Brand Loyalty and Relationship Marketing in Islamic Banking System

FIDÉLITÉ À LA MARQUE ET MARKETING RELATIONNEL DANS LE SYSTEME DES BANQUES ISLAMIQUES

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Abstract: Islamic banks ability to withstand the global downturn has fuelled an expansion of Islamic finance around the world. Islamic banks have learned that customer loyalty and brand loyalty must be earned. Brand loyalty and relationship marketing among banking consumers particularly in the islamic banking system in Malaysia has captured great interest among the Malaysian public as a whole (i.e. relationship between employees and customers). Relationship marketing is not more than just getting the customers but it is also how to maintain the existing customers as much as possible. There are important dimensions that supported the strength of relationship marketing that can lead to brand loyalty. In relation, brand loyalty refers to the favorable attitude towards a brand in addition to purchasing it repeatedly by the customer. The customer tend to be loyal since there is relationship marketing between them and the organization. This study will show the influence of relationship marketing through Bank Islam employees in Malaysia on Brand Loyalty.The data for this study will be acquired from 3 Bank Islam business premises in Pulau Pinang, Kedah, and Perlis which represent the northern states of Peninsular Malaysia. Various data-analytic tools will be used to analyze the data such as test of differences, reliability analysis, factor analysis, and multiple regression analysis.The study tries to determine how relationship marketing which is measured through three dimensions, that is Customer trust on Bank Islam staff, Bank Islam Staff commitment during the service delivery, and the communication skills among Bank Islam Staff can have an influence on Brand Loyalty among Bank Islam customers.

Key words: Islamic Banking System; Brand Loyalty; Relationship Marketing

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Résumé: La capacité des banques islamiques à résister au ralentissement mondial a alimenté une expansion de la finance islamique dans le monde. Les banques islamiques ont appris que la fidélité des clients et la fidélité à la marque doivent être obtenues. La fidélité à la marque et le marketing relationnel auprès des consommateurs, notamment dans le système bancaire islamique en Malaisie, ont captivé beaucoup d'attention du public malaisien en général (à savoir la relation entre les employés et les clients). Le marketing relationnel n'est pas seulement d'attirer les clients mais aussi de maintenir la clientèle existante autant que possible. Il y a des dimensions importantes qui ont soutenu la force du marketing relationnel qui peut mener à la fidélité des clients à la marque. La fidélité à la marque fait référence à une attitude favorable vis à vis d'une marque et des acquisitions de ses produits à plusieurs reprises. Les clients ont tendance à être fidèles car il y a un marketing relationnel entre eux et l'organisation. Cette étude montrera l'influence du marketing relationnel à travers les employés de la Banque islamique en Malaisie sur la fidélité des clients à la marque. Toutes les données utilisées dans cette étude sont procurées par 3 banques islamiques à Pulau Pinang, Kedah et Perlis, qui représentent les états du nord de la péninsule malaisienne. Divers outils d'analyse de données seront utilisés pour analyser les données tels que le test des différences, l'analyse de la fiabilité, l'analyse factorielle et des analyses de régression multiple. Cette recherche tente de déterminer comment le marketing relationnel, mesuré à travers trois dimensions, c'est-à-dire la confiance des clients sur le personnel des banques islamiques, l'engagement du personnel des banques islamiques au cours de la prestation et les compétences de communication entre le personnel des banques islamiques, peut avoir une influence sur la fidélité parmi les clients des banques islamiques.
Mots-Clés: système des banques islamiques; fidélité à la marque; marketing relationnel

1. INTRODUCTION

In recent years there has been growing interest in relationship marketing (i.e. relationship between employees and customers) since there has been changes in terms of marketing philosophy which is marketing orientation. One of the most important areas in marketing orientation includes relationship marketing. Relationship marketing is not more than just getting the customers but it is also how to maintain the existing customers as much as possible.

There are important dimensions that supported the strength of relationship marketing that can lead to brand loyalty. In relation, Brand loyalty refers to the favorable attitude towards a brand in addition to purchasing it repeatedly by the customer. The customer tend to be loyal since there is relationship marketing between them and the organization. This study will show the influence of relationship marketing through Bank Islam employees in Malaysia on Brand Loyalty.The data for this study will be acquired from 3 Bank Islam business premises in Pulau Pinang, Kedah, and Perlis which represent the northern states of Peninsula Malaysia.

Various data-analytic tools will be used to analyze the data such as test of differences, reliability analysis, factor analysis, and multiple regression analysis.The study try to determine whether relationship marketing which is measured through three dimensions, that is Customer trust on Bank Islam staff, Bank Islam Staff commitment during the service delivery, and the communication skills among Bank Islam Staff do have an influence on Brand Loyalty among Bank Islam customers. Finally the study also attemps to determine if Customer Overall satisfaction would have a mediating effect on

the relationship between relationship marketing and Brand Loyalty in the case of Bank Islam .

2. LITERATURE REVIEW

Brand management is an area of increasing importance to marketers today, particularly as organizations attempts to communicate the ever complex and intangible messages as part of brand management strategies (Davis, 2000; Goodchild & Callow, 2001). One of the many interesting questions facing today's brand managers concerns how to develop a better understanding of the appropriate relationship between constructs such as relationship marketing and brand loyalty, particularly in relation to the myriad of known antecedents to brand loyalty in the marketing literature (Taylor et al., 2004). In this study we assess the relative importance of many of the known antecedents to brand loyalty, including overall customer satisfaction.

By having a strong brand, companies not only could facilitate the differentiation of their offer from the competitors. With branding, financial companies are able to create customer confidence and loyalty in their performance, exert greater control over promotion and distribution of the brand, as well as commanding a premium price over the competitors; all while impacting the valuation of the business (Holverson & Revaz, 2006; Pass et al., 1995).

The added value that a brand name gives to a product is now commonly referred to as "brand equity" (Aaker, 1991). Brand name adds value to each of these interested parties which include the investors, manufacturers, and the retailers. Brand equity and brand loyalty provides a strong platform for introducing new products and insulates the brand against competitive attacks. From the perspective of the trade, brand loyalty contributes to the overall image of the retail outlet. It builds store traffic, ensures consistent volume, and reduces risk in allocating shelf space (Cobb-Walgren et al., 1995). However, if the brand has no meaning to the consumer, automatically there wouldn't be of any value to the investors, the manufacturer, and the retailer unless there is value to consumer (Farquhar, 1989; Crimmins, 1992).

Over the past 15 years, a major shift has occurred in the ways that industrial companies deal with their customers and suppliers (Christopher et al., 1991; Ellram, 1995). This change has come about as companies have recognized that sustainable competitive advantage in the global economy increasingly requires companies to become trusted participants in various networks or sets of strategic alliances (Morgan & Hunt, 1994). Relationship marketing which is powered by the employees of an organization has emerged over the years as an exciting area of marketing that focuses on building long-term relationships among employees who is a proxy to their employer and customers that frequent to their business premises. As Gronroos (1993) observed: establishing a relationship, for example between an employee and a customer, can be divided into two parts: to attract the customer and to build the relationship with that customer so that the economic goals of the organization are achieved through that relationship.

3. THE RESEARCH MODEL

Figure 1. The proposed theoretical framework
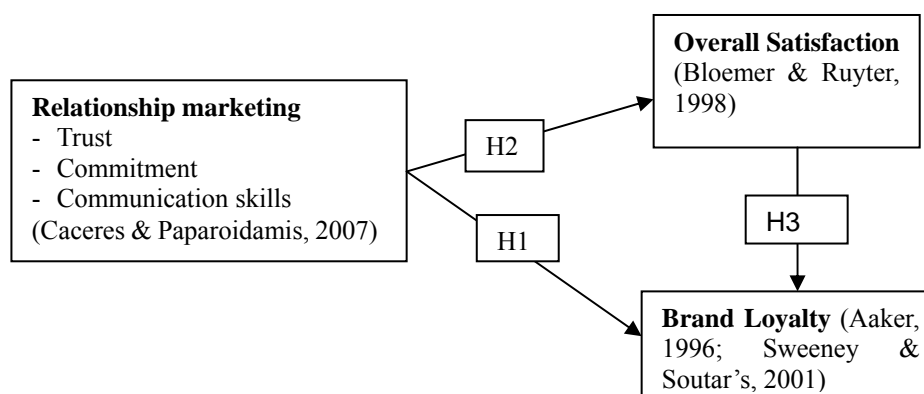
3.1 The Objectives of This Study

   a. To determine whether Relationship marketing between Bank Islam staff and their customers will have any influence on Brand loyalty.

   b. To determine whether Relationship marketing within Bank Islam will have any influence on customer's overall satisfaction.

   c. To determine whether customer Overall satisfaction with Bank Islam employee will have any influence on Brand loyalty.

   d. To determine whether customer Overall satisfaction on Bank Islam employee mediates the relationship between Relationship marketing and Brand loyalty.

3.2 Hypotheses

Hypothesis 1: There is positive relationship between relationship marketing and brand loyalty.

   1a: There is positive relationship between trust and brand loyalty.
   1b: There is positive relationship between commitment and brand loyalty.
   1c: There is positive relationship between communication and brand loyalty.

   Hypothesis 2: There is a positive relationship between relationship marketing and overall satisfaction.

   H2a: There is a positive relationship between trust and overall satisfaction.
   H2b: There is a positive relationship between commitment and overall satisfaction.
   H2c: There is a positive relationship between communication and overall satisfaction.

   Hypothesis 3: there is a positive relationship between overall satisfaction appeal and brand loyalty.

   Hypothesis 4: Overall satisfaction mediates the relationship between relationship marketing and brand loyalty.

3.3 Research Questions

From the previous discussion, we infer specific research questions for this study, they are:

a) Does customers trust towards the Bank Islam employee during their interaction influences Bank Islam Brand Loyalty?
b) Does Bank Islam employee's commitment towards their customers during employee/customers interaction influence Bank Islam Brand Loyalty?
c) Does Bank Islam employee's communications skills delivered during employee/customers interaction influences Bank Islam Brand Loyalty?
d) Does customer's overall satisfaction towards Bank Islam employee influences Bank Islam Brand loyalty?
e) Does customer's overall satisfaction mediates the relationship between Bank Islam relationship marketing and Bank Islam Brand loyalty?

4. METHODOLOGY

The area of study for this research is limited to three Bank Islam business premises located in Pulau Pinang, Kedah, and Perlis. All the three states are located in the Northern States of Peninsular Malaysia.

A structured questionnaire will be distributed by four research assistance at the entrance/exit of the Bank Islam business premises that was selected for this study. Questionnaire will be collected right after respondents completed the survey. Thus a non-response as well as early and late response analysis is not required for this study.

The unit of analysis for this study is individual customers who patronize the Bank Islam business premises

4.1 Description of Methodology

To have a representative finding, the sampling technique used must be objective. This is an important effort adopted by most researchers in order to furnish a finding pertinent to the general. To choose the sample for this study, probability random sampling was used. A probability sample is necessary if the sample is to be representative of the population (Reeves, 1992). Therefore, a two-stage sampling technique is employed in this study.

The unit of analysis for this study is individual customers who patronize the Bank Islam business premises. Studying primary consumer groups permits a more valid and reliable clarification to the model research in this study. A total number of 500 samples will be collected from 3 different locations (Bank Islam business premises) in the state of Pulau Pinang, Kedah, and Perlis. In determining the sample size for this study, sample size selected was based on 3 considerations. One of the considerations is the criteria set according to Roscoe's rule of thumb (Sekaran, 2003) i.e. a sample that is larger than 30 and less than 500 are appropriate for most research, and the size must be several times larger (10 times or more) for multiple regression analysis to be conducted.

For this study, a survey method is employed. Surveys are a better source of primary data collection in marketing and social sciences in contrast to observation and experiments (Baker, 2001). According to Robson (2002), surveys are use in accord with a cross-sectional design, that is, the collection of information from any given sample of the population only once. The data are collected using a set of questionnaires or structured interviews with the objective of generalizing from a sample to a population to determine attitudes and opinions and to help understand and predict behavior (Baker, 2001; Mokhlis, 2006). Questionnaires will be distributed personally to customers who exit Bank Islam business premises and have had an interaction with any Bank Islam employees.

4.2 Population and Sample Size

Since the mailing list of Bank Islam customers/clients is not made available, a 2-stage systematic

sampling technique will be employed.

4.3 Sampling Design

A two-stage sampling technique is employed in this study. During the 1st stage = A random sampling technique is used to select the Bank Islam business premises. List of Bank Islam business premises will be retrieved from Bank Islam listing. 2nd stage = systematic sampling. A skip interval of 2 will be utilized in the selection of Bank Islam clients as our respondent (Arithmetic progression will be utilized).

4.4 Sample

A sample of 480 will be collected (16 items (independent variable) X 10 = 160 samples X 3 locations = 480 samples). To accommodate for non-responses, an additional of 20 samples will be collected. Therefore a total of 500 samples will be collected altogether for this study.

Sample selected was based on 3 considerations:-

a) The first consideration, Sample size selected was based on the criteria set according to Roscoe's Rule of Thumb (cited in Sekaran, 2003).

 30< sample < 500. The size must be several times larger (10 times or more) for multiple regression analysis to be conducted.

Therefore, 16 items (questionnaire)   X 10 = 160 samples x 3 independent hoteliers – 480 samples.

b) Second considerations, Cohen & Cohen (1977); Sawyer & Ball (1981), believes that very large sample sizes usually allow even small effects to be statistically significant. It is especially important with highly powered research designs to measure and report effect sizes in addition to statistical significance.

Sawyer and Ball (1981) estimated that a proportion of 13% of the explained variance to effect size values, as a medium effect size for regression analysis. According to Sawyer and Ball (1981), the medium effect of 13% is sufficient for testing an existing model.

$$f^2 = \frac{R^2}{1 - R^2} = \frac{0.13}{1 - 0.13} = 0.1494$$

$$\eta^* = \frac{L + K + 1}{f^2}$$

$$= \frac{13.62 + 3 + 1}{0.1494}$$

$$= 117 \text{ samples.}$$

Therefore, 117 samples x 3 locations   = 351 samples (to be collected)

Thus, 500 samples will be collected to accommodate for non-responses.

c) The third considerations, Issue's on response rate were covered. Response rate in Malaysia is between 15% - 30% base on the previous research/study/theses.

Therefore, the samples that will be collected are 500 samples,

 (The sample size was increased to 23%, to accommodate the non-response rate).

4.5 Questionnaire Design

Questionnaire consists of 3 Sections. Section A =*Relationship marketing* (Caceres & Paparoidamis, 2007). Section B = *Overall customer satisfaction* (Bloemer & Ruyter, 1998). Section C = *Brand loyalty*

(Aaker, 1996).

An interval scale data (use for independent variable, mediating variable, and dependent variable) and a nominal scale data (demographic data) will be collected from the questionnaire distributed to the hotel guest. A Likert Scale of 1 to 5 will be used to frame answers in the questionnaire.

4.6 Translation Procedure

A back-to-back translation procedure will be utilized. The original instrument in English was literally translated into Bahasa Malaysia and back to English by a bi-lingual lecturer from Universiti Teknologi MARA Kampus Kedah. The instrument will be pre-tested for reliability and language accuracy.

5. CONCLUSION

To ensure success, it is recommended that Bank Islam follows the suggested model above to ensure that they significantly improved their overall brand management particularly building up Brand loyalty among their customers, without losing a large part of their uniqueness, independence and management control. The essence of Bank Islam management is to be able to relate relationship marketing through their employee, customer overall satisfaction, and Brand loyalty as part of their property management. To do so it requires the management of Bank Islam to spend time, effort and commitment, as well as to put in some financial resources, blended with management experience and knowledge of market plus courage to take risks. This venture is achievable and can be used as a strategy to speed up corporate growth and success of Bank Islam. The value of this study lies in the fact that it places the role of brand management firmly in Bank Islam. The employees of Bank Islam play a key role in enhancing good relationship with Bank Islam customers and exert considerable influence on the structure and culture of a company.

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