City University of Hong Kong

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The impact of brand equity on firm's performance in the

banking sector under the moderating effect of country culture

國家文化調節效應下品牌資產對銀行業企業績效的影響

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ABSTRACT

As the marketing advertisement industry continues to grow, marketers are under increasing pressure to provide ROI on marketing investment. As measuring the ROI of brand related campaigns is much more difficult, organizations have started focusing on response focused campaigns which are easier to measure. This could lead to a reduction in budget allocation to brand-related campaigns and impact on both the short-term and the long-term growth of an organization. This challenge is more prominent in financial service firms as branding has been relatively weaker in such firms (predominantly banks).

So, it was important to measure the impact of brand equity (outcome of a brand focused campaign) on the bank's performance both in the short-term as well as the long-term. Although there has been research done in this space, most of the research measures the firm's performance either focused on stock market performance or on customer stated performance. But as the brand marketing budget is reported as a cost, the firm's performance should also be measured within the accounting book of the firm. In addition, most research was done for one market and doesn't capture the impact of market culture on the impact of brand equity on a firm's performance.

Hence, the current research explored the impact of brand equity on bank's short-term and long-term revenue across 6 markets (covering both individualistic and collective markets) across a period of 17 years (2005-2022) to provide a holistic and generalized view of the impact. The results of the research showed that brand equity has a significant and positive impact on bank's short-term as well as the long-term revenue and this impact is much stronger in individualistic markets like US and the UK as compared to collective markets like India, China and Indonesia. The research also explores the impact of components of brand equity (brand knowledge, brand relevance, brand esteem, and brand

differentiation) on bank's short-term and long-term revenue. The research found that although brand relevance and esteem have a direct impact on bank's short-term and long-term revenue; brand knowledge and brand differentiation have an indirect impact on brand relevance and esteem.

The research provides conclusive evidence of the impact of brand equity on bank's revenue and allows marketers to push for higher brand focused marketing investment but also to help them develop the right brand strategy aligned to the country culture.