focus group interviews. Given the methodology limitations (unavailability of focus group interviews as a research method) and lack of industry-focused experts, a combination of literature research and surveys has been used as principal way of conducting this study.

An important feature of exploratory research is its flexibility; the focus, being initially broad, may be narrowed as the research progresses. It is an important feature of this research paper as well; research hypotheses repulse from general to much more concentrated focuses based on the outcomes received at a corresponding research stage.

2.1.1 Foundations for empirical research

This paper follows the empirical research methods and tools given the hypotheses proposed. No other type of research except the empirical one can be employed to address the research goals and the hypotheses. All papers using either direct or indirect approach to measuring CBBE adhere to the empirical research philosophy.

Empirical nature of the research proceeds from employing a survey instrument in order to accomplish the paper's objectives and test the hypotheses; the instrument was designed to measure the customer-based brand equity in the research setting of Russian retail banking.

2.1.2 Foundations for quantitative research

Statistical tools employed include exploratory factor analysis, weighted averages, correlation analysis, multiple regression analysis and independent sample t-test. The rationale for the use of these statistical tools as well as their implications are presented in the Table 1 below.

Table 1. Statistical tools employed in the research.

Statistical Tool	Tool Description	Implication
Exploratory Factor Analysis and Confirmatory Factor Analysis	Varimax rotation for facilitation of the interpretation of the factor matrix. The Kaiser-Meyer-Olkin measure and the Barlett`s test for validation of the use factor analysis.	Used the total number of items to a smaller number of factors.
Weighted Averages	An average in which quantity is average with each quantity having an assigned weight.	Determine the relative importance of each factor.
Correlation Analysis	The method of analysis used to account for statistical relationships between two factors.	Describes correlation relationships between two sets of data or two variables.
Multiple Regression	Regression using the Ordinary Least Squares (OLS) technique.	Used to predict an unknown value from the known values of variables.
Independent Sample t-test	Use of the statistical t-test.	Used to compare means of two unrelated samples.

2.2 Description of the research model

The paper studies the relative effect of three constructs – independent variables (customer experience, brand affinity, and customer satisfaction) on the dependent variable – customer-based brand equity.

The general design of the model is inferred from Rambocas & Kirpalani (2014) study on customer-based brand equity in retail banking of Trinidad and Tobago. The model data is collected via structured questionnaires and is then analyzed in STATA and SPSS.

As noted in the research design section, two principal ways – methods – of conducting an exploratory study have been employed in this research: research of the literature and conducting a survey. These are principle parts of an exploratory study regardless of a specific setting.

An extensive literature analysis has been conducted in Chapter 1. We start with defining and conceptualizing customer-based brand equity; the role of classical papers on the topic (Aaker, 1991; 1996; Keller, 1993) has been discussed, with further conceptualizing presented and analyzed chronologically (Cobb-Walgren et al.,1995; Sharp, 1995; Lassar et al., 1995; Vázquez et al., 2002; Gil, 2007; Burmann et al., 2009; Mishra & Datta, 2011; Wang & Finn, 2013; Brahmhatt & Shah, 2017).

Further, the concept of customer-based brand equity in service industry – the general industry of this research – has been presented and discussed. Contributions of Hongwei & Yan (2010), Berry (2000), Chahal & Bala (2010) and Mukherjee et al. (2010) to the development of the concept in the setting of services have been discussed.

Literature research scope has been narrowed in the following section where customer-based brand equity in the setting of retail banking industry is presented. Developments of Mukherjee & Shivani (2016), Arora & Neha (2016), Pinar et al. (2011), Rambocas & Kirpalani (2014), Loureiro (2013), Al-Hawari (2011) to the research on CBBE in retail banking have been discussed.

The final, and one of the most important steps of the literature research conducted, has been the analysis of measurement models employed in empirical research on customer-based brand equity. Direct and indirect approaches to the measurement have been analyzed; given the prevailing role of indirect methods, as well as their higher explaining capabilities, the focus in the analysis has been made on indirect approaches to the measurement of CBBE.

The second method research method employed is surveying. Surveys are frequently used in exploratory research (Saunders et al., 2009) since they allow to answer who, what, how much and other questions. Surveys are popular as research method as they allow the collection of a large datasets in an economical way. With questionnaires frequently being the tool, these data are standardized and allow easy initial analysis and comparison. Surveys also allow to collect quantitative data which can be analysed quantitatively using statistics (descriptive and inferential) to suggest possible rationale for relationships between variables and to suggest models of these relationships.

2.3 Description of the model questionnaire

The research is based on the data derived from a structured questionnaire, where respondents are customers of Russian banks. The questionnaire focuses on describing brand equity constructs included into the research model. Four sample items (survey questions) have been selected to cover brand equity; three brand equity constructs are described with 1) brand affinity (6 questions), 2) customer satisfaction (7 questions), 3) service experience (6 questions).

Respondents have been asked to answer the questions based on a five-point Likert scale, where 1 is “Strongly Disagree” and 5 is “Strongly Agree”. Along with the questions on CBBE constructs, respondents have been asked to indicate what bank they are clients of, to indicate in what category (state-owned, private Russian, private Foreign) this bank falls to the best of their knowledge and provide demographic factors (gender, age and personal disposable income). The questionnaire has been conducted fully in English.

2.3.1 Development of scales

This questionnaire has been created with references to the key research on the topic of customer-based brand equity in general and in the banking sector in particular (Arora & Neha, 2016; Atiglan et al., 2005; Keller, 1993; Rambocas & Kirpalani, 2014; Pinar et al., 2011). The questionnaire is to derive data regarding determinants of customer-based brand equity.

The banks have been split into three groups: public, private and foreign. This approach is consistent with and deeply entrenched in Pinar et al. (2011) and Arora & Neha (2016), as one of the rationale of the research is to observe if there exists a difference in relationships among brand equity and its constructs for banks of different types.

Having explained dimensions of brand equity employed in the research above, we now move to the description of the sample items used in survey, these effectively being the metrics used to evaluate dimensions of brand equity. Sample items are presented in the Table 2 below.

Table 2. Sample items used in the research.

Construct	Sample Item (Survey Questions)
Brand Equity	<ol style="list-style-type: none"> 1. I find my bank more attractive than other banks. 2. I respect my bank a lot. 3. I feel positively towards my bank. 4. Although other banks offer similar services, I transact with my bank because it is a logical choice for me.
Brand Affinity	<ol style="list-style-type: none"> 1. I feel emotionally connected to my bank. 2. I like my bank. 3. To me, my bank is unique. 4. My bank suits my personality. 5. I am proud to tell other people about my bank. 6. I am happy with my bank.
Customer Satisfaction	<ol style="list-style-type: none"> 1. The services I get from my bank exceed my expectations. 2. I am a satisfied customer of my bank. 3. My bank provides me with all services I require from a bank. 4. My bank comes close to what I believe a perfect bank is. 5. I am contented with my bank. 6. I am delighted with my bank.

	7. I am sure that my bank is the right bank to do business with.
Service Experience	<ol style="list-style-type: none"> 1. My bank has a modern design. 2. Staff at my bank provide prompt service. 3. Staff at my bank are always eager to help. 4. Staff at my bank are never too busy to give me assistance. 5. The level of service offered by my bank is superior to other banks. 6. My bank has never broken my trust.

2.3.2 Determination of the population and sampling

Sampling frame can be better described as a convenience sample, with the sample being skewed to Russian university students and recent graduates. However, significant efforts have been made to broaden the sample outside its core, with more senior responses recorded via in-person communication. Despite the efforts made, the representativeness of the sample remains limited to describing its core component. The use of this approach to sampling is still justified given the absence of a sampling frame and inability to reach to a broader sample of the members of the population. The sample size (i.e. the number of responses recorded) is 104 unique responses.

2.3.3 Determination of distribution channels

The questionnaire was conducted via online electronic means using Google Forms tools. It was distributed electronically, in social media (VK, Facebook, Telegram) as well as using word of mouth. No offline or paper-based copies have been used in the survey.

In following chapter, descriptive analysis of collected data will be performed, statistical analysis conducted in order to check research hypothesis, research findings will be detected and discussed, managerial implications given, and the conclusion drawn.

3. EMPIRICAL RESEARCH

3.1 Sample Descriptive Statistics

Sample descriptive statistics analysis has been performed using econometric software STATA 13. Descriptive statistics have been classified into three parts: demographic, bank-related and sample item (model-related) statistics.

3.1.1 Demographic Descriptive Statistics

As noted above, the research sample is comprised of responses of 104 participants answering questions of a structured questionnaire. Respondents represent Russian retail bank customers; sample composition adheres convenience sample criteria; to address the issue of sample's limited representativeness we control such demographic factors as gender, age and income.

Descriptive statistics of the sample recorded using multiple choice questions are presented below (Table 3).

Table 3. Descriptive statistics of the sample.

Descriptive factor		Number of observations	% of observations
Gender	Female	65	62,5
	Male	38	36,5
	Other / Prefer not to	1	1
Income	Less than RUB 15 000	15	14,4
	RUB 15 000 – RUB 30 000	33	31,7
	RUB 30 001 – RUB 60 000	31	29,8
	More than RUB 60 000	25	24,1

The sample is skewed in terms of gender of respondents compared to average Russian gender distribution⁴ given questionnaire target audience skewness (relevant student body is female-dominated). However, distribution of income among the sample items is remarkably symmetrical.

The third descriptive demographical factor – age – has been recorded using not multiple choice, but an open question and is presented in the Table 4 and on the histogram (Figure 9) below.

Table 4. Descriptive statistics of age of survey participants

Age	Number of observations	% of observations	Cumulative %
19	1	0,96	0,96

⁴ Distribution of females and males in Russia – 54% / 46% - http://www.statdata.ru/nasel_pol_vozr

21	5	4,8	5,8
22	23	22,1	27,9
23	33	31,7	59,6
24	29	27,9	87,5
25	4	3,9	91,4
26	5	4,8	96,15
27	2	1,9	98,08
31	1	0,96	99,04
32	1	0,96	100

As the sample data were collected as convenience sample data, 91,4% of observations fall into the category of people aged less than or equal to 25 years, with almost 82% of observations falling into the age interval of 22-24 years.

As seen from the Figure 9, age distribution is right-skewed, with a minor tail of 4 observations in the 27-32 years old range. Observations are continuous on the 21-27 and 31-32 years old ranges, with one 19 years old observation being an outlier on the left of the distribution.

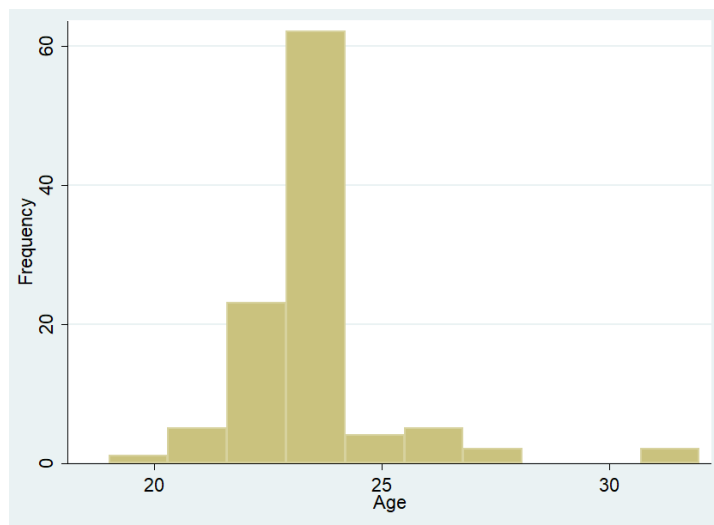


Figure 9. Age distribution of participants

3.1.2 Bank-Related Descriptive Statistics

The bank that the respondent identified as “his” and the attribution of this bank to state-owned, foreign or private Russian are two variables analyzed as bank-related descriptive statistics.

The list of the banks identified by respondents is presented in Table 5.

Table 5. Banks identified by survey respondents

Bank	Number of observations	% of observations
------	------------------------	-------------------

Sberbank	36	34,6
Tinkoff Bank	24	23,1
VTB	16	15,4
Alfa Bank	8	7,7
Raiffaisen Bank	4	3,8
Rocketbank	2	1,9
Unicredit	2	1,9
Otkritie	2	1,9
PSB	2	1,9
Gazprombank	2	1,9
Saint Petersburg Bank	1	1
Rosbank	1	1
Pochta Bank	1	1
Kukuruza	1	1
Home Credit Bank	1	1
Citibank	1	1

In total, 16 banks have been identified by respondents, with Sberbank taking the lead (34,6%). That is generally in line with Sberbank's share on the broader Russian market (39,4%⁵; 43%⁶); VTB's 15,4% share among respondents is also in line with its all-Russian performance (15%⁷). Other Russian banks have market shares of up to 3%⁸, which is broadly in line with the sample data. The only exception to that is Internet-based Tinkoff Bank which is the second most popular bank in the sample (23,1%) thanks to its strong positions among younger generation. Thus, the distribution of respondents among banks is generally representative of the broader generation of younger Russian bank clients.

In Figure 10, the distribution of customers' banks according to their type is presented. It is important to mention that this distribution has been made according not to the factual type of the bank (taken from official sources); in this survey, respondents were asked to identify the type of their bank based on their knowledge. Though this approach has produced generally predictable results (consistent with a bank's actual ownership status), in a number of cases respondents have identified their bank to be of a different ownership type than its factual one. That was especially important given the recent wave of bank bail-out and nationalizations of

⁵ https://frankrg.com/index.php?new_div_id=145

⁶ <http://www.interfax.ru/business/562072>

⁷ https://frankrg.com/index.php?new_div_id=145

⁸ ibid

major Russian banks delivered in late-2017: respondents attitude towards the type of the recently nationalized Otkritie, PSB and Rocketbank has been mixed, with some treating them as private, and some – as state-owned. In a few (3) cases, VTB has been identified as private, though it predominantly was treated as state-owned; Sberbank was consistently perceived as state-owned, except for one case. In neither of responses was a foreign bank misperceived as private or state, or private or state was perceived as foreign. Additionally, in neither of responses was a private or foreign bank misperceived as state-owned.

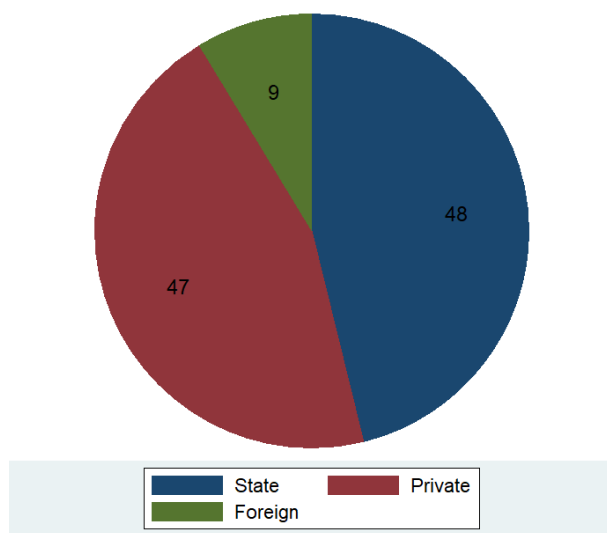


Figure 10. Distribution of customers` banks according to their type

In total, of 104 responses, 46,2% (48 responses) were associated with state-owned banks, 45,2% (47 responses) – with Russian private banks and 8,6% (9 responses) – with foreign banks. Compared to the broader market data, the sample share of state-owned banks is lower (compared to the all-Russian share of 70%⁹).

3.1.3 Sample-Items / Brand Equity-Related Statistics

Brand-equity-related sample items are the cornerstone segment of the research data and is classified into four broad parts: brand equity sample items (4), brand affinity sample items (6), customer satisfaction sample items (7) and service experience sample items (6). In this section, we shall analyze these constructs in that sequence. Descriptive statistics analyzed include mean, median, standard deviation. Variable names are presented after the sample item questions for the use in further sections of the paper (*in brackets and italics*).

Descriptive statistics for brand equity sample items are presented in Table 6.

Table 6. Descriptive statistics for brand equity sample items.

Mean	Median	Standard Deviation
------	--------	--------------------

⁹ <http://tass.ru/ekonomika/4953848>

1. I find my bank more attractive than other banks (<i>attractive</i>)		
3,798	4	0,99
2. I respect my bank a lot (<i>respect</i>)		
3,615	4	1,05
3. I feel positively towards my bank (<i>positive</i>)		
3,837	4	1,01
4. Although other banks offer similar services, I transact with my bank because it is a logical choice for me (<i>logicalchoice</i>)		
3,769	4	1,22

All four sample items of brand equity exhibit similar descriptive statistics, with identical medians (4), means in the narrow range of 3,62-3,84 and standard deviations around 1 (0,99-1,22). The highest mean value is recorder for *positive* (3,84) and the lowest for *respect* (3,62), with *logicalchoice* and *attractive* lying in between.

Descriptive statistics for brand affinity sample items are presented in Table 7.

Table 7. Descriptive statistics for brand affinity sample items.

Mean	Median	Standard Deviation
1. I feel emotionally connected to my bank (<i>connected</i>)		
2,91	3	1,31
2. I like my bank (<i>like</i>)		
3,70	4	1,15
3. To me, my bank is unique (<i>unique</i>)		
3,12	3	1,39
4. My bank suits my personality (<i>personality</i>)		
3,18	3	1,33
5. I am proud to tell other people about my bank (<i>proud</i>)		
3,26	3	1,21
6. I am happy with my bank (<i>happy</i>)		
3,60	4	1,15

Compared to the brand equity sample items, we observe a bigger variation among means for brand affinity items. These do range from 2,91 (*connected*) to 3,7 (*like*); the rest of items are distributed relatively even inside the range. Standard deviations of these are also markedly higher than those of brand equity items: the range is from 1,15 (*like, happy*) to 1,39 (*unique*). Higher standard deviation in this case means that respondents are relatively more polarized in their perception of banks` brands. Medians in the brand affinity section are 3 or 4.

Descriptive statistics for customer satisfaction sample items are presented in Table 8.

Table 8. Descriptive statistics for customer satisfaction sample items

Mean	Median	Standard Deviation
1. The services I get from my bank exceed my expectations (<i>exceedexpect</i>)		
3,40	3	0,97
2. I am a satisfied customer of my bank (<i>satisfied</i>)		
3,77	4	0,98
3. My bank provides me with all services I require from a bank (<i>allservices</i>)		
3,82	4	1,00
4. My bank comes close to what I believe a perfect bank is (<i>perfect</i>)		
3,30	3	1,13
5. I am contended with my bank (<i>contended</i>)		
3,66	3	1,07
6. I am delighted with my bank (<i>delighted</i>)		
3,25	3	1,11
7. I am sure that my bank is the right bank to do business with (<i>rightbank</i>)		
3,39	3	1,07

Sample items for customer experience exhibit moderate variation, with *delighted* being the lowest item (3,25) and *allservices* (3,82). Compared to brand affinity both in-construct and in-sample variations are significantly lower, with standard deviation fluctuating around 1 (0,97-1,11). Median values are 3 and 4.

Descriptive statistics for service experience sample items are presented in Table 9.

Table 9. Descriptive statistics for service experience sample items

Mean	Median	Standard Deviation
1. My bank has a modern design (<i>modern</i>)		
3,94	4	1,01
2. Staff at my bank provide prompt service (<i>prompt</i>)		
3,75	4	1,11
3. Staff at my bank are always eager to help (<i>eagerhelp</i>)		
3,81	4	1,09
4. Staff at my bank are never too busy to give me assistance (<i>assistance</i>)		
3,58	4	1,32
5. The level of service offered by my bank is superior to other banks (<i>superior</i>)		
3,42	4	1,24

6. My bank has never broken my trust (<i>trust</i>)		
3,69	4	1,11

Having completed descriptive analysis of the demographics, bank-related data and brand equity sample items, we now move to the Confirmatory Factor Analysis (CFA).

3.2 Confirmatory Factor Analysis

We start Confirmatory Factor Analysis with checking sample items for adequate level of correlations. The results of correlation analysis are presented in the Table 11.

All sample items are positively and significantly correlated (at 0.01) except for *trust/logicalchoice* which is significant at 0.05, so none of them can't be omitted based on the lack of pair correlation.

Next, Confirmatory Factor Analysis (CFA) has been applied. Based on reliability analysis using the Chronbach's alpha criterion, all constructs exhibit significant level of reliability and thus do form four constructs as predicted by the model. Results of the Chronbach's analysis are presented in the Table 10.

Table 10. Results of Chronbach's Alpha analysis of the constructs

Constructs	Chronbach's Alpha
Brand Equity (BE)	0,887
Brand Affinity (BA)	0,918.
Customer Satisfaction (CS)	0,909
Service Experience (SE)	0,912

Factor analysis proceeds further to additional testing on the constructs' composition. Kaiser-Meyer-Olkin test, which tests for sufficient level of inter-correlations among sample items, shows sampling adequacy for all four constructs; moreover, as KMO scores are higher than 0,800 in all four cases (0,806; 0,850; 0,908; 0,905 respectively), the measure of sampling adequacy can be described as "meritorious". Bartlett's test of sphericity, which tests if sample items are from a population with equal variances, delivers statistically significant results for all four constructs (chi-square (and p-values) of 269,056 (0,000); 467,325 (0,000); 431,440 (0,000); 472,078 (0,000); at all reasonable levels of significance do hypotheses of lacking inter-item correlations are rejected, with constructs developed being considered adequate.

Communalities analysis is the next stage of factor analysis of the constructs. On this stage, the factor extraction analysis computes "communalities" of items with the common factor structure: if communality is very low (< 0,30), the item is "quite unique" since it correlates weakly with other variables. Such a variable should be removed, as it is likely to measure "something else".

Table 11. Correlation matrix of the sample items (intra-group correlations – **in bold**)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
<i>attractive</i>	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>respect</i>	.75	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>positive</i>	.78	.82	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>logchoice</i>	.63	.56	.53	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>connected</i>	.61	.62	.68	.49	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>like</i>	.78	.74	.82	.62	.77	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>unique</i>	.49	.51	.47	.46	.57	.51	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>personal</i>	.64	.58	.65	.48	.67	.72	.63	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>proud</i>	.60	.65	.70	.45	.68	.74	.56	.70	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>happy</i>	.74	.66	.70	.63	.59	.84	.51	.73	.67	1	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>exceedexp</i>	.51	.50	.49	.50	.47	.54	.50	.47	.58	.51	1	-	-	-	-	-	-	-	-	-	-	-	-
<i>satisfied</i>	.71	.62	.75	.56	.46	.74	.41	.62	.59	.77	.58	1	-	-	-	-	-	-	-	-	-	-	-
<i>allservices</i>	.52	.49	.51	.46	.43	.61	.26	.50	.54	.57	.49	.69	1	-	-	-	-	-	-	-	-	-	-
<i>perfect</i>	.70	.63	.65	.56	.56	.71	.49	.66	.61	.69	.59	.71	.67	1	-	-	-	-	-	-	-	-	-
<i>contended</i>	.53	.53	.61	.39	.57	.62	.46	.66	.62	.61	.49	.60	.43	.66	1	-	-	-	-	-	-	-	-
<i>delighted</i>	.67	.66	.70	.55	.69	.80	.57	.71	.76	.83	.59	.71	.59	.71	.71	1	-	-	-	-	-	-	-
<i>rightbank</i>	.55	.61	.61	.53	.52	.69	.47	.59	.59	.59	.40	.57	.49	.56	.56	.57	1	-	-	-	-	-	-
<i>modern</i>	.61	.50	.52	.56	.42	.59	.50	.60	.48	.58	.43	.56	.41	.52	.43	.46	.57	1	-	-	-	-	-
<i>prompt</i>	.54	.53	.61	.42	.54	.66	.43	.56	.62	.57	.46	.62	.50	.62	.57	.60	.45	.62	1	-	-	-	-
<i>eagerhelp</i>	.64	.59	.66	.50	.56	.70	.40	.59	.60	.71	.49	.69	.53	.64	.59	.66	.43	.63	.84	1	-	-	-
<i>assistance</i>	.57	.56	.63	.43	.58	.66	.48	.60	.60	.61	.48	.57	.47	.66	.58	.59	.41	.58	.79	.82	1	-	-
<i>superior</i>	.69	.62	.68	.59	.63	.73	.49	.64	.61	.70	.48	.70	.55	.75	.64	.65	.60	.61	.80	.81	.80	1	-
<i>trust</i>	.48	.57	.60	.25*	.44	.60	.26	.49	.49	.58	.31	.62	.58	.52	.47	.53	.50	.32	.39	.49	.48	.47	1

Uniformly, we observe that communalities for all sample items are significant, with majority being in the range of 0,700-0,900. However, a few of items do exhibit limited communality levels with *trust*'s one being 0,349 just above the threshold and *modern*, *exceedexpect*, *rightbank*, *allservices* being in the 0,500-0,600 range. Still, these should not be omitted based on the communalities analysis; to conduct additional testing of eigenvalues.

When testing for eigenvalues, we check into how many construct groups sample items do apportion. If sample items are expected to be distributed into one group, then the majority of the group variance should be distributed on the first stage of distribution – with the eigenvalue of 1. This is supported in our analysis, with 76,178%, 71,906%, 65,057% and 70,497% being distributed with the eigenvalue of 1. Scree plots (Appendix 3), which are graphical interpretations of eigenvalues, do support our hypothesis of sample item distribution into four constructs with none being omitted.

The summary of factor analysis is presented in Table 13.

Table 13. Factor analysis summary.

Sample Item	Factor loadings	Chronbach`s alpha (Reliability)	Kaiser-Meyer-Olkin test	Bartlett`s test of sphericity	Variance Extracted, %
<i>attractive</i>	0,910	0,887	0,806	269,056 (0,000)	76,178
<i>respect</i>	0,904				
<i>positive</i>	0,904				
<i>logchoice</i>	0,764				
<i>connected</i>	0,843	0,918	0,850	467,325 (0,000)	71,906
<i>like</i>	0,907				
<i>unique</i>	0,727				
<i>personal</i>	0,880				
<i>proud</i>	0,859				
<i>happy</i>	0,859				
<i>exceedexp</i>	0,726	0,909	0,908	431,440 (0,000)	65,057
<i>satisfied</i>	0,867				
<i>allservices</i>	0,773				
<i>perfect</i>	0,875				
<i>contended</i>	0,793				
<i>delighted</i>	0,870	0,912	0,905	472,078 (0,000)	70,497
<i>rightbank</i>	0,726				
<i>modern</i>	0,747				
<i>prompt</i>	0,904				

<i>eagerhelp</i>	0,929				
<i>assistance</i>	0,903				
<i>superior</i>	0,909				
<i>trust</i>	0,590				

As a result of the Confirmatory Factor Analysis conducted, four constructs have been confirmed – brand equity, brand affinity, service experience, customer satisfaction. None of the sample items has been eliminated based on the analysis results. The sample item groups – constructs – generally exhibit high levels of group reliability (alphas), sphericity (KMO) and variance extracted.

Finally, we compose the constructs of brand equity, brand affinity, service experience and customer satisfaction of the sample items analyzed as arithmetic averages of these items. Descriptive statistics for the constructs are presented in Table 14.

Table 14. Descriptive statistics of the constructs.

Constructs	Min	Max	Mean	Standard Deviation	Skewness	Kurtosis
Brand Equity	1,25	5,00	3,75	0,92	-0,65	-0,25
Brand Affinity	1,00	5,00	3,30	1,06	-0,13	-1,00
Customer Satisfaction	1,29	5,00	3,47	0,84	-0,26	-0,33
Service Experience	1,00	5,00	3,70	0,96	-0,53	-0,32

The dependent variable – brand equity – exhibits the highest mean value and, linked to that, lowest kurtosis (-0,65) having the most left-skewed distribution. Slight left-skewness is inherent to the distributions of all four variables, though it is mitigated by slightly negative kurtosis values (having “light-tailed” distribution, with no “heavy” tails).

Brand affinity factor has the lowest mean value indicating that customers on average agreed less with sample items of this construct. For both brand affinity and service experience, there were respondents who gave the lowest score (1) to the sample items of these constructs; this indicates that there are customers in the sample who feel antipathy to a certain bank brand and/or feel completely dissatisfied with their service experience.

3.3 ANOVA: Differences in Brand Equity Among Bank Types

In this section we discuss a hypothesis of this research which is

Customer-based brand equity will significantly differ across the three types of banks – state, private and foreign.

In order to analyze if this hypothesis can be supported, one-way ANOVA test has been employed. An auxiliary variable has been created with banks indicated by respondents as state

assigned value of “1”, foreign – “2” and private “3”. It has been used as a factor for comparing brand equity means among the three groups of banks.

Table 15a. ANOVA test of brand equity of three groups of banks (descriptives)

Groups	N	Mean	Standard Deviation	95% Confidence Interval for Mean		Minimum	Maximum
1 (state)	48	3,57	1,01	3,27	3,86	1,50	5,00
2 (foreign)	9	3,39	0,77	2,80	3,98	2,50	4,75
3 (private)	47	4,02	0,79	3,78	4,25	1,25	5,00
Total	104	3,75	0,93	3,58	3,93	1,25	5,00

Brand equity mean values are the lowest for foreign banks (3,39) and the highest for private banks (4,02), with state banks lying in between – closer to the lower boundary (3,57). Interestingly, standard deviation is significantly higher for state banks, indicating higher level of volatility of assessments of brand equity in this segment: customers are more contradictory on assessment of CBBE among Russian state banks than that of foreign and private ones.

Table 15b. ANOVA test of brand equity of three groups of banks.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6,09	2	3,04	3,767	0,026
Within Groups	81,66	101	0,81		
Total	87,75	103			

ANOVA test has been performed to assess if there exists a statistically significant difference in CBBE based on the bank type. The zero hypothesis of non-existence of the difference among three types of banks has been rejected, alternative hypothesis of existence of the difference has been accepted (F-statistics 3,767 and p-value of 0,026 significant at 0,05).

Based on the descriptives presented in Table 15a and ANOVA test`s results from Table 15b, we can conclude that there exists a statistically significant difference in brand equity assessment of different types of Russian banks – state-owned, foreign and private. Private Russian banks exhibit the highest level of brand equity, foreign – the lowest and state-owned find themselves in between, closer to the lower boundary of the range.

3.4 Three-Factor Model of Customer-Based Brand Equity

In this section, we investigate the Hypothesis 2 of the research:

Hypothesis 2: The relationships between customer-based brand equity and its constructs will be significant and positive.

As well as three its auxiliary hypotheses (2a, 2b, 2c):

Hypothesis 2a: The relationship between customer-based brand equity and brand affinity is significant and positive.

Hypothesis 2b: The relationship between customer-based brand equity and customer satisfaction is significant and positive.

Hypothesis 2c: The relationship between customer-based brand equity and service experience is significant and positive.

To investigate hypotheses, econometric regression model has been employed. Brand equity has been considered a dependent variable, brand affinity, service experience and customer satisfaction – independent variables.

We investigate linear relationship between brand equity and brand affinity, service experience and customer satisfaction. Mathematical specification of the relationship is presented below (1):

$$BE = const + \beta_{BA} * BA + \beta_{CS} * CS + \beta_{SE} * SE + \varepsilon \quad (1)$$

where *BE* – brand equity, *BA* – brand affinity, *SE* – service experience

CS – customer satisfaction, β_x – coefficient of a factor *x*, ε – random error

In this paper, we investigate this relationship by evaluating significance of the model (1) and estimating the model's coefficients ($\widehat{\beta}_x$).

As the data is cross-sectional, Ordinary Least Squares (OLS) method has been employed. Results of the modelling are presented in Table 16 (a,b,c).

The model has high explaining power, with R square being 0,74. It means that 74% of dependent variable's variation is explained by variation among the independent variables.

Table 16a. Brand equity model: summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,86 ^a	0,74	0,732	0,478

The model is statistically significant (F-statistic 94,759, p-value 0,000). Detailed ANOVA is presented in Table 16b. 64,913 of 87,834 variation is explained by regression.

Table 16b. Brand equity model: ANOVA

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	64,913	3	21,638	94,759	0,000
Residual	22,834	100	0,228		
Total	87,748	103			

As the model is statistically significant, we can proceed to discussion of model estimates. Coefficients of brand affinity and service experience are statistically significant at 0,01, with p-

values of 0,000 and 0,003 respectively. Customer satisfaction is significant only at 0,1, having p-value of 0,91; we can conclude that the factor is marginally significant.

All factor estimates are positive indicating positive relationship between brand equity and its constructs – brand affinity, customer satisfaction and service experience (the latter – at 0,1).

Table 16c. Brand equity model: estimates of coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	0,733	0,211		3,480	0,001
	Brand Affinity	0,365	0,092	0,419	3,971	0,000
	Customer Satisfaction	0,362	0,120	0,331	3,019	0,003
	Service Experience	0,152	0,089	0,158	1,707	0,091

Estimations of brand affinity and customer satisfaction coefficients indicate that the level of relationship between these constructs and brand equity is fairly similar – the two estimates are very close to each other (0,365 and 0,362 respectively). However, taking into account variations of coefficients, standardized beta coefficients of these two constructs differ significantly: because of lower standard error, standardized coefficient for brand affinity is higher than that of service experience, which does have higher standard error.

As a result of the regression analysis, hypotheses 2a and 2b are accepted: the relationship between brand equity and its constructs – brand affinity and customer satisfaction – is significant and positive. Hypothesis 2c of a similar relationship between brand equity and service experience has been marginally accepted (only at the significance level 0,1).

3.5 Managerial Implications

Managerial implications of this research fall into two broader categories (in line with the hypotheses tested) – bank types implications and brand equity factors implications. These two groups will be discussed in the respective sections below.

3.5.1 Bank Types Implications

According to the findings of this research, Russian younger customers estimate brand equity of Russian private banks to be the highest, followed by Russian state-owned banks and then by foreign banks. This implies that Russian bank clients view brand of private, state-owned and foreign banks with decreasing favorability. We shall discuss implications of this based on a scenario approach.

Scenario A. Foreign bank entering the Russian market. In this case, the bank may be expected to create a stronger brand with a higher potential for competitiveness if it positions itself as a Russian private bank. A marketing campaign emphasizing a) private nature of the bank b) Russian, not foreign, positioning is expected to lead to better brand equity and potentially to stronger market positions.

Case A. Rosbank. This case can be supported by referring to the Rosbank case. Rosbank is a 100% subsidiary of Societe Generale, one of the largest French banking conglomerates. Despite having an affluent parent bank, since its start in 1998, Rosbank has been distinctively dissociated from its French roots. Only since 2011, has the bank started to conform to Societe Generale's signature colours, logo and other external brand symbols, though still retaining its accentuated Russianness. The same applies to Deltacredit bank, a subsidiary of the Societe Generale group, that does not stress its Frenchness, too. However, this branding strategy can not be considered inherent to foreign banks' approach to branding its subsidiaries in Russia, since Unicredit, Raiffaisenbank, Citibank, Home Credit Bank and others do not disguise their foreignness.

Scenario B. Private Bank Going Public. As already mentioned above, a handful of large Russian banks have been nationalized by the Bank of Russia in the attempt to save them from bankruptcy. This is an interesting case given the potential shift in brand perception from private (highest average brand equity) to state-owned one. Based on our findings, bank's management ought to seek to retain its "private" image despite being state-owned in reality.

Case B. Otkritie. In this scenario, the case of Otkritie, former largest Russian private bank, that was rescued and nationalized in 2017 is illustrative. Since its de-facto nationalization, the bank has not made any changes to its branding to appear "less private"; as a matter of fact, it has made no visible changes to its marketing in general and positioning and branding in particular. We believe that Otkritie attempts to preserve its brand equity by making no indications to a broader public that it is now a state-owned bank. In fact, in this research, two respondents have identified Otkritie as their bank and respondents' views on the type of the bank turned out to be contradictory: one has identified it to be state-owned and one private. In fact, brand equity assessment of the respondent who has identified Otkritie as a private bank was higher than or equal to the likes of the person who identified Otkritie as a state-owned bank among all brand equity constructs.

3.5.2 Brand Equity Factors Implications

We classify managerial implications regarding brand equity constructs in three sections: discussion of brand affinity, customer satisfaction and service experience implications.

Brand Affinity. Brand affinity has emerged as the most important factor of brand equity (having the highest standardized beta coefficient estimate). It implies that it is essential for a bank striving to develop their brands to target brand affinity at the first place. Brand affinity is though the most enduring and valuable level of relationship between customer and brand. It is the highest, most durable type of customer loyalty and is thus difficult to develop.

Connected, unique, personality, proud scored the lowest grades among the brand affinity sample items. A bank wishing to improve its brand positioning by influencing the most important brand equity construct – brand affinity – is to facilitate emotional connection between the bank and the client. Uniqueness, emotional connection, personal fit are all factors to concentrate in a marketing campaign to achieve substantial improvement in brand equity. Deeper level of the target audience`s understanding and more targeted value proposition can be means for achieving this objective.

Customer Satisfaction. Customer Satisfaction has emerged being almost as important as brand affinity for a stronger brand equity. It is thus important to improve those items that customer have found the most disappointing with regards to their customer satisfaction: these are *exceedexpect, perfect, delighted*, which indicates that customers do not receive a *perfect* service from banks. The idea of all banks providing *perfect, delightful and exceeding expectation* level of service may sound discussable; however, this strategy may be viable for those companies ready to make this their core competitive advantage. This can pay off given the high degree of influence of customer satisfaction on brand equity.

Service Experience. This factor has proved to be the most ambiguous one of the three: it is significant only at the level of significance of 0,1. Moreover, its relationship (both standardized and unstandardized beta indicate that) indicates that it is at least twice less important than that of the other two factors.

What we see with service experience items and the factor in general is that it has the highest mean value among all brand equity constructs and only one of its items – *superior* – is below (slightly) 3,50 indicating that younger customers are relatively satisfied with the level of service experience they get form Russian banks. It is thus increasingly difficult to make customer service experience a source of competitive advantage as customer are relatively satisfied with it. So, if a bank scores decently (above the mean) in service experience it would not make sense to concentrate bank`s marketing efforts on communicating superior service experience of its clients given relatively lower importance (measured with beta) of this factor on brand equity.

3.5.3 Age Group Implications

As the general discussion of perception of brand equity of Russian retail banks among the younger audience has been presented in 3.5.1 and 3.5.2, in this section we will focus on the practical implications of addressing youngers as a target audience, drawing on some examples from the Russian banking sphere.

As our analysis suggests, the two most important factors affecting Russian retail banks brand equity are brand affinity and customer satisfaction. These essentially incorporate two broader channels and sources of customer-based brand equity: emotional (feeling, emotions, associations, etc.) and pragmatic, practical connection (service satisfaction, range of services offered, service quality, etc.) to a brand. We shall analyze how Russian banks address the issue of building an emotional and a practical connection to a brand on examples of Alfa-bank, Tinkoff bank and Sberbank.

Case A. Alfa Bank. In February 2018, one of the largest Russian private banks, Alfa bank, started a branding partnership with Russian hype vlogger Yury Dud¹⁰. The 31 years old journalist and video maker, now brand ambassador of the bank, is to help the bank to reach out to a younger audience, both participating in the bank`s promotional content (video, photo content) as well as integrate the bank`s brand into his YouTube channel. Alfa-bank representative described their new ambassador as “modern young active intellectual, creating interesting and modern content”; this description is essentially the description of the audience the bank is targeting with Dud` being the brand`s face. This is in fact an important point of a further bank`s movement into the niche, having launched a massive youth-targeted product development campaign in Autumn 2017¹¹. At the moment, the bank offers debit card (including co-branded with a contemporary Russian street artist Pokras Lampas) as well as bracelet payment devices to complement the bank`s payment ecosystem¹².

The approach chosen by Alfa bank at this stage can mostly be described as emotional, or brand affinity focused, with a heavy reliance on the trend-setters and generation idols recognized by the younger generation. The strength of Alfa-bank`s practical side of business is to complement the overall brand experience with a dispersed branch network, and a broad selection of classic retail banking products.

Case B. Tinkoff bank. Discussing the branding positioning of Tinkoff, one can find it difficult to indication of it targeting the younger audience, apart from the business model, channels of distribution, means of communication and other essential business features. It is an online-based bank, with an innovative and successful business model of having no branches and

¹⁰ <https://www.rbc.ru/rbcfreenews/5a02bdbf9a79479d04ef7a63>

¹¹ <https://alfabank.ru/retail/2017/9/20/40790.html>

¹² <https://alfabank.ru/everyday/debit-cards/next/>

providing all services online. The bank has a certain emotional appeal due to its founder's, Oleg Tinkov, buoyant charisma, and utilizing the Internet as the main source of promotion, communication and client relationship management. Additionally, the partnership with Vecherny Urgant (Late Night Urgant) TV show, with its hosts Ivan Urgant and Dmitriy Khrustalyev, acts as a branding affinity differentiator. targeted at the audience below 35 years old. However, the bank's builds emotional appeal on a strong foundation of highly-ranked customer satisfaction, so that we believe that the bank actively utilizes both main factors of brand equity among youngers – brand affinity which is built on customer satisfaction.

Case C. Sberbank. Sberbank relationship with the younger audience is a story of pragmatic brand positioning. Being in the market with its youth program¹³ for nearly a decade, the bank has not made any substantial efforts to specifically evoke emotional appeal for its youth program; Sberbank heavily relied on the customer satisfaction practicality, with low fees, large ATM and branch network and universally accepted market leader positioning.

As we have discussed above, Russian banks rely on different mixes of brand equity factors in building their customer-based brand equity among younger audience: from a predominantly brand affinity / emotional appeal of Alfa-bank to an almost completely practical positioning of Sberbank; an important insight is though that there exists at least one of the two key brand equity factors in the mix, with most of the successful cases utilizing both in the marketing branding mix.

3.6 Limitations

Limitations of this research are mostly associated with the convenience sample employed in the research: though being illustrative in many ways (general balance between state-owned, private and foreign banks; illustrative market shares of certain banks) the sample lacks demographical representativeness due to its age and geography concentration.

Additionally, the use of model selected for the research has been substantially grounded; however, additional research may be required to empirically prove that the model employed fits best the industry and the geographical population studied.

¹³ <https://www.sberbank.ru/ru/person/sberbank-youth>

CONCLUSION

With brand and brand equity increasingly seen as a strategic asset of a company due to increased competition, challenges with retaining loyal customers and streamlined internationalization, this paper examines with concept in a unique setting of Russian retail banking sector, a high contact industry undergoing substantial market turbulence.

Based on the literature analysis conducted, key models of CBBE and its assets have been discussed; specificity of the application of brand equity concept in the service industry and in the retail banking sector has been studied; customer-based brand equity measurement model for the Russian retail banking sector has been proposed and tested; brand equity evaluations across three bank types (state-owned, foreign and private) have been compared; practical recommendations for improving competitive positions of existing banks and suggestions for those interested in entering this market have been developed with particular focus on the younger audience.

As a result of this research, hypothesis of a significant difference in customer-based brand equity among banks of different types has been accepted: in the sample, private banks tend to score the highest, followed by state banks and then by foreign banks. Additionally, relationship between brand equity and its constructs – brand affinity, customer satisfaction and service experience – has been confirmed to be significant and positive (SE at 0,1).

Despite its limitations, the paper contributes notably to the understanding of factor of and interconnection between brand equity and its constructs in the setting of Russian retail banking. Employment of its managerial applications is thus expected to help companies gain or protect their market positions more effectively, building on the strategic asset they possess – their brands.

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APPENDICES

Appendix 1. Questionnaire Design

26.04.2018

A Survey about Your Bank - Google Forms

QUESTIONS RESPONSES 78

Section 1 of 13

Your Bank

Any bank doing business in Russia (i.e. foreign, private or state-owned bank)

Please think about one, and only one, bank in Russia you are a client of. *
Type its name below

Short-answer text

To the best of my knowledge, my bank is: *

State-owned

Private Russian

Private Foreign

After section 1 Continue to next section

Section 2 of 13

Tell Me What You Think About Your Bank

Description (optional)

https://docs.google.com/forms/d/1-YRb0-AR0r2MhePJ5-Jy6ZBuvO4_IAQ1TjYgtgobTQw/edit 1/14

I find my bank more attractive than other banks *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I respect my bank a lot *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I feel positively towards my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Although other banks offer similar services, I transact with my bank because it is a logical choice for me *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

After section 2 Continue to next section

Section 3 of 13



Tell Me What You Think About Your Bank

I feel emotionally connected to my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I like my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

To me, my bank is unique *

	1	2	3	4	5	
Strongly Disagree	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank suits my personality *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am proud to tell other people about my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am happy with my bank *

--	--	--	--	--	--	--

Strongly Disagree

Strongly Agree

After section 3 Continue to next section

Section 4 of 13



Tell Me What You Think About Your Bank

Description (optional)

The services I get from my bank exceed my expectations *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am a satisfied customer of my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank provides me with all services I require from a bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am contended with my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am delighted with my bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am sure that my bank is the right bank to do business with *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

After section 4 **Continue to next section** ▼

Section 5 of 13



Tell Me What You Think About Your Bank

Description (optional)

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank provide prompt service *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank are always eager to help *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank are never too busy to give me assistance *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

The level of service offered by my bank is superior to other banks *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank has never broken my trust *

	1	2	3	4	5	
--	---	---	---	---	---	--

After section 5 **Continue to next section** ▼

Section 6 of 13



Final Facts About You

Description (optional)

What is your gender? *

- Female
- Male
- Prefer not to say / Other

How old are you? *

Short-answer text

My personal monthly disposable income is *

- below RUB 15 000
- RUB 15 000 - 30 000
- RUB 30 001 - 60 000
- higher than RUB 60 000

After section 6 **Continue to next section** ▼



Your Help Is Invaluable Especially If You Answer Yes Below

If you answer Yes, you will be kindly asked to answer the survey questions for your another bank. If you answer No, your survey will terminate. I sincerely thank you for your participation.



Are you a client of another bank? *

Yes

No

After section 7 **Continue to next section**



Your Bank #2

Any bank doing business in Russia (i.e. foreign, private or state-owned bank)

Please think about ANOTHER bank in Russia you are a client of. Type its name below *

Short-answer text

To the best of my knowledge, my bank #2 is: *

State-owned

Private Foreign

After section 8 **Continue to next section**

Section 9 of 13



Tell Me What You Think About Your Bank

In the following questions, refer to the second bank you have identified

I find my bank #2 more attractive than other banks *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I respect my bank #2 a lot *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I feel positively towards my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Although other banks offer similar services, I transact with my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

After section 9 [Continue to next section](#) ▼

Section 10 of 13



Tell Me What You Think About Your Bank

In the following questions, refer to the second bank you have identified

I feel emotionally connected to my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I like my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

To me, my bank #2 is unique *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am proud to tell other people about my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am happy with my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

After section 10 Continue to next section

Section 11 of 13



Tell Me What You Think About Your Bank

In the following questions, refer to the second bank you have identified

The services I get from my bank #2 exceed my expectations *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank #2 provides me with all services I require from a bank *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank #2 comes close to what I believe a perfect bank is *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am contended with my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am delighted with my bank #2 *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

I am sure that my bank #2 is the right bank to do business with *

	1	2	3	4	5	
--	---	---	---	---	---	--

After section 11 **Continue to next section**

Section 12 of 13



Tell Me What You Think About Your Bank

In the following questions, refer to the second bank you have identified

My bank #2 has a modern design *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank #2 provide prompt service *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank #2 are always eager to help *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Staff at my bank #2 are never too busy to give me assistance *

	1	2	3	4	5	
--	---	---	---	---	---	--

The level of service offered by my bank #2 is superior to other banks *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

My bank #2 has never broken my trust *

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

After section 12 Continue to next section

Section 13 of 13



A Section of My Gratitude to You

Description (optional)

I cannot possibly describe how grateful I am for your participation! xxx

