Managing Service Equity: An Integration of Oliver's Expectancy Disconfirmation Model and Keller's Brand Resonance in Financial Services

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ABSTRACT

With an integration of Oliver's Expectancy Disconfirmation theory and Keller's Customer-based brand equity this study investigates the impact of financial brand equity dimensions on customer retention. Data was collected from 779 active bank clients of Sudurpashchim Province, Nepal. Findings indicate that overall brand equity of service has a strong impact on customer satisfaction ($r = .381$, $p < .01$) and customer loyalty ($r = .372$, $p < .01$). This study shows that service uniformity in commercial banking necessitates high level of service quality for brand awareness to result in long term customer loyalty.

Keywords: Expectancy Disconfirmation theory, Brand Resonance, Service Quality, Marketing in Banking, Consumer Retention

INTRODUCTION

Financial services industry cannot depend solely on symbolic advertising to create brand equity. When a customer perceives that the performance of the service meets or exceeds their expectations, they experience a feeling of satisfaction (Oliver, 1980). Keller's (1993) Brand Resonance theory suggests that brand loyalty is the highest level in the pyramid of brand equity based on strong brand awareness, quality and trust. This study applies these theories to the banking industry of Nepal.

LITERATURE REVIEW

Expectancy Disconfirmation theory and Keller's brand resonance pyramid Customer retention can be explored using Oliver's (1980, 1999) Expectancy Disconfirmation theory and Keller's (1993) Customer Based brand equity (CBBE) model. Oliver's model suggests that customer satisfaction is a function of expectation and disconfirmation. If the service is delivered better than expected, positive disconfirmation will create high levels of satisfaction.

Keller's (1993) brand resonance pyramid outlines how brands can be developed. Starting with a base of brand awareness, moving up to brand performance and imagery, brand judgment & feelings, and finally brand resonance. Within the retail financial industry brand equity creates brand awareness and brand performance expectations. In the intangible service industry however, as identified by Aaker (1991) and Berry (2000), brand resonance can only be created if positive service experiences are received.

Service equity, service quality & customer retention in banking

Many studies have been undertaken to identify the relationship between brand equity, service quality and customer loyalty (Parasuraman et al., 1991; Chaudhuri & Holbrook, 2001; Yoo & Donthu, 2001). Due to the

functional uniformity of retail banking products, it is difficult for banks to differentiate themselves. This means brand equity within the banking industry is created by brand image & brand trust (Ali & Muqadas, 2015; Rambocas et al., 2018).

Recent studies in the emerging financial markets of South Asia have found that while brand equity creates interest amongst customers, customer satisfaction is a key mediating factor to customer behavioural loyalty (Kataria & Saini, 2020; Gautam & Sah, 2023; Khan et al., 2024). With high brand equity, consumer expectations increase. If service is not delivered to the high expectations, negative disconfirmation will occur, reducing customer trust. However, by providing quality service with no errors, brand trust will increase.

Marketing management & consumer perception in Nepal

To understand consumer expectations, media and brand equity from a Nepalese perspective we can look at studies undertaken by Dr. Gopal Thapa.

Thapa (2013, 2015) researched the advertising environment and media preferences in Nepal. It was found that media heavily impacts consumer perceptions. Thapa (2015) highlighted that the choice of media and consistent communication will determine how much consumers take on board the brand promises. Thapa (2020, 2023) researched how TV advertising impacts the psyche of younger consumers. It was proven that promotional media greatly impacts lifestyle choices, brand recall and brand image.

Thapa (2019) researched green marketing and consumer perception towards sustainable products in Nepal. It was identified that functional performance and brand credibility would drive actual purchasing behaviour. Thapa et al (2025) researched the marketing practices in the pharmaceutical industry in Kathmandu. It was identified that within service and trust sensitive industries, service integrity and relationship building are key antecedents to customer retention. Combining these findings with recent literature looking at banking in Nepal (Shrestha, 2021; Gautam et al., 2023), it was found that while promotional marketing will create brand awareness (Thapa, 2013, 2015), brand loyalty can only be achieved by providing quality service to meet consumer expectations.

METHODOLOGY

A quantitative survey was undertaken using a 29 item structured scale. Primary data was obtained from 779 active bank clients in the Kailali and Kanchanpur districts of Sudurpashchim province, Nepal.

Cronbach's alpha was used to ensure internal consistency. Perceived Quality (α = .915), Brand Image (α = .922), Brand Awareness (α = .905), Brand Trust (α = .905), Customer Satisfaction (α = .840), Customer Loyalty (α = .879). Exploratory and Confirmatory factor analysis was conducted to ensure that 6 main factors explained 72.76% of the total variance (Shrestha, 2021). Pearson correlations and SEM path analysis were conducted.

Table 1: Correlation Matrix

Construct	Brand Equity	Customer Satisfaction	Customer Loyalty
Brand Equity	1		
Customer Satisfaction	.381**	1	
Customer Loyalty	.372**	.590**	1

Note. Correlation is significant at the 0.01 level (2-tailed); N = 779.

A Pearson's correlation analysis was performed in order to determine the relationships between the constructs of the study (Brand Equity, Customer Satisfaction, Customer Loyalty). The results of the correlation matrix indicate that all of the variables have a positive significant relationship with one another ($p < .01$).

From the Brand Equity and Customer Satisfaction relationship it can be seen that there is a moderate positive significant correlation ($r = .381$, $p < .01$). This indicates that there is an association between higher brand equity and higher customer satisfaction.

The Brand Equity and Customer Loyalty relationship shows that there is also a moderate positive significant correlation between brand equity and customer loyalty ($r = .372$, $p < .01$). This indicates that there is an association between higher brand equity and increased customer's loyalty.

Finally, the relationship between Customer Satisfaction and Customer Loyalty shows that there is a strong positive significant correlation ($.r = .590$, $p < .01$). This provides the highest bivariate relationship within the matrix. It can therefore be seen that those customers who had higher levels of satisfaction were much more likely to have brand loyalty.

Path analysis showed brand equity had a direct impact on customer loyalty ($\beta = 0.20$, $p = 0.010$) and customer satisfaction ($\beta = 0.37$, $p = 0.006$). Bootstrapping revealed brand equity had an indirect impact on loyalty through customer satisfaction (indirect effect = 0.145, $p = 0.001$). Overall, customer satisfaction was the strongest direct predictor of customer loyalty ($\beta = 0.61$, $p = 0.001$).

DISCUSSION AND CONCLUSION

Findings & Integration of Theory

Findings show strong support for the integration of Oliver's (1980, 1999) Expectancy Disconfirmation theory and Keller's (1993) Brand Resonance theory within the financial services industry. Significant correlations were found between brand equity, customer satisfaction ($r = .381$) and customer loyalty ($r = .372$). This shows that a positive brand equity will create a strong base for customer relationship management. However, customer satisfaction had a direct impact on customer loyalty ($\beta = 0.61$).

This supports the conclusion made by Berry (2000), Kataria & Saini (2020) and Gautam et al (2023). This shows that service equity works within an ongoing cycle of expectation and performance. Looking at Dr. Gopal Thapa's research in marketing (Thapa, 2015, 2019; Thapa et al., 2025) it can be seen that there is a trend. While advertising and communication will create brand awareness and interest (Thapa, 2013, 2020), brand equity cannot be achieved if the brand promises do not match what is being delivered. As banking services in Nepal are highly standardized, customers will quickly move away from financial service providers if service is not met to their expectations.

Strategic Implications

Due to the ease of copying banking products, managers cannot simply focus on brand building and advertising. To create brand resonance and loyalty from brand awareness bank executives need to focus on delivering quality service. Strategic investment should be focused on:

Improving front line service and error free digital service.

Creating brand trust through clear service communication and quick conflict resolution.

Ensuring marketing promises match service capabilities to create positive disconfirmation.

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