



STUDY OF IDENTIFYING AND PRIORITIZING THE AFFECTING FACTORS ON BANK BRAND CUSTOMER LOYALTY

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Abstract:

Today, customer loyalty is the key to business success. By increased customers' loyalty, market share and profitability level of enterprises will rise. Market perception along with planning and adopting appropriate strategies for making customers loyal and enhancing their rate of loyalty leads to long-term benefits for the enterprises. Given the importance of the issue, the goal of this study was to identify and prioritize the factors affecting loyalty to a banking brand from perspective of Keshavarzi (Agricultural) Bank customers in Shahin Dej, Iran. This was an applied research based on a survey approach. The statistical population incorporated all Keshavarzi Bank customers of Shahin Dej in 2017, and given the limitation of the research population, only 382 people were selected as the sample. The results suggested that customer satisfaction, transfer cost, and organizational image affected the loyalty of Keshavarzi Bank customers. Furthermore, customer satisfaction impacted the organizational image, service quality impacted customer satisfaction, and service quality exerted an effect on the perceived value.

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Keywords: customer loyalty, corporation image, switching cost, perceived value

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1. Introduction

Retaining and enhancing customer loyalty in line with a firm products or services have generally become the main central point of marketing activities. Customer loyalty can result in lower marketing costs, attract more customers, and have an effect on the transaction. By identifying the factors creating customer loyalty, managers will be able to more vividly arrange the customer loyalty programs, and consequently reduced marketing costs, and increased organization profitability, and guide the firms in the forward direction. Due to the economic profits, we should pay attention to the loyalty which results from retaining loyal customers than attracting new customers. The success of banking industry in retaining loyal customers is affected by several factors.

2. Literature review

The brand, today, is a strategic requirement for organizations which can help them in achieving sustainable competitive benefits. As defined by American Marketing Association (AMA), brand is a name, term, symbol, design, or a combination of them which is used to identify the seller or group of sellers as well as differentiating their goods or services from the other competitors' goods or services.

Murphy (1990) is of the belief that brand is not just a physical product but also an exclusive property of a given owner developed over time to incorporate a set of values and tangible as well as intangible features. Establishing a powerful brand in the market is the basic goal of many organizations since a powerful brand can enhance customers' trust while purchasing goods and services and assist them to better understand the intangible factors. A forceful brand is, therefore, considered a valuable asset for enterprises. Brands are really vital for the services sector because the intangible nature of services makes its qualitative evaluation difficult for customers; however, in spite of the importance of brand in the services sector, little research has been conducted in Iran in this area (Ganji Nia *et al.*, 2009).

On the other hand, the research has indicated that relatively large investments are needed to attract new customers to a commercial brand than maintaining the current customers. Such research has demonstrated that attracting a new customer costs six to eight times more than retaining the current customers. Customer loyalty to organization is a category impacted by various factors and conditions inside and outside the organizations, the effectiveness of which varies from one organization to the other depending on the type of organization. The true understanding of these factors and determining their degree of effectiveness is of great importance in helping the

managers to make sound decisions. On the other hand, the organizational resources are limited, and if the administration is seeking to design programs to retain its customers, it should allocate these restricted resources in terms of factors affecting the loyalty and the significance of each factor (Rashed *et al.*, 2014). Thus, nowadays, customer retaining strategies are regarded as key factors for profitability (Chen, 2014) among which loyalty to brand and examining the factors impacting it are of utmost importance. Loyalty to brand is a valid and popular concept in the field of marketing (Yu, 2008).

With respect to the advantages and importance attributed to the customer loyalty, the following questions are raised:

1. What factors affect loyalty to banking brand from the perspective of Keshavarzi Bank customers in Shahin Dej?
2. In what order the factors affecting loyalty to banking brand from the perspective of Keshavarzi Bank customers in Shahin Dej are prioritized?

2.1 The factors impacting customer loyalty

Customer loyalty is considered as the foundation of competitive advantage and has strong influence on company's performance (Rust *et al.*, 2000). Zeithaml *et al.* (1996) defines customer loyalty as the willingness to stay with current service provider. Loyalty is a purchaser's commitment with service, product, or brand (Oliver, 1999). Customer loyalty is evident itself in variety of the behaviors, "*the more common being repeatedly patronizing the service provider And recommending the service provider to other customers*" (Lam *et al.*, 2004; Zeithamlet al. 1996). A customer's point of view about value acknowledgement from service Provider may motivate him/her to patronize the provider again.

2.2 Corporate image

In the marketing, the corporate image has been presented as an important factor in general evolution of companies or servers (Andreasen, 1997). This factor is the perception of the company on the client's mind which affects the client's viewpoint about the working of the company (Griffin *et al.*, 2009). In the marketing lecture there have been many descriptions for corporate image including, the method, ideology, and the name of company, self-analysis, the prices, quality and the versatility of services corporate image are considered as important factors in establishing and maintaining loyalty among customers (Raj, 1985). Corporate image is related to customer retention likelihood (Ball *et al.* 2006; Nguyen & Leblanc, 2001). According to attitude theory, for the most, cause of corporate image is the evaluation of services which increases value and becomes more accessible in memory (Fazio, 1989). Examining airline services

Ostrowski et al. (1993) argue that positive experience overtime ultimately leads to positive image. Studies showed the direct impact (Nguyen & Leblanc, 2001) as well as indirect effect Ball et al. 2006) of corporate image on customer loyalty.

2.3 Customer perceived-value

Customer perceived-value is defined as the perception about quality, social psychology, benefit and money (Bishop, 1984; Velimirović, et al., 2011). Due to its neglectedness in previous studies, several researchers have examined the influence of value on customers' purchase intentions (Lin, Sher, & Shih, 2005; Eggert & Ulaga, 2002; Petrick, 2002). Previous studies have pointed to the positive relationship among service quality and perceived value (Bauer et al., 2006) which has been shown to cause loyalty among the customers.

2.4 Switching costs

Switching costs can be defined as a costs which caused by shifting the servers. This factor includes pecuniary costs. For instance, the efforts and time which are spent to find a new server is considered as switching costs (Dagger, 2009). Switching costs are the set of mental, physical and economical costs (Aydin & Ozer, 2005). As the switching costs increase, shifting or departure decreases by the clients (Dagger, 2009). Switching costs include both financial and non-financial costs. For example, knowing the process of servicing is such a switching cost, since if the client gives up the relationship, so it won't be useful (Wang, 2010). Switching costs are not only those which can be counted pecuniary, but it also considered as mental effects and the time and energy that are needed (Beerli et al., 2004). A deeply understanding of switching costs by clients may cause more loyalty of them (Liu et al., 2006). Companies have to understand the different kinds of costs (understood by clients) in order to effective control of switching costs (Burnham et al., 2003). Switching costs directly affect the client's loyalty, this bodes if clients consider the switching costs (such as the time, efficiency and the risks) as a high costs, then no shifting is demanded by them (Chou and Lu, 2009). Weiss (1997) showed that if the relationship between switching costs and the loyalty increased by long-term relationship, then it significantly affects the re-buying by clients (Li-wei, 2011).

2.5 Customer satisfaction

While Kotler and Keller (2007) defines customer satisfaction as "*customer satisfaction is the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectation*" Customer satisfaction is the level of one's

feelings as a result of the comparison between reality and expectations received from a product or service. In this research, customer satisfaction is the perception of respondents about whether customers are satisfied or the services provided by the customer Lion Air.

3. Research purpose

1. Identifying the Factors Affecting Loyalty to a Banking Brand from Customers Perspective
2. Prioritizing the Factors Affecting Loyalty to a Banking Brand from Customers Perspective

3.1 Research questions

1. What factors affect loyalty to banking brand from the perspective of Keshavarzi Bank customers in Shahin Dej?
2. In what order the factors affecting loyalty to banking brand from the perspective of Keshavarzi Bank customers in Shahin Dej are prioritized?

4. Research Methodology

The research in terms of objective is practical and in terms of data gathering is descriptive. The statistical society include all customers of all Keshavarzi Bank of Shahin Dej, and given the limitation of the research population, only 382 people were selected as the sample.

4.1. Research Tools

To describe the statistical data, descriptive statistics such as: frequency, percentage, mean and standard deviation were used. For hypotheses' analyzing and testing, the structural equation modeling methodology was used. In this study, the data were collected by using questionnaire in six dimensions expressed (customer satisfaction, responsiveness, reliability, assurance, service quality, perceived value, switching cost) (23 items). The validity of questionnaire was confirmed by using content validity. Also, its reliability was confirmed by using Cronbach's alpha.

5. Results

5.1 Structural modelling (Pathway Analysis Model)

After going through the verification stage of measurement model. It is time to test the relationship between research constructs. To this end, the intended model was

implemented using LISREL software. Given that the root mean square error of approximation (RMSEA) value for the structural model was reported higher than 0.1, some modifications need to be done to accurately estimate the path coefficients to test the research hypotheses. Table 4.12 presents the modification stages of the model. As discussed in structural equation modeling methodology, the researcher should strive to modify the model and advance the stages using the significant difference chi-square value. In this regard, D2 test, which judges through the reduced value of chi-square and its significant difference, was used. Identification of limitations and insertion of additional parameters are two solutions to rally modify the LISREL models. In the identification of limitation approach, if a model is not specified, some certain limitations need to be imposed on the model. The most important strategy utilized in this regard in the Humanities is Zero -restriction. That is to say that we should restrict some specified structural factors of the model to Zero, make some specific structural factors equal to each other, or fix a possible parameter to a reasonable value such as one. Therefore, in the medication of LISREL model of the current study, the method of inserting additional parameters was applied. Therefore, between the existing indices in the model and given the LISREL output in some of them, the covariance error was free and improved by controlling those values.

To investigate whether the modification performed created any significant difference in the model, chi-square test is used. With respect to the dramatic reduction of chi-square value and its great significance, the modified model which used the addition of some paths to release the covariance error parameters in seven steps is accepted. According to the following table, up to six steps, the release of measurement error covariance improves the model, and there is significant difference compared to the previous stage. Since no improvement is observed in stage eight compared with the previous stage and the chi-square value between two models (less than 2.75) is not significance, model seven is approved as the final and fitted model. Thus, here, the parameters estimated in the final modified model can be relied upon and used to test research hypotheses because these indices are measured in a model which indicates no covariance error, and all the paths are predicted which means that the model is in the highest saturated status. As seen in Table 4.12, the initial model reaches appropriate values after six stages in stage seven. After this stage, in stage eight, no statistically significant difference is observed in the reduction of chi-square value, and its reduction is under the critical value of 2.75. Therefore, the operations are restarted to achieve the best covariance matrix. The value of RMSEA reached an acceptable amount in seven models; therefore, modification operation has been ended up, and the parameters estimated in model seven can be statistically reliable (100 %) and we can use it to test

research hypotheses. As such, the theoretical model of research was analyzed with respect to the casual and relational effects.

Table 1: Model to payment hypotheses test

sig	RMSE	df	Max	Min	Fitted models
----	0.128	312	----	01.1362	Model1
1%	0.102	311	75.2	54.1238	Model2
1%	0.098	310	75.2	03.1128	Model3
1%	0.087	309	75.2	95.1068	Model4
1%	0.079	308	75.2	45.1048	Model5
1%	0.072	307	75.2	61.1035	Model6
1%	0.066	306	75.2	19.1031	Model7
0.114	0.066	305	75.2	48.1030	Model8

Research questions using structural modeling and conducted through LISREL software are as follows:

Result	SD	t	Path effect	Study path
Supported	.085	9.62	.82	Service Quality ← Perceived Value
Supported	.111	4.20	.47	Service Quality ← Customer Satisfaction
Rejected	.077	1.94-	.15	Perceived Value ← Customer Satisfaction
Supported	.116	6.88	.80	Customer Satisfaction ← Corporate Image
Supported	.203	2.11	.43	Customer Satisfaction ← Customer Commitment
Supported	.181	3.14	.57	Corporate Image ← Customer Commitment
Supported	.142	4.62	.66	Switching Cost ← Customer Commitment

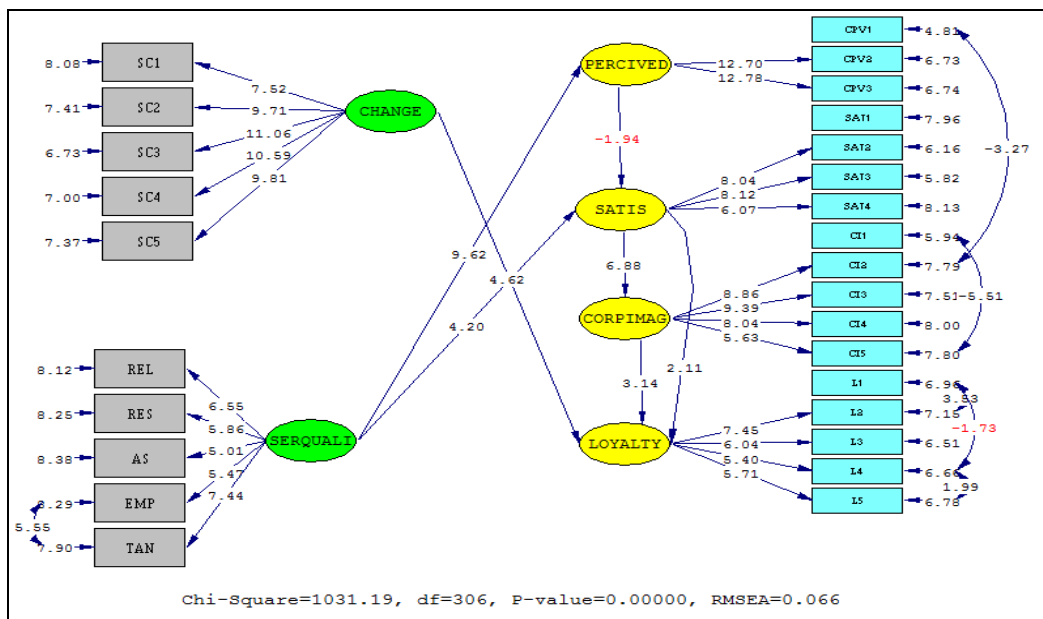


Figure 1: Model result

5.2 Studying the effect of transfer cost on customer loyalty

According to the above table and the estimated research model, the path coefficient of transfer costs on customer loyalty is estimated to be 0.66. The *t*-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can be stated that transfer costs have statistically significant effect on the customer loyalty. Regarding the significance value of this relationship, it can be said that transfer costs exert a significant impact on the customer loyalty, and the more the transfer costs, the higher customer loyalty will be in the form of a linear equation.

5.3 Studying the effect of corporation image on customer loyalty

According to the above table and the estimated research model, the path coefficient of corporation image on customer loyalty is estimated to be 0.57. The *t*-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can be stated that corporation image have statistically significant effect on the customer loyalty. Regarding the significance value of this relationship, it can be said that corporation image exert a significant impact on the customer loyalty, and the more the corporation image, the higher customer loyalty will be in the form of a linear equation.

5.4 Studying the effect of Customer Satisfaction on customer loyalty

According to the above table and the estimated research model, the path coefficient of Customer Satisfaction on customer loyalty is estimated to be 0.43. The *t*-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can be stated that Customer Satisfaction have statistically significant effect on the customer loyalty. Regarding the significance value of this relationship, it can be said that Customer Satisfaction exert a significant impact on the customer loyalty, and the more the Customer Satisfaction, the higher customer loyalty will be in the form of a linear equation

5.5 Studying the effect of Customer Satisfaction on corporation image

According to the above table and the estimated research model, the path coefficient of Customer Satisfaction on corporation image is estimated to be 0.80. The *t*-value for this

parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can be stated that Customer Satisfaction have statistically significant effect on the corporation image. Regarding the significance value of this relationship, it can be said that Customer Satisfaction exert a significant impact on the corporation image, and the more the Customer Satisfaction, the higher corporation image will be in the form of a linear equation.

5.6 Studying the effect of Customer Satisfaction on corporation image

According to the above table and the estimated research model, the path coefficient of Customer Satisfaction on corporation image is estimated to be 0.47. The t-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can be stated that Customer Satisfaction have statistically significant effect on the Services quality. Regarding the significance value of this relationship, it can be said that Customer Satisfaction exert a significant impact on the Services quality, and the more the Customer Satisfaction, the higher Services quality will be in the form of a linear equation.

5.7 Studying the effect of perceived value on Customer Satisfaction

According to the above table and the estimated research model, the path coefficient of Customer Satisfaction on corporation image is estimated to be - 0.15. The t-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated less than 1.96 (4.62). Therefore, there is sufficient reason to not reject null hypothesis, and given the no significance of this value, it can be stated that perceived value have statistically significant effect on the Customer Satisfaction. Regarding the significance value of this relationship, it can be said that **perceived value** exert a no significant impact on the Customer Satisfaction.

5.8 Studying the effect of Services quality on perceived value

According to the above table and the estimated research model, the path coefficient of Services quality on perceived value is estimated to be 0.47. The t-value for this parameter (based on 1 % possibility of error in rejecting null hypothesis for values above 1.96 in each parameter) is evaluated more than 1.96 (4.62). Therefore, there is sufficient reason to reject null hypothesis, and given the significance of this value, it can

be stated that Services quality have statistically significant effect on the perceived value. Regarding the significance value of this relationship, it can be said that Services quality exert a significant impact on the perceived value, and the more the Services quality, the higher perceived value will be in the form of a linear equation.

6. Conclusion

According the estimated research model 68% of perceived value changes is dependent on quality service. 65% Customer Satisfaction changes are dependent with the service quality that is much. Also 63% Customer Satisfaction is dependent on to corporation image and 57% customer loyalty is dependent on Customer satisfaction, corporation image and switching cost. Therefore, bank managers have to consider the service quality, customer satisfaction and, corporation image for increasing customer loyalty in organization.

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