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Influential factors on customer loyalty in bank industry

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ABSTRACT

One of the most cited concepts in marketing literature is customer loyalty. many researchers have investigated different aspects of this concept and there is a rich marketing literature in influential factors on customers loyalty. the aim of this study is to probe a new dimension of this concept and to see the effect of relationship marketing on it. This research assesses impact of relationship marketing strategies including commitment, trust, communications, and conflict management on the loyalty of Bank Keshavarzi and Saman Bank's customers. Research methodology, in terms of research purpose, is of applied type, and in terms of data gathering, of descriptive-survey type. Statistical population of this research includes 260 customers of the private bank Saman Bank and the state-owned bank Bank Keshavarzi within the city of Tehran. The sample, using random sampling methods, was selected. The constituents were prepared based on Likert's 5-option Scale. The constituents' validity was calculated based on content validity and its reliability was calculated based on Cronbach Alpha, and the data were analyzed using T-test. Research results indicate a direct and significant relationship of commitment, trust, communication, and conflict management with customers' loyalty in the both banks ($p < 0.000$). In addition, the research findings suggest that the variable communications with both banks is ranked in the first place and is of a high importance, and in the state banks, the variables conflict management, commitment and trust are respectively ranked next. In the private bank Saman Bank, the variables affecting customers' loyalty are prioritized as follows: communication, commitment, conflict management, and trust.

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Introduction

Today we see main change in organizing manner of higher companies that is organized structure changing tendency production to customer and main factor and motive of this changing; appearance of phenomenon named relation with customers. We can look for the roots of management of customer relationship in relationship marketing. Most of the companies are claimant of the user and executive of strategies according relationship marketing But it is clear that successful level of them isn't equal. (Anderson et.al. 2003). Because of significant benefit of relationship marketing to companies have tendency Relative trade selection rather than separate trading. Time is a key element between relative and separate trading. Separate trading is short time But relative trade formed in a long time and even continue after trading. This trading prefer than proactive trade and short time due to high competitive ability as a result rather it necessary for companies to increase competitive ability and have a market, recognize relationship marketing and their dimension. (Fontent et.al. 2004). Relationship marketing cause to increase customer loyalty. Customer loyalty defined as a deep guarantee for again purchase or encourage other people for buy production or services (Oliver,1999). The only profitability resource for companies now and future is customers. But always competition is intense of obtaining good customer (Gary and Bine, 2001) in this situation banking industry isn't exceptional from this regulation. Also bank should be research management all strategies for protection of customer loyalty. Today bank manager more than

any time should understand the customer desire for prevention of customer tendency to another competitor and to accomplish customer needs. Therefore approaches will be more consideration that could prove this problem. Relationship marketing confirm as a new approach in the study and practice that is one of the successful. Also has unprecedented tended to this approach because of different benefit for companies. There four main problems in this study to investigate the effect of relationship marketing strategies on customer loyalty in governmental and private banks. That with use of Dobisi model study a confidence, liability. Relation and conflict management as a productive variable customer loyalty in governmental (keshavarzi bank) and private bank (saman bank). Then every variable to be investigated in order of importance from the customer view and evaluated the success level of every bank.

Literature review and research hypotheses

Relationship marketing

Today customers face to many questions in the purchase process. Customer have a lot choose due to goods variation and difference productions. On the other hand companies understand absorb the cost of new customer is more than protect present customer (5 more than) and lose of one customer isn't losing of one purchase but beyond of that meaning lose of all purchases that the customer could do in their life. (Kotler, 1999).

In the first of 1981 most of the companies tend to establishment stable trade with suppliers and other beneficiary and after that in the first of 1983 considerate connective marketing for the first time (Wiley, 2004) in fact three element

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cause to and popularity of this time 1980-1981. The first reason is an energy crisis at the end between Of 1970 that cause to unprecident inflammation in the cost of production material and most of companies go out under pressure foreign competitor in electronic industry, steel, aluminium, chemical material and textile production. (Sin et.al.2005). Market and marketing concepts is one of the most import and valuable title that to be planned in the economic purchase and if corrective study most of problems and failures are related inattention to it. Relationship marketing is a continual process for identifying and produce new value for customers that considerate bilateral benefits and divided these benefits during the customer life. (Thurau et.al. 2002). relationship marketing is today's business art for the protection of profitable customers. Skill is having a correctly relation with custom. (Yau et.al. 1999).

For the first time being plan relationship marketing by some marketing scientist in 1980 decate and base of this course is a relation between customer and seller in moderate and great business that has aisles relation with behavior custom. In this section instate antagonistic observation to the hagling subject in every trading customer and seller reach liabilities and formed their relation. There are a lot of prospects about relationship marketing. Berry (1983) defined relationship marketing as absorb protect and increase relation with customer so according it relationship marketing in clouding develop absorbing and protect relation with customer from the view of Morgan and Hunt (1994) relationship marketing is all marketing activity base on produce, develop and protection of profitability trading and finally Gronroos (1996) said relationship marketing is recognize protect and increase relation with customer and other beneficiaries in the manner that to provide goals of them.

Not surprising in this situation and with hastening change companies obligate change their reaction to the market. And focus on the customer and relation rather than production and has a long term prospective. Today customer value is one of the most titles that has a importance and special element in success. At this time customer value is a strategic arm for absorbing and customer protection (Gilbert et.al. 2003).

Until now a lot of research is about identifying key dimensions that most of them is Tahir Rashid model (2003), this model included all of models until 2003, such as confidence. Liability, good experience, loyalty, customer satisfaction internal relationship marketing, social links, intimacx and relation, in Organ and Hand study the center of relationship marketing is confidentiality and liability. Liability is under effect of four variable: benefit of relation, the end cost of relation, common value and relation. Also confidence is from three variables: common values, relation and opportunistic behaviors. Infact they intended liability and confidence as a main variable in trade relation that cause to five events include: (consent trend to abandon relation co-worker, functional opposite and incertitude). Serrice institutes should be notice that long term relation formed based on confidentiality and liability. Man so and speece divided relationship marketing in fourgroups:

- Social activity (such as: invite customer to lunch or dinner)
- Selling activity (such as: introduce new products)
- Supervisionin relation (protect the relation between organized and customer)
- Exchange the information (such as: sending result and publication of research for customer)

This study with inspired of Dobisi model research confidence liability, relation and conflict management as productively variable in govermental and private banks. Confidence is a

strong opinion to intention of another person that in the relationship marketing is dimension that people could feeling do correctly. Having and protect of a relation with valuable customer, prepared on time information about service and changing and having an effective relationship with the customer when happening a problem on services or delivery. (Dobisi 2005). Liability is center of relationship marketing. The liability value of relation is important in developing relationships. Confidence and liability are important in most of research and is two main factors. (Samiee and Walters 2003). Conflict clear is ability for better supply and service for avoidance of potential conflict with customers and to clear conflict before to change a problem. (Dobisi 2007).

On the basis of literatures that related to relationship marketing, below hypothesis are resulted:

Hypothesis 1: Relationship marketing has a positive effect on loyalty value of Saman bank customers.

Hypothesis 2: relationship marketing has a positive effect on loyalty value of Keshavarzi bank customers.

Hypothesis 3: making confidence ofseaman bank has a positive effect on customer loyalty.

Hypothesis 4: Saman bank liability has a positive effect on their customer loyalty.

Hypothesis 5: relation quality of Saman bank has a positive effect on customer loyalty.

Hypothesis 6: ability in conflict management has a positive effect on customer loyalty.

Hypothesis 7: make confidence ofKeshavarzi bank has a positive effect on customer loyalty.

Hypothesis 8: Keshavarzi bank liability has a positive effect on their customer loyalty.

Hypothesis 9: relation quality of Keshavarzi bank has a positive effect on customer loyalty.

Hypothesis 10: ability in conflict management has a positive effect on customer loyalty.

Conceptual model

This model getting from Dobisi model showing in figure 1. Dubisi model study variables such as confidence, liability relate and conflict management as a productive variety of customer loyalty in the govermental and private banks.

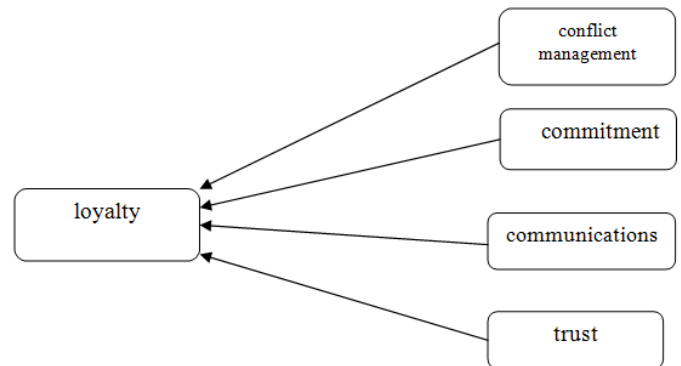


Fig.1. A proposed conceptual model

Research methodology

Data collection instrument

A self administered questionnaire was conducted to collect empirical data for this study. The questionnaire was designed based upon a review of the related literature. Questionnaire in secluded 19 items in the form of five selections in the range of low to high All items measured on the five-point Likert scale rang from "strongly" agree to "strongly disagree".

Sample and sampling

This study is about two bank salmon bank (private) and keshavarzi bank (govermental) in Tehran. Therefore responder

to this questionnaire could be two bank customers. The way of sampling is coincidental sampling. Because society is an infinite source of the bellow equation for determine sample mass.

$$n = \frac{Z_a^2 \times s^2}{d^2}$$

N= minimum of sample mass in both banks

$Z_a^2 =$ confidence value 95 percent= 1/96

d= evaluate correct that usually is for Likert spectrum from % to %5 changing is according researcher's desire. In this study for saman and keshavarzi bank is 0/1 and %1.

S= is society variance. In this study according a primary sample 30 from saman and keshavarzi banks and amount of them for saman and keshavarzi is %571 and %502.

Number of people for both banks according follow equation is 130.

$$\text{Keshavarzi bank } n = \frac{1/96^2 \times 0/502^2}{0/1^2} \approx 130$$

$$\text{Salmon bank } n = \frac{1/96 \times 0/571}{0/1^2} \approx 130$$

Data analysis and results

The way to use in this study is flow content. It's the characteristic flow content that's simultaneously with compilation test and to be studing by experts (kopper and shnider 2003). We use of Cronbach's Alpha index. According wonnali opinion if Cronbach's Alpha greater than %7 so result will be meaningful. This indexmeasures separately for both banks. That show in table 1.

Table 1. Cronbach's Alpha test results

Alpha Cronbach's		Variables
Saman bank	Keshavarzi bank	
0.78	0.72	Trust
0.82	0.85	Commitment
0.82	0.80	communications
0.81	0.80	Conflict management
0.70	0.87	Loyalty
0.93	0.94	Total

Data analysis

In this study use t-test for hypothesis examine that show effectiveness of variable on customer loyalty and for use fisher test for group comparison. Use of k-s test for evaluating every one of normal distribution result of questions and use Fridman test for ranking a group.

Descriptive Analys

According result as you see on the table 2 it's viewable in both bank number of males is more than female and this percentage in governmental is more than a private bank. The ratio of employee is more than others. 42/42 percent keshavarzi client has interest – free account and this account is a lot. Likewise 46 percent of salmon client has short time account. Average age is between 26-30 years. And bachelors both bank Degree is more current.

Hypothesis test

Use Kolmogorov–Smirnov test for examiningthe variable type distribution zero hypothesis for this test as a follow:

H0 : studied variable has a normal distribution

H1 : studied variable hasn't normal distribution.

Normal test for seaman bank:

Below table (3)evaluatesnormal hypotheses for seaman bank.

Table 2. Sample demographic characteristics

Distribution percentage		variable
Private bank	Governmental bank	
42%	36%	Gender Female male
58%	64%	
69%	48%	Job Employeer Student Free
26%	30%	
5%	22%	
21%	33%	Account type save flow Short time Long time
12%	27%	
33%	14%	
6%	2%	
19%	14%	Age distribution 25-20 30-26 35-31 40-35 45-41 Above 46
33%	31%	
23%	21%	
8%	11%	
8%	12%	
9%	11%	
8%	8%	Education Under diploma Diploma Junior college Bachelor degree MS
24%	32%	
18%	13%	
45%	40%	
12% %	13%	

Table 3. Kolmogorov–Smirnov test results for saman bank

	Trust	commitment	Communications	Conflict	loyalty	
Number	130	130	130	130	130	
Normal paramerts	Mean	3.8433	3.8949	.56412	3.8627	3.8863
	Std. Deviation	.56926	.64052	.136	.56412	.51605
Most Extreme Differences	Absolute	.093	.150	.179	.136	.063
	Positive	.084	.074	.109	.104	.056
	Negative	-.093	-.150	-.179	-.136	-.063
Kolmogorov-Smirnov Z	1.061	1.708	2.046	1.552	.719	
Asymp. Sig.	.210	.006	.000	.016	.679	

As we said if meaning full level is more than %5 so Ho hypothesis is accepted at the top value in saman bank meaningful level and loyalty is greater than %5 so has a normal distribution. But confidence, liability and relation and conflict has meaningful value lower than %5. So failed normal hypothesis. But because a lot of data is saman bank (more than30) so according centric boundary proposition could normal this variable.

Normal test for keshavarzi bank:

Table 4. Kolmogorov–Smirnov test results for keshavarzi bank

	Trust	commitment	Communications	Conflict	loyalty	
Number	130	130	130	130	130	
Normal paramerts	Mean	3.3123	3.3071	3.4090	3.4123	3.3578
	Std. Deviation	.68682	.72418	.85081	.73348	.64289
Most Extreme Differences	Absolute	.120	.128	.150	.109	.099
	Positive	.051	.92	.090	.76	.051
	Negative	-.120	-.128	-.150	-.109	-.099
Kolmogorov-Smirnov Z	1.367	1.461	2.046	1.239	1.127	
Asymp. Sig.	.048	.028	.006	.093	.157	

If meaningful lever is greater than %5 so accepted Ho hypothesis, in the top value meaningful level conflict and loyalty is greater than %5 so this two variable has a normal

distribution as we see confidence liability and relation variable isn't normal But due to a lot of data could according centeric boundary proposition accept this variable as a normal.

For study effect of independent variable such as confidence, liability conflict management, relation on dependent variable in both bank use of t- test.

Top statical hypothesis make based on problem hypothesis. We write them as follow:

$$H_0 = \mu \leq 3 \text{ (Affected on loyalty)}$$

$$H_1 = \mu > 3 \text{ (Not affected on loyalty)}$$

This analysisseparately does in both banks. The resultindicates that is a direct and meaningful relation relationship marketstrategiesies include liability, confidence, relation and conflict manage with customer loyalty (p<0/000) in both banks. It means acceptingthe hypothesis in both banks. As we see in follow table. Also use of t-test for bank compare. In the bellow table show average – deviation – and average deviation error for both banks.

Group Statisticstable 5. T-Test

Bank name	N	Mean	Std. Deviation	Std. Error Mean
Trust	keshavarzi	1303.3123	.68682	.06024
	saman	1303.8433	.56926	.04993
Commitment	keshavarzi	1303.3071	.72418	.06352
	saman	1303.8949	.64052	.05618
Communication	keshavarzi	1303.4090	.85081	.07462
	saman	1303.9712	.64179	.05629
Conflict management	keshavarzi	1303.4123	.73348	.06433
	saman	1303.8627	.56412	.04948
Loyalty	keshavarzi	1303.3578	.64289	.05638
	saman	1303.8863	.51605	.04526

Table 6.Independent Samples Test

		Levene's Test for Equality of Variances	
		F	Sig.
Trust	Equal variances assumed	2.531	.113
commitment	Equal variances assumed	2.969	.086
communications	Equal variances not assumed	18.088	.000
Conflict management	Equal variances not assumed	8.082	.005
loyalty	Equal variances not assumed	5.040	.026

Because meaningful level of variance in relation, conflict and loyalty lower than %5 so continue t-test with unequal variance But for liability and confidence is equal.

Table 7. T-test for Equality of Means

		T-test for Equality of Means			
		t	df	Sig. (2-tailed)	Mean Difference
Trust	Equal variances assumed	-6.787	258	.000	-.53103
Commitment	Equal variances assumed	-6.932	258	.000	-.58782
Communications	Equal variances not assumed	-6.014	239.899	.000	-.56218
conflict management	Equal variances not assumed	-5.550	242.055	.000	-.45038
Loyalty	Equal variances not assumed	-7.309	246.469	.000	-.52846

Table 8. Independent Samples Test

		T-test for Equality of Means		
		Std. Error Difference	95% Confidence Interval of the Difference	
			Lower	Upper
Trust	Equal variances assumed	.07824	-.68509	-.37696
Commitment	Equal variances assumed	.08479	-.75480	-.42084
Communications	Equal variances not assumed	.09347	-.74631	-.37805
Conflict management	Equal variances not assumed	.08116	-.61025	-.29052
Loyalty	Equal variances not assumed	.07230	-.67087	-.38604

According both boundaries is negative so can result than relationship marketing as a totality is keshavarzi bank are lower than seaman bank and someone's bank (private) has a better function in all variables.

Friedman test for keshavarzi bank:

Use Fridman test for ranking a variable.

Table 9. Friedman test

	Mean Rank
Trust	2.20
Commitment	2.36
Communications	2.74
Conflict management	2.70

Because meaningful level is lower than %5 so failed equally hypothesis in keshavarzi bank.

As we see relation variable are more important and then relation conflict management, liability and confidence in keshavarzi bank.

Friedman test in saman bank:

Because meaningful level is lower than %5 so failed equally hypothesis inkes saman bank.

As we see relation variable are more important is this bank an then is relation, liability, conflict management and confidence.

Conclusion

In this study to evaluate effect of relationship marketing strategies included liability, confidence, relation and conflict management on the customer loyalty and importance of this variable from view of customer and successfully level of both bank, result show there is directly relation in liability, confidence, relation and conflict management on customer loyalty. Also result indicate relation variable in more important in both bank. about function government bank we shoul say best function is in the relation and then conflict management liability and confidence and also evaluated governmental function is moderate. In private bank ranking of variable include: relation, liability, conflict management and confidence. Function of private bank is good about relation a liability butislower in conflict management and confidence. About loyalty private bank has abetter function and also customer loyalty in private bank are more than governmental bank.

Table 10. Test Statistics

a ^b	
N	130
Chi-Square	17.295
df	3
Asymp. Sig.	.001

Table 11. Friedman test

	Mean Rank
Trust	2.31
Commitment	2.57
Communications	2.77
conflict management	2.35

Table 12. Test Statistics a^b

N	130
Chi-Square	11.814
Df	3
Asymp. Sig.	.008

So we can say as result private bank about protection of long term relation are better also do in her study use of this four variable in Malaysian bank's as bases for relationship marketing. And found that this four variable has important and meaningful effect on loyalty. That adopted with results of this study. In Dobisi study conflict management has lowest effect on the loyalty order of this variable is confidence relation, liability and conflict management.

Now understanding the priority of variable effects on loyalty in both banks and we can say most variable is relation and best function is about it. But confidence in both banks has lower private bank is good about liability but the governmental bank should pay more attention to liability. So with notice to result we can say make loyalty of customers in two banks is so different. Because desired and expectation customer from of both banks is different therefore main things that manager. Banks should have attended is max be copying from each other haven't a good result. Finally although this study is about two banks as a sample but maybe we can to extent result to all banks. But couldn't exclusion from beneficial result of this study. It's necessary to explain customer loyalty is different according the industry type and market culture. Also with notice that the time activity of banks is the difference between private and governmental banks so compare them max be has a limitation of this study. At the end suggesting for increase extending of this result more banks should be evaluated according size and duration of life in the future study can evaluate the effect of customer satisfaction or about currently variable such as consensus equality or power cooperative.

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