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## Investigating the Impact of Brand Experience, Service Quality, and Perceived Value on Word-of-Mouth Communication

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ARTICLE INFO	ABSTRACT
<p>Article History:            Received 8 July 2020            Received in revised form 13 October 2020            Accepted 16 December 2020            Available online 20 December 2020</p> <p>Keywords:            Brand Experience, Service Quality, Perceived Value, Word-Of-Mouth Advertising, Loyalty.</p>	<p>An examination of the research literature reveals that brand experience, service quality, and perceived value impact customer loyalty, and in turn, customer loyalty positively influences word-of-mouth advertising. Consumers prefer to acquire more information through verbal communication. Considering the importance of word-of-mouth advertising, banks can encourage customers to verbally promote banking services by providing advice to others. The aim of this research is to investigate the influence of brand experience, service quality, and perceived value on word-of-mouth advertising among customers of Parsian Bank in Tehran. The research is applied in terms of its objective and descriptive-survey in terms of data collection. The statistical population includes all Parsian Bank customers in Tehran in the year 2020. Non-random sampling was employed, and the sample size is 330 individuals. Data were collected through a 22-item questionnaire using a 5-point Likert scale, and analysis was conducted using SPSS and SMARTPLS software. The results confirm all hypotheses in the target statistical population, indicating that brand experience, service quality, perceived value, and loyalty positively influence word-of-mouth advertising.</p>

### 1. INTRODUCTION

Research has shown that verbal communication exerts a stronger influence compared to other developed forms of communication; however, it has received comparatively less attention [1]. Consumers, nevertheless, prefer to obtain information through verbal communication [2]. In recent years, word-of-mouth (WOM) marketing, especially electronic word-of-mouth, has become critical for corporate survival. Consequently, companies aim to attract and retain loyal customers. WOM refers to communications about products and services among individuals who appear to have no affiliation with the producing company. These communications may occur through two-way conversations conducted face-to-face or via telephone, email, mobile devices, or other communication channels. Overall, it has been established that verbal communication plays a key role in shaping customer objectives and behavioral intentions. Although some consumers are well-informed about various products, they possess less knowledge about verbal recommendations regarding products and services [3]. Therefore, understanding the role

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played by predecessors and intermediaries in verbal recommendations can provide valuable insights for marketers [4].

Verbal or oral communication is particularly significant in banking interactions within developed markets [5]. The unique characteristics of emerging markets require marketers to align their strategies with interpretations of customer behavior [6]. Alongside the growth of the banking industry, commercial banks face intense competition. In addition to increased competition, customer demands and expectations are also rising [7]. Customer empowerment has shifted market power from banks to customer-centricity [8]. Traditionally, retail customers relied on banks for financial advice. However, easy access to information through various media (e.g., websites and financial advisory magazines) means that customers are increasingly gaining financial experience. This may encourage customers to provide advice to others and engage in banking services through verbal communication. Consequently, banks should focus on aspects that promote verbal interactions with customers (e.g., predecessors and intermediaries). There is a need to understand new middle-class customers who are actively participating in markets [9], highlighting the importance of verbal communication in banking interactions and marketing [10].

Today, companies not only develop strategies to attract new customers and conduct transactions but also aim to retain existing customers and establish long-term relationships. Marketing scholars Don Peppers and Martha Rogers argue that the only enduring asset of a company is the value perceived by its customers. Companies succeed when they can attract and retain a larger number of loyal customers. As competitive environments become increasingly volatile and complex, organizations face challenges beyond merely providing quality products and services at reasonable prices; retaining customers who contribute to long-term profitability is paramount. Since most active markets in the economy are at maturity, acquiring new customers amid growing competition is both difficult and costly. The banking industry is no exception. Banks must adopt diverse management strategies to enhance customer loyalty [11]. Continuous maintenance and strengthening of customer relationships is a strategic pathway through which banks can implement defensive strategies and improve retention of existing clients [12].

Customer loyalty in banking has gained increasing attention in modern business contexts, as loyal customers are now considered a core component of a bank's success. No business, except state-run monopolies, can survive without a loyal customer base. Additionally, with constantly rising customer expectations, banks are required to go beyond fulfilling basic needs and focus on creating loyalty and trust through long-term, mutually beneficial relationships [13]. Satisfied customers facilitate business growth and increase market share. However, satisfaction alone does not guarantee loyalty, as satisfied customers often demand higher levels of service to remain loyal. A loyal customer can be considered a reliable source of revenue over multiple years. Customer loyalty persists only if customers are confident that they are receiving superior value compared to other companies. If better services are provided elsewhere, satisfied customers may simply switch to competitors, and there is no guarantee they will repurchase from the original company. Customer satisfaction can be defined as the outcome of satisfaction with provided services. Acquiring new customers costs five to ten times more than satisfying and retaining existing ones. An average company loses 10–30% of its customers annually. A 5% reduction in customer attrition, depending on the industry, can increase profits by 25–85%. The profitability per customer increases with the number of years the customer remains with the company [14].

The banking sector, particularly in Iran, has become one of the most prosperous industries in recent years. Parsian Bank, the largest private bank in Iran, commenced operations in 2001. In 2009, it was recognized by the Iranian Industrial Management Organization as the model bank of the country and, in 2010, as the best bank in Iran. Considering the competitive landscape between public and private banks in recent years, banks must focus on the quality of their services to remain competitive, attract more customers, and retain existing clients. Failure to do so may result in withdrawal from the competitive market, potentially leading to bankruptcy. Moreover, satisfied customers serve as the most effective medium for word-of-mouth marketing, recommending the bank to friends and colleagues. Hence, loyal customers can be considered one of the bank's intangible assets [15].

Given the significance of this issue for banks as service organizations, the present study aims to investigate the impact of brand experience, service quality, and perceived value on word-of-mouth communication among customers of Parsian Bank.

### **1.1. Research Methodology**

This research is considered applied in terms of its objective and descriptive in terms of data collection. The statistical population of the study includes all customers of Parsian Bank in Tehran in the year 2020. Considering the use of structural equation modeling, the sample size was determined to be between 5 to 15 times the number of observed variables. As the questionnaire comprised 22 questions, 15 samples were collected for each question, resulting in a total sample size of 330.

For sampling, the convenience sampling method was used after estimating the sample size. In this study, a 22-item questionnaire was used to collect data, designed based on a 5-point Likert scale. Content validity was employed to determine the validity, and expert opinions were sought and approved. Additionally, Cronbach's alpha coefficient was utilized to assess the reliability of the questionnaire.

**Table 1.** Matching questionnaire questions with its components

Reliability coefficient	objects	Variable	row
0.909	1 to 4	Brand experience	1
0.938	5 to 12	Quality of service	2
0.836	13 to 15	perceived value	3
0.859	16 to 17	Word of mouth advertising	4
0.771	18-22	Loyalty	5

## 2. RESEARCH FINDINGS

Regarding the distribution of respondents by gender, the research findings indicate that 47.27% (156 individuals) are male, and 52.52% (174 individuals) are female. Additionally, concerning the distribution of respondents based on education, the research findings reveal that 19.69% have a high school diploma, 8.48% have a diploma above high school, 56.96% have a bachelor's degree, and 14.84% have a master's degree or higher. Regarding the distribution of respondents by age, individuals aged 20 to 30, 31 to 40, 41 to 50, and 50 and above account for 13.93%, 40.90%, 36.66%, and 8.48% of the sample size, respectively. The summary of descriptive statistical results is presented in Table 2.

**Table 2 -** Descriptive statistics findings

Percentage Of Abundance	Abundance		
47/27	156	Man	<b>Gender</b>
52/72	174	woman	
19/69	65	diploma	<b>education</b>
8/48	28	post graduate	
96/56	188	bachelor's degree	
14/84	49	degree and above	<b>age</b>
13/93	46	to 30 years 20	
40/90	135	to 40 years 31	
36/66	121	to 50 years 41	
8/48	28	51 Years and Above	
% 100	330	Total	

To examine the relationships between variables, Structural Equation Modeling (SEM) was employed. The model, estimating standardized coefficients, is illustrated in Figure 1. Furthermore, the significant coefficients are presented in Figure 2.

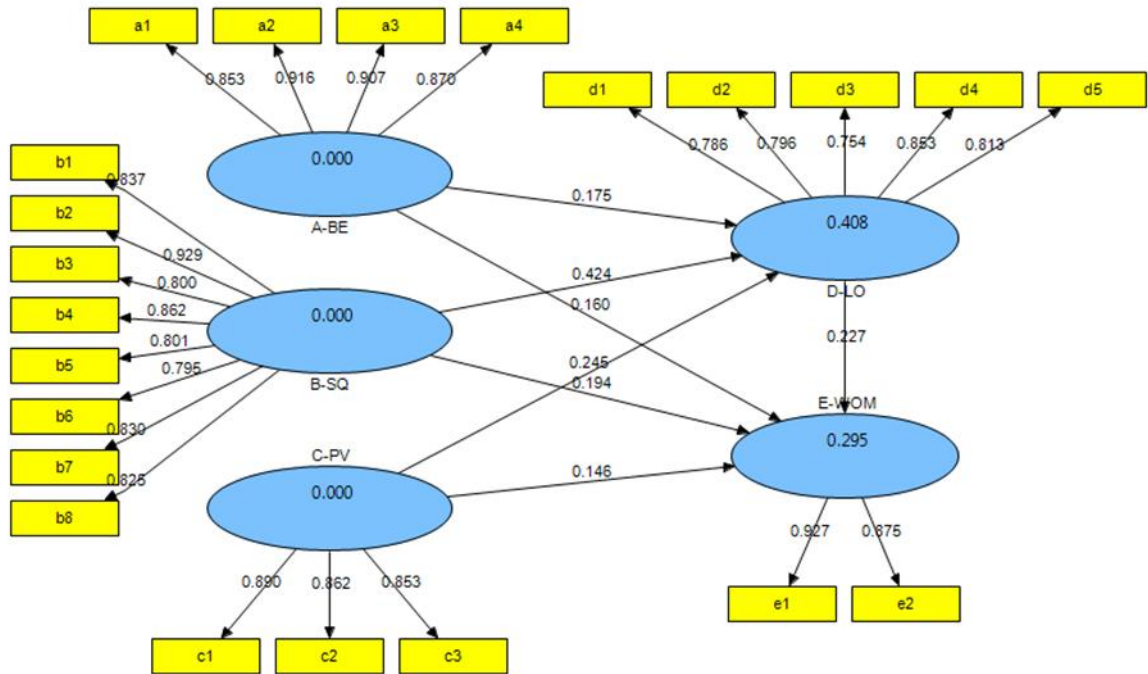


Fig. 2. Measurement model in the standard coefficient estimation mode

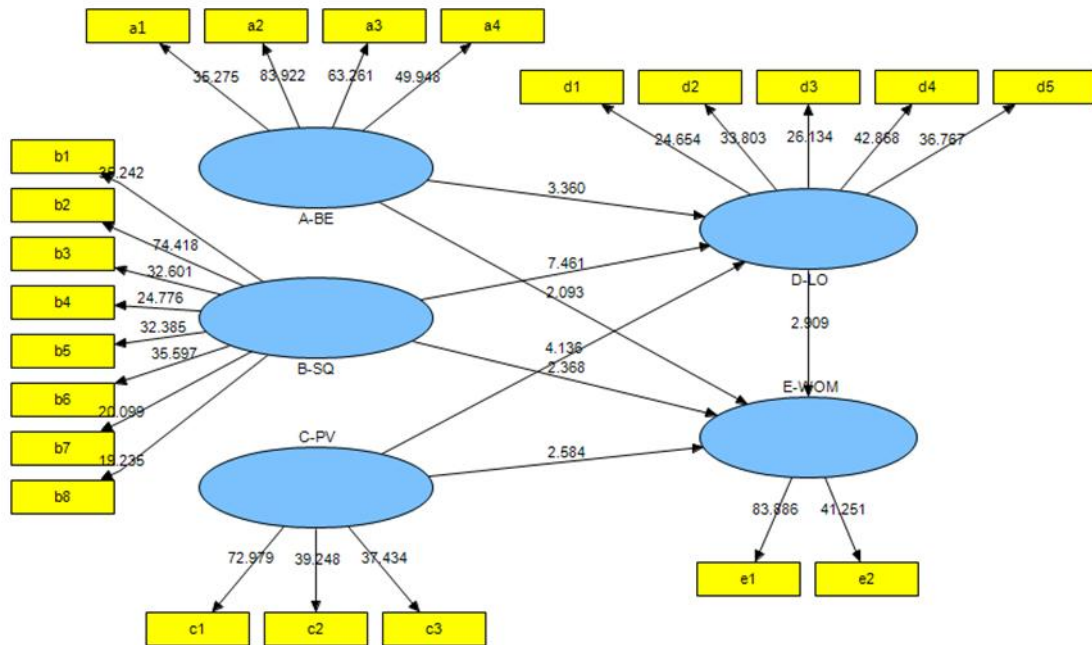


Fig. 3. Measurement model in the case of significant coefficients

The composite reliability index is superior to Cronbach's alpha. Because the Cronbach's alpha index assumes that the observable variables of each measurement model have the same weights, in fact, it equates their relative importance, but this assumption does not exist in the composite reliability index. In fact, in composite reliability, the factor loadings of the items are used when calculating, this change in the calculation method shows the composite reliability values more and better than Cronbach's alpha. The criterion for this index is 0.7 and above. As can be

seen in Table 3, the composite reliability values of all variables are above 0.7 and all variables have very high reliability.

**Table 3.** Statistical indices of the structural equation model

Communality	R Square	Composite Reliability	AVE	Variable
0.90		0.93	0.78	<b>Brand experience</b>
0.93		0.94	0.69	<b>Quality of service</b>
0.83		0.90	0.75	<b>perceived value</b>
0.86	0.40	0.89	0.64	<b>Loyalty</b>
0/77	0/29	0/89	0.81	<b>Word of mouth advertising</b>

The Convergent Validity Index assesses the extent to which a latent variable is explained by its observed indicators. The Average Variance Extracted (AVE) is used as a measure of internal model reliability, reflecting the average variance explained by the measurement indicators. This index indicates the correlation of a construct with its own indicators. A minimum value of 0.50 is considered for this index, meaning that the latent variable should explain at least 50% of the variance in its observed indicators. As shown in Table 3, all convergent validity values for the variables are above 0.50, demonstrating that all variables exhibit high convergent validity.

The measurement model quality is evaluated using the Composite or Cross-Loadings Validity (CV) index. Positive values for this index signify good model measurement quality. If all values obtained for the Cross-Loadings Validity (CV Red) index, considering the endogenous latent variable, are positive, it can be concluded that the structural model has good quality. As seen in Table 4, both indices have positive values, indicating satisfactory measurement and structural model quality.

**Table 4.** Model quality indicators

	CV Com	CV Red
<b>Brand experience</b>	0.62	0.78
<b>Quality of service</b>	0.60	0.69
<b>perceived value</b>	0.48	0.75
<b>Word of mouth advertising</b>	0.45	0.26
<b>Loyalty</b>	0.38	0.23

In Structural Equation Modeling using the Partial Least Squares (PLS) method, unlike the covariance-based approach, there is no specific indicator for assessing the overall model. The Goodness of Fit (GOF) index considers both measurement and structural models and serves as a criterion for evaluating the overall performance of the model. This index is manually calculated as the average of R<sup>2</sup> values and the average values of cross-loadings. GOF values range between 0 and 1, with 0.1, 0.25, and 0.36 considered as weak, medium, and strong values for GOF, respectively. In this model, the GOF value is found to be 0.503, indicating that the overall model performs well. Table 5 presents the results of testing the model assumptions.

**Table 5.** Final results of all research hypotheses

the result	Path coefficient	T-Value	hypothesis
confirmation	0.15	2/09	<b>Brand experience has a positive effect on brand loyalty</b>
confirmation	0.17	36/3	<b>Brand experience has a positive impact on word- of-mouth</b>
confirmation	0.19	2/36	<b>Service quality has a positive effect on loyalty</b>

confirmation	0.42	7/46	<b>Service quality has a positive effect on word of mouth</b>
confirmation	0.14	2/58	<b>Perceived value has a positive effect on loyalty</b>
confirmation	0.24	4/13	<b>Perceived value has a positive effect on word of mouth</b>
confirmation	0/22	2/90	<b>Loyalty has a positive effect on word of mouth</b>

As evident from Table 5, all research hypotheses have been confirmed, indicating that the proposed relationships in the model are statistically significant and align with the observed data.

### 3. RESULTS AND RRECOMMENDATIONS

In this section, the findings related to the research hypotheses are examined, and each hypothesis, its results, and the alignment of findings with research background are separately investigated.

The examination of the first research hypothesis indicates a positive impact of brand experience on loyalty. Brand experience encompasses a set of emotions, feelings, cognitions, and behavioral responses generated by various stimuli, occurring when customers directly or indirectly engage with a specific brand. Brakus et al. focused on several aspects of brand experiences - sensory, emotional, behavioral, and cognitive. Researchers emphasized the importance of all touchpoints between customers and different brand stimuli. Brands providing unique and distinctive experiences can manage and enhance both functional and emotional elements, fostering brand loyalty and even cultivating brand advocates. Brands offering excellent experiential services can establish a stronger emotional connection with customers. Positive perceptions of a brand lead to increased loyalty, making brand quality and perceptions essential for customer commitment.

The examination of the second research hypothesis reveals a positive influence of brand experience on word-of-mouth advertising. By understanding the value of word-of-mouth marketing, various aspects of customer-brand relationships have been explored. Ishmael and Spinelli (2012) investigated the impact of brand love and brand image on understanding the value of word-of-mouth marketing. Creating a strong brand through positive customer experiences makes sense, and leveraging word-of-mouth brand experiences is reasonable. Despite the well-established importance of brand experiences, their impact on word-of-mouth marketing in the emerging market of retail bank customers has not been adequately studied.

The investigation of the third research hypothesis demonstrates a positive effect of service quality on loyalty. Research indicates that service quality, as it positively correlates with customer retention and loyalty, directly influences a company's profitability. Many studies highlight how perceived higher service quality leads to increased customer satisfaction. Customer satisfaction is a tool for loyalty, directly impacting a company's profitability and overall performance.

The examination of the fourth research hypothesis shows that service quality has a positive impact on word-of-mouth advertising. Numerous studies emphasize the importance of service quality in financial services. Customers consider various aspects of service quality, such as reliability, responsiveness, and empathy, as indicators of credibility and performance. Service quality plays a crucial role in word-of-mouth marketing. While the study by Huddleston and Jones (1966) focused on the behavior of hotel employees in the United States, the current study explores customer perceptions of different aspects of service quality, supporting the assertion that service quality is a key factor for retail bank customers in India.

The investigation of the fifth research hypothesis indicates that perceived value has a positive impact on loyalty. Zeithaml (1988) defines perceived value as the "consumer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given." When customers perceive good quality, they commit to the organization and recommend loyalty to others in their reference group, contributing to organizational loyalty.

The examination of the sixth research hypothesis reveals that perceived value has a positive impact on word-of-

mouth advertising. It is believed that customers' perception of value significantly influences their purchasing objectives. Since perceived value includes price as the "given" component and is a tangible feature, it can impact word-of-mouth marketing. Perceived value affects customer behavioral intentions, particularly in word-of-mouth marketing in the hotel and airline industries. In the emerging market of retail bank customers, perceived value holds significant importance. When customers in emerging markets are influenced by the value provided by their retail bank, they may engage in word-of-mouth recommendations. Thus, the impact of perceived value on word-of-mouth recommendations by retail bank customers in an emerging market presents a new finding for the literature on word-of-mouth marketing.

The investigation of the seventh research hypothesis demonstrates a positive influence of loyalty on word-of-mouth advertising. Loyal customers are more likely to engage in positive word-of-mouth recommendations. Customer loyalty is expressed behaviorally and emotionally through word-of-mouth marketing.

Considering the confirmed hypotheses in the research, the following recommendations are proposed:

Hypothesis One: Brand experience has a positive impact on loyalty.

- Establishing continuous communication with consumers, especially after purchase and product use.
- Advertising brochures and similar materials can significantly help convey brand messages to customers. Marketers should also pay more attention to solidifying the brand's image and its ability to meet identity needs, fostering prestige in various ways to enhance perceived prestige.

Hypothesis Two: Brand experience has a positive impact on word-of-mouth advertising.

- Banks can surprise their loyal customers by introducing new services, prompting voluntary word-of-mouth advertising for the desired bank.

Hypothesis Three: Service quality has a positive impact on loyalty.

- Creating additional value for the customer through various methods to encourage repeat purchases.
- Enhancing public awareness of bank services and expressing satisfaction with services provided by previous customers increases customer loyalty.

Hypothesis Four: Service quality has a positive impact on word-of-mouth advertising.

- Social media platforms serve as tools for showcasing bank services, fostering trust and commitment among members, benefiting the brand community, and leading to word-of-mouth advertising.

These recommendations aim to provide insights and actionable strategies for marketers and organizations to enhance customer loyalty, brand experience, service quality, and perceived value, ultimately impacting word-of-mouth advertising.

Hypothesis Five: Perceived value has a positive impact on loyalty.

- Brand advertising as a popular brand whose popularity is increasing for various reasons such as desirable performance and reasonable pricing.

Hypothesis Six: Perceived value has a positive impact on word-of-mouth advertising.

- Presenting word-of-mouth advertising messages that highlight the high perceived quality of the company's products.
- Providing comparative and persuasive word-of-mouth advertising to encourage the purchase and preference of the company's products over competitors.

- Delivering word-of-mouth advertising messages that showcase the high perceived quality of the company's products.

Hypothesis Seven: Loyalty has a positive impact on word-of-mouth advertising.

- Establishing special customer databases, engaging with them, and encouraging them to engage in advertising and recommend to friends, acquaintances, colleagues, etc.
- Launching websites by sellers for brand advertising and providing opportunities for word-of-mouth advertising for consumers through methods such as comments or offering opinions on the respective website.

## **Transparency Statement**

The data supporting this study are available upon reasonable request to the corresponding author, subject to ethical and confidentiality considerations.

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## **Declaration of Interest**

The authors declare that they have no competing interests.

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