"Investigating the effective factors that affect on absorb and retention of bank customers"

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Abstract

This research aims to examine which determinants (i.e. perceived quality, trust, satisfaction, perceived value, and membership programs) have significant effect(s) on absorb and retention of bank customers. In order to get the answer, this study surveyed 384 customers to investigate the determining factors that affect on absorb and retention of bank customers. The multiple regression statistical method and Freidman analysis were used for data analysis. The study results show that among the determining factors and their relationship against attitudinal and behavioral loyalty, "satisfaction" was consistently valued the most, followed by "trust." The attitudinal loyalty measurement regarded "membership program" as its third most valued while the behavioral loyalty positioned "perceived quality" as its third. Results for the fourth most valued factor, indicated "perceived quality" from the attitudinal loyalty measurement, while "perceived value" was behavioral loyalty's fourth most valued. The least valued factors for attitudinal and behavioral loyalty were "perceived value" and "membership program," respectively. On a greater scale, in measuring overall loyalty, the determining factors were ranked as follows, in descending order from most to least important: "satisfaction," "trust," perceived quality," "membership program," and "perceived value." This study can serve as a model to be adopted for years to come in the determining factors of absorb and retention of bank customers. The constructs, specifically "perceived value," "perceived quality," "satisfaction," and "trust" have been of use for years, through various industries. These particular determinants will continue to be of use across industries as efforts are made to measure customer loyalty.

Keywords: determining factors, absorb and retain of customers

Introduction

In the current competitive world, business firms have been seeking for the most effective ways to acquire and retain customers. To achieve these goals, the loyalty program has been used as a vital tool for building, developing, and retaining relationship with customers(Lacey, 2009). We can thus observe a number of loyalty program adoptions in various industries, including airline, hotel, hospital, car rental, financial services, and retailing businesses. In the United States market, the COLLOQUY's survey shows that there were more than two billion loyalty program memberships in 2011 (Hlavinka & Sullivan, 2011). The high adoption rate of the loyalty schemes has been found across a number of countries around the world (Van Heerde & Bijmolt, 2005).

Although there are hundreds of previous studies in this area, recent literature still indicates that the effectiveness of the loyalty programs remains inconclusive (e.g. Lacey, 2009; Y. Liu, 2007; Meyer-Waarden & Benavent, 2009). A number of previous studies reveal that the use of loyalty programs are effective both in terms of positive impacts on consumer behavior, such as sales, share of wallet, customer' re-patronage decision (e.g. Lal & Bell, 2003; Lewis, 2004; Magi, 2003; Meyer-Waarden, 2008; Verhoef, 2003), and increase in customer loyalty (e.g. Daams, Gelderman, & Schijns, 2008; Vesel & Zabkar, 2009).

The objectives of this study are as following:

1. To identify and examine which antecedents (i.e. perceived quality, trust, satisfaction, perceived value, and membership programs) have significant effect(s) on customer loyalty in luxury hotels
2. To compare perceptions of antecedents and loyalty behaviors across various brands of luxury hotels as well as with regard to customers' demographic and socioeconomic variables
3. To derive invaluable findings that assists in understanding various perspectives of customers' loyalty for luxury hotels.

LITERATURE REVIEW

Taylor, Celuch, & Goodwin (2004) identified satisfaction, service quality and value, resistance to change, brand affect, trust, and brand equity as predictors of customers' perceptions of loyalty using structural equation analysis; the researchers identified customer loyalty as a function of both behavioral and attitudinal loyalty. This approach was taken in response to a valid proposition and supportive findings that were made by White & Schneider (2000). Baloglu (2002) also incorporated attitudinal and behavioral loyalty into customer loyalty dimensions. His reasoning was conceptual and practical. Studies have demonstrated that customer loyalty is a multi-dimensional concept and that it involves both behavioral and attitudinal elements. Another finding by

Taylor, Celuch, & Goodwin (2004) served as a major reference in measuring customer loyalty. The framework developed in their research demonstrated the formation of a solid structure that would allow for collecting invaluable findings. This study will extend and adapt the previous loyalty model. Additional insight and perspectives from notable researchers, such Mittal & Lassar (1998), Zeithaml (1998), Baloglu (2002), and others will also solidify the viability of each determining factor described and its contribution to the overall assessment of customer loyalty. Each factor is discussed in detail to allow for understanding its importance as it relates to the subject matter.

Impact of Satisfaction on Customer Loyalty

Satisfaction is a pursuit hoteliers must continually strive to meet with the guests of its property or company. Taylor, Celuch, & Goodwin (2004) show that satisfaction has a direct influence on customer loyalty. Mittal & Lassar (1998) discussed how satisfaction has been proven to directly affect loyalty. They further analyzed this impact by discussing the importance of looking at satisfaction and service quality together as they related to customer loyalty and likeliness
to return. They stated "satisfaction" alone only tells whether the customer is satisfied or not. However, when measured with "quality", there is greater ability to determine what aspects of service are below par and need improvement as they relate to guest satisfaction. Karatepe (2005) took the same measurement approach as Taylor, Celuch, & Goodwin (2004), and other researchers just mentioned. Skogland & Siguaw (2004) measured the degree to which satisfaction influenced loyalty. These two particular researchers felt the degree to which the customer was involved in the purchase decision had a strong effect on the propensity to switch service providers. They measured this impact by using the confirmation-disconfirmation and comparison-level theories. The satisfaction antecedents used included service quality, product quality, price, and location. Based on the above beliefs in regard to satisfaction and guest loyalty, the following hypothesis is tested to determine whether a relationship exists:

H1: "Satisfaction" has a positive impact on absorb and retain customer of banks.

Impact of Perceived Quality on Customer Loyalty

Zeithaml (1988) defined perceived quality to be "The consumer's judgment about an entity's overall excellence or superiority." Antony, Antony, & Ghosh (2004) believed service quality to be so intangible that objective measurement is impossible. To improve service quality, increase relationship marketing and the overall loyalty of guest patronization, it will be important to narrow the gap between appearances and perceptions. In order to alleviate this deficiency, it is vital to consider both functional and technical quality as they both impact overall service quality. Several major developments over the past few decades will assist with performing this measurement. One particulardevelopment is (service quality) SERQUAL, a measurement tool covering the areas of tangibility, reliability, responsiveness, assurance, and empathy (Kang, Okamoto, Donovan, 2004). Through the usage of SERQUAL, it is believed that assessment of service quality and also customer-contact can increase expected value provided to the guest. Gold (2005) stated in "What Inspires Loyalty today?" that "…pleasant surprises… [with the] proactivity of service above and beyond… [will] stick in the mind of guests and drive loyalty" (p. 2). McCain, Jang, & Hu (2005) discussed how service quality plays an important role in the assessment of customer loyalty. Antony, Antony, & Ghosh (2004) also stated service quality as being linked to customer satisfaction and customer loyalty. The researchers measured this impact by looking at tangible and intangible elements of service through technical and functional quality. In order to achieve the aims from this study, the following hypothesis is tested:

H2: "Perceived quality" has a positive impact on absorb and retain customer of banks.

Impact of Perceived Value on Customer Loyalty

In the realm of perceived value, an excerpt written by Brady & Cronin (2001, p. 243) stated, "Customers' value perceptions seem to drive their future behaviors such as repurchase intent and word-of-mouth referrals." They also proposed that consumers' affective responses were directly related to perceived value in highly experiential service settings. Zethaml (1988) defined perceived value as "the consumer's overall assessment of the utility of product based on perceptions of what is received and what is given. Oliver (1999) asserted that "value" is a unique construct stemming from both satisfaction and quality, also outcome variables such as loyalty. From a measurement standpoint, Bojanic (1996) asserted that a firm's value can change if the firm changes what it is doing. When it came to pricing, Danziger, Israeli, & Bekerman (2006, p. 2) stated, "Many firms establish prices based on internal costs." They further stated that this, what can be considered a "cost incurred vs. price offered measurement," does not assist hotels with being able to attract customers. A final pricing strategy should combine a supply side focus with the value customers place on its offerings. This is based on the evaluation of

strategic assets (corporate affiliation, brand name, hotel size). By conducting this evaluation, Danziger, Israeli, & Bekerman (2006) believed that firms may signal strategic assets to target audiences to justify a reason for paying a premium price, to generate above average returns, and to form the basis of sustained competitive advantage. In order to achieve the aims from this study, the following hypothesis is tested:

H3: "Perceived value" has a positive impact on absorb and retain customer of banks.
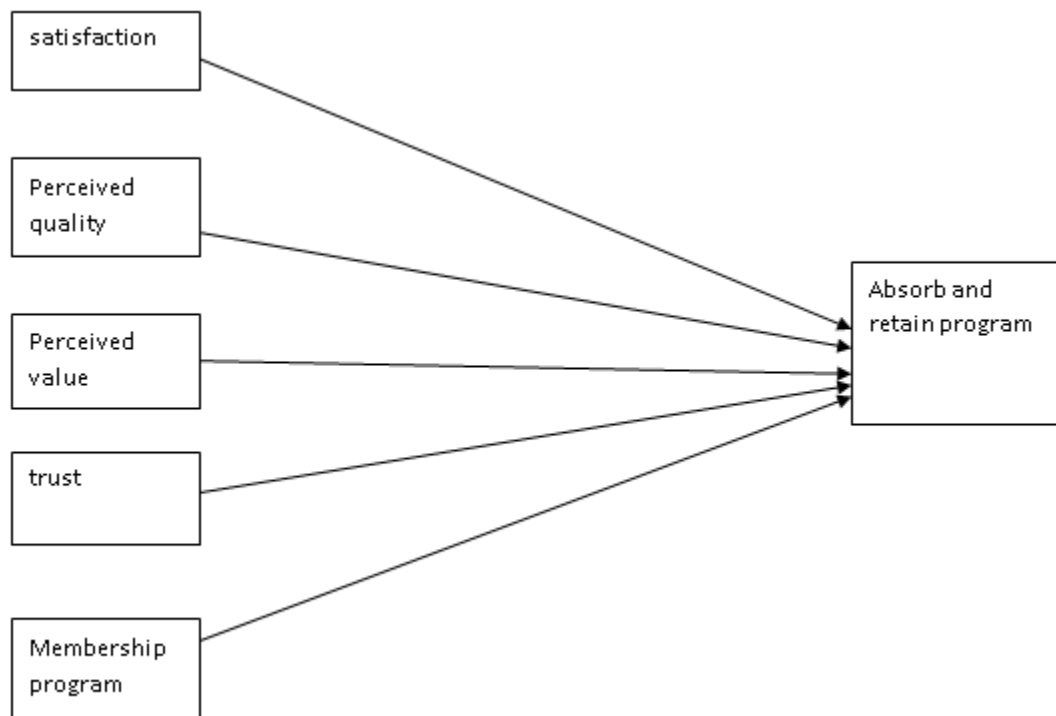
Impact of Trust on Customer Loyalty
Fukuyama (1995) defined *trust* as "…the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of members of that community." Other notable researchers have each defined trust differently over the course of the past four decades. Rotter (1967, p. 651) defined trust as "A generalized expectation upheld by an individual, as to whether the word of the other party is trustworthy." Crosby, Evans, & Cowles (1990) defined trust as "A belief that the service is going to behave in such a way that the buyer's long-term interests are going to be taken into account." San Martin Gutierrez (2000) defined trust as "The emotional security that leads one party to think that the other is responsible and will be concerned about it, which implies the willingness of the former to be vulnerable to the actions of the second party, regardless of its ability to control the latter." Based on the above beliefs as it regards trust and guest loyalty, the following hypothesis will be tested to determine
whether a relationship exists:

H4: "Trust" has a positive impact on loyalty

Impact of Membership Programs on Customer Loyalty
From a non-theoretical perspective, hotels have given considerable focus to the impact customer loyalty programs have on guest retention within the company. Virtually every hotel corporation has developed and implemented a loyalty membership program to foster this connection with its guests. Various services, amenities, and other offerings are provided to meet the demands and preferences guests have in regards to their membership. Although loyalty programs provide benefit to hotel corporations through their offerings, a concern was raised as regard "true" loyal customers. Baloglu (2002) endeavored to separate "friends" from "well wishers." The researcher focused on determining whether frequent guests were truly loyal by assessing both guests' attitudes and their actions. He classified the "dimensions of customer loyalty" as being low, latent, spurious, and true loyalty. In terms of effectiveness, Lal & Bell (2003) alluded to the fact that few studies shed light on the return obtained from loyalty programs. Dowling & Uncles (1997, p. 71)
concluded that "given the popularity of loyalty programs, they are surprisingly ineffective." In the assessment of this study, it is very important to measure guests' perspective on the usage and their dependence on membership programs. Through this research study, the following hypothesis is tested in an effort to assess its relevance:

H5: "Membership Program" has a positive impact on absorb and retain customer of banks.
 the following figure highlights the study's proposed cumulative assessment of the independent variables mentioned and their impact(s) on the dependent variable.

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Figure 1. Conceptual Model

Research methods

This study is descriptive-survey research that in the following stages to describe the relationship between factors that associated with the factors and customer retention in bank industry in iran. And for gathering data, we use five-item questionnaire whit likert scale and distribute it between 384 customer of the banks and we did correlation and regression test with SPSS 21 and according to finding all of the hypothesis accepted. The reliability of the questionnaire is 0.886 in cronbach alpha.

Table 1: the reliability of variables

Absorb and retain program	satisfaction	Membership program	Perceived value	Perceived quality	trust	Variables
0.814	0.902	0.89	0.79	0.98	0.78	Cronbach alpha

Demographic Characteristics of Consumers

Table 4-2 gives information on the demographic characteristics of consumers. Majority of the respondents were females constituting 59%, while males constituted 41%. The table also shows that majority of the consumers were within the ages of 21 - 30 years (65%), while 25% representing 102 consumers were within the ages of31-40, and 8% under 20 years, and also just 2% between 41 to 50. Information on the education of consumers depicts that 49% had bachelor education, 6% had primary school education, 37 % had post-primary education, and 8% had Phd education, while 6.8 had postgraduate qualifications.

Table2: Demographic Characteristics of Consumers

Demographic	category	percentage	Count(n)
Gender	Male	41%	168
	Female	59%	216
AGE	Under 20	8%	33
	21-30	65%	219
	31-40	25%	102
	41-50	2%	8
	Upper50	0%	0
Education	Bachelor	49%	175
	Primary school education	6%	25
	Post-primary education	37%	151
	phd	8%	33

the result of testing hypotheses

hypotheses	INDEPENDENT VARIABLE	DEPENDENT VARIABLES	R	R^2	F	Sig	result
H1	trust	Absorb and retain the customers	0.631	0.398	81.394	0.000	**Accepted**
H2	Perceived quality	Absorb and retain the customers	0.744	0.553	152.092	0.000	**Accepted**
H3	Perceived value	Absorb and retain the customers	0.436	0.190	28.804	0.000	**Accepted**
H4	Membership program	Absorb and retain the customers	0.529	0.280	47.800	0.000	**Accepted**
H5	satisfaction	Absorb and retain the customers	0.518	0.268	45.133	0.000	**Accepted**

As mentioned before, based on a comprehensive survey of the literature, five hypotheses were developed in this study. According to the statistical analysis of hypotheses examined the correlation between the variables in all of the hypotheses were confirmed., With the difference that the dependent variable intensity and the effect of independent variables on them, varied. However the of a look at the re to test this hypothesis, we note hypotheses and results.

The results of our hypothesis tests have shown, the effect of knowledge on various aspects of customer relationship management is different.

In the first hypothesis, trust and has a coefficient of determination of 0.398 that is to show a high impact on and retain customer.

The second hypothesis, the perceived quality has a coefficient of determination of 0.553 that is to show a high impact on and retain customer.

The third hypothesis, the perceived value has a coefficient of determination of 0.190 that is to show a less impact on and retain customer.

The fourth hypothesis is the effect membership on absorb and retain of customer in bank industry.

The fifth financial is the effect of satisfaction on absorb and retain of customers in bank.

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