

EFFECTIVE FACTORS ON CUSTOMERS BRAND LOYALTY IN IRANIAN BANKS

Samira Shokati¹(Corresponding Author)

Saeide Mirmajidi hashjin²

AnitaJahangard Karkanroodi³

zhaleh hadaf joo⁴

,Malihe Ashrotaghi⁵

Nader Khodadadi Lazar Jan⁶

¹*MA Students of Business Management, Science and Research Branch, Islamic Azad University, Rasht, Iran*

^{2,3,4,5}*MA Students of Business Management, Science and Research Branch, Islamic Azad University, Rasht, Iran*

⁶*Research Deputy of office of Education and Research, Gilan Province, Iran*

Abstract

Customer displacement is an important issue in the part of communication services, (such as banking) in which, trading models for profitability depend on long-term relationships with customers. Present study is trying to investigate the role that brand can play to retain customers, as well as to promote some of their behaviors, and it per swill leads to company's long term benefits. Brand credibility is considered as an important effective factor on customer of based brand and his/her market share. Brand credibility is a multi-characteristics term that provides brand accuracy to customers. Customer brand loyalty is a type of brand commitment that despite the potential marketing efforts of rivals to overcome the coalition between brand and customer will causes customer's re-buying behavior. Some of the effective factors on brand loyalty in banks are: correct and good delivery, having brand credibility, having physical inventories, accurate bills, data and information that are provided to customer or customers, responding requests and questions, effective cognitive backup, satisfying, value, variation resistance, emotions, trust, brand equity.

Keywords: Brand Loyalty, Customer Loyalty, Banks

1. Introduction

Customer displacement is a significant issue in the part of communication services (such as banking) in which, trading models for profitability depend on long-term relationships with customers. Transactions in this part are trying to deal with satisfaction and service quality as the main instruments to increase retaining customers. Managing customer turnover and displacement is the first priority of service industries such as banking industry. It is accepted that this priority in marketing will provide more extensive and deeper relationship with customers.

Therefore, in general the loss of a customer, with regard to the banking industry, which was an example of a longer-term relationship, and requires establishing a formal relationship between the customer and the company should be investigated (Sweeney & Swait; 2008).

¹corresponding author Email: SHOKATI_SAMIRA20@YAHOO.COM, Tel: +98 - 911 184 4667

Present study is trying to investigate the role that brand can play to retain customers, as well as to promote some of their behaviors, and itself will leads to long term benefits to the company

2. Background of Research

Internal Researches:

1. An article entitled " impact of relationship marketing foundations on customer loyalty": Comparing public and private banks has been performed by "Ranjbariyan and Barari" in 2009. In this paper, the impact of relationship marketing foundation, including commitment, trust, communication and conflict management on customer loyalty, the importance of these variables in customers point of view, and the amount of Bank's success on developing each of these variables, has been studied. The statistical universe of this research is 312 customers of a public and a private bank in Isfahan. The results of research indicate that in public bank four relationship marketing foundation has had a significant positive impact on customer loyalty. In the private bank, also, with the exception of the variable of communications, other variables have had positive and significant impact on customer's loyalty.
2. A survey entitled "investigating the relationship between customer loyalty and brand credibility" (Case study: Parsian Bank) has been performed by " Haghghi, Mohammad"; "Aghazadeh, Hashem"; and "Mousaviyan Amir"; in 2009. This study is trying to investigate the relationship between brand credibility and customer loyalty in Parsian Bank. The results of this study indicate that there is a relationship between brand credibility and commitment to loyalty, but there is no significant relationship between customer satisfaction and continuous commitment. Commitment to loyalty also, has a relationship with customer's willingness to change the brand and purposes of word of mouth recommendations. Moreover, the results indicate that there is a relationship between customer satisfaction, commitment to loyalty, customer's willingness to change brand and supportive activities of word of mouth recommendations. As well as, according to research results, there is no significant relationship between continuous commitment and customer's desire to change the brand.
3. A survey entitled "investigating the effect of brand credibility on customer loyalty by approach of health products" (case study: toothpaste Darougar) is performed in 2010 by "Mahdiyeh Amani". This study has tried to evaluate the impact of brand credibility on customer loyalty of toothpaste product of Darougar Company. The results indicate that there is a significant relationship between increasing the necessity of loyalty and reducing change of its tendency and increasing word of mouth supportive activities. As well as, there is a significant relationship between increasing necessity of brand commitment and reducing the change of its tendency. Results of this study also suggest that there is no significant relationship between customer satisfaction and necessity of loyalty, and reducing the changes of tendency to other brands, while there is a significant relationship between customer satisfactions and increasing supportive proposed activities. Moreover, according to research results there is no significant relationship between brand credibility and customer satisfaction and necessity of loyalty, but there is a significant relationship between brand credibility and necessity of stability.
4. A survey entitled "investigating the effect of brand credibility on customer loyalty in banking industry" has been done by "Kambiz HeidarZade" et al in 2011. The results of this research showed that brand credibility has direct impact on loyalty and customer satisfaction, therefore, service brand managers should recognize key role of brand

credibility in managing current customers. Brand credibility pay attention to brand trustworthiness and its expertise to do what has promised

5. External (Foreign) Researches:

1. A survey entitled "the effects of brand credibility on customer loyalty" has been performed by "Jill Sweeney" and "Jeffrey Suite" in 2008. The results indicate that increasing loyalty commitment will lead to reduction of willingness to change, while will increase word of mouth advertising. Moreover, the results suggest that increasing the continuous commitment will lead to a reduction of tendency to change. According to the research results, increasing satisfaction will result in increasing loyalty commitment and word of mouth advertising; while will lead to reduction of willingness to change. As well as the results indicate that increasing brand credibility will lead to increasing satisfaction, loyalty commitment and continuous commitment.
2. A survey entitled "Analyzing the results of brand credibility in loyalty to services" has performed by "TeHyun Baik" and "Karen White Hill King," in 2011. According to the results of the study, there is a positive relationship between brand credibility and perceived quality, perceived risk, data cost savings and perceived value for paid money. Moreover, the results suggest that there is a negative relationship between perceived risk and intention of purchasing brand; while it has negative relationship with the data cost savings. As well as, there is a positive relationship between perceived qualities, data cost savings, perceived value for paid money with intention of purchasing brand.
3. "Wang" et al (2004) in their study emphasized on direct and indirect effect of customer expected value on customer behavior.

Research Theoretical Framework

4. The Role of Brands in the Field of Service

Brand, as the research of "Erdem" and "Suites" (1998) indicate, is an important communication tool in the collection of company's customer relationship management (CRM). The study that is made based on information of economic sample is used in product, and suggests that brands are valuable to consumers because of two reasons:(1) because they reduce the perceived risk of consumption and(2) because of their cost saving indecision making. The basis of these statements is that, brand is ineffective sign of market, which the company will expand it to pay attention to market asymmetry. In other words, consumers are less aware about a company's products or services in comparison to the company, therefore it will be in unfavorable conditions, which eventually will lead to consumer uncertainty about the product(Sweeney &Swait, 2008).

Although the same argument directly is not applicable about services, there is also information asymmetry among consumers of service. It essentially will provide amount of uncertainty in consumers about (1) promises that the company has promised the mind the ability and willingness to their fulfillment and(2) the advantage of maintaining a long term relationship with of service providers to consumer

This asymmetry, will lead customer to unfavorable condition in relation with company. Hence, the company to compensate this uncertainty, try to show its willingness to fulfill a service promises to customers, will be motivated. Brands will lead consumers influence companies, and encourage them to behave appropriately, i.e. makes force companies to fulfill their promises to consumers (Hanifi, 2010). Brand will adds the value of company in two ways: initially will force customers to development concentrate and awareness, then remind current customers to think about company and will do this appropriately. In latter one, the concept of developing a

relationship will be significant with brand. Brand can be described as a mechanism to involve the buyer and seller in a long term relationship and play an important role to creating this relationship. Therefore, brand can be act as a defensive marketing instrument in order to retain current customers as well as, an offensive marketing instrument to attract new customers.

The importance of defensive marketing in the context of services will be remarkable by knowing this fact that the cost of attracting a new customer is much more than the cost of maintaining an existent customer. It is important to understand that in the context of services, the main service brand, and relevant organization often have same meaning. Consequently, identifying brand will adopt wider concept in the context of service. In the field of relationship service, brand is concentrated on the experience of customer about relevant organization, as well as the way of formation brand meaning and understanding. (Ibid)

Brand development, will play a special role in service firms, because powerful brands increase the trust of customers towards invisible purchasing. Powerful brands will lead customers to better imagine and understand intangible products and goods. They reduce the customers' perceived financial, social and security risk in purchasing services that evaluating their priorities is difficult.

The intangibility of a product does not mean that brand development for services in comparison to products is less important than brand for services in comparison to products; just its application in some aspects is slightly different. Assuming natural difficulty in discriminating between products that are without physical differences and intensive competition within services markets that most of them are lawless, brand development in service is crucial. A powerful brand is "a safe place for customers". Invisibility of services will cause their purchasing from a safe place being an attractive proposition to customers(Berry, 2000).

A powerful service brand fundamentally is the promise of future satisfaction that is a combination of what the company says about the brand, what others say about it, and how the company will perform services, and all this are from a customer point of view (Ibid).

5. Customer Loyalty

In terms of marketing strategy, customer brand loyalty is considered as one of the most important results. Customer brand loyalty is a kind of brand commitment that despite the potential marketing efforts of rivals to overcome the coalition between brand and customer will causes customer's re-buying behavior (Alam& et al, 2012).

In addition, a crucial and important factor to continue success of an organization is its ability and capacity to maintain current customers and making them loyal (Aydin and Ozer, 2005). Many authors have emphasized the relationship between customer loyalty and business performance. Loyal customers not only promote the value of business, but also will cause business undergo lower costs in comparison attract new customers (Beerli et al., 2004).Maintaining customer has a significant and considerable impact on bank profitability. It is estimated that a 5 percent increase in customer maintenance will lead to 25 to 150 percent increase of banking earnings.(Jabnoun and Al-Tamimi, 2003)

If customers believe that a company fulfills its commitments and what have promised to do in the area of service quality, i.e. its performance (expertise) have been good, this directly result in more satisfaction [Sweeney and Swait, 2008,181]

6. Effective Factors on Brand Loyalty from Taylor and Et Al Perspective:

Satisfaction, value, resistance to change, emotion, trust, brand credibility, brand equity (Taylor et al; 2004) also the results of the studies show that brand credibility has direct effect on commitment to loyalty. In other words, it can be expressed brand credibility will increase

commitment to loyalty (Heidarzade& et al; 2011). There is a powerful, positive and significant relationship between brand credibility and brand loyalty (Alam& et al, 2012) There is a positive relationship between customer loyalty and brand credibility (Chaudhuri et al; 2010).

Increasing commitment to loyalty will lead to reduction of willingness to change; however, it will increase word of mouth advertising. Moreover, the results suggest that increasing continuous commitment will reduce the tendency toward variation. Increasing brand credibility will lead to increasing satisfaction, commitment to loyalty, and continuous commitment (Sweeney, Jill. And Swait, Joffre; 2008)

Companies, in order to gain loyal customer satisfaction need to move beyond their expectations, otherwise, it is possible customers move toward another supplier and probably based on the quality of products and services that have received from competitors will be able to change other customer's ideas. After all, going beyond customer expectations does not indicate all dimensions of loyalty. Some effective factors on loyalty in banks are listed by Stone and Jacobs as follows:

- Correct and good delivery
- Having physical inventories
- Accurate bills
- Data and information that are provided to customer or customers
- Responding requests and questions
- Effective cognitive backup(Stone and Jacobs; 2000)

7. Discussion and Conclusion

Nowadays, organizations, on the basis of the low number of customers and interest to attract loyal customers, attempt to develop strategies to attract such customer hardly. Therefore, the main purpose of this research is studying effective factors on customer brand loyalty. In this paper, according to performed studies by researcher, in all cases, there is a direct positive relationship between brand credibility and customer loyalty. As well as studies have indicated a relationship between having physical inventories, accurate bill, responding requests and questions, providing information to customers, effective cognitive backup, satisfaction, word of mouth advertising, emotions, brand equity, providing services, respecting customers.

Resources

- 1) Aydin, Serkan. and Ozer, Gokhan. (2005), "The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market", *European Journal of Marketing*, Vol. 39, No. 7/8, pp. 910-925.
- 2) Abdullah Alam , M. Usman Arshad, S .A.(2012) ," Brand credibility, customer loyalty and the role of religious orientation", *Journal of Marketing and Logistics*, Vol. 24 No. 4, pp. 583-598
- 3) Beerli, Asuncion., Martin, Josefa D. and Quintana, Agustin. (2004), "A model of customer loyalty in the retail banking market", *European Journal of Marketing*, Vol. 38, No. 1/2, pp. 253-275.
- 4) Berry, Leonard L. (2000) « Cultivating service brand equity» *Journal of Academy of Marketing Science*, , Vol. 28, No. 1, pp. 128-137
- 5) Chaudhuri, A. and Holbrook, M.B. (2001), "The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty", *Journal of Marketing*, Vol. 65 No. 2, pp. 81-93.
- 6) Erdem, Tulin. and Swait, Joffre. (2004), "Brand credibility, brand consideration, and choice", *Journal of Consumer Research*, Vol. 31, No. 1, pp. 191-198.

- 7) Hanifi, R. (2010). "explained customer loyalty to the brand, with an emphasis on advertising activities (case study: national banks, national, exports, Bank, business, city of Rasht), Master's thesis
- 8) HaidarZadeh, K and Ghaffari, F.S. (2010). "The effect of brand credibility on customer loyalty in banking industry of Iran", Journal of Management Studies, No. 88
- 9) Hersey, P., Belanchard, K. H., & Johnson, D. E. (2007). "Management of Organizational Behavior", Pub. Prentice-Hall of India Privat Limited; ED; New Delhi.
- 10) Jabnoun, Naceur. and Hassan Al-Tamimi, A, Hussien. (2003). "Measuring perceived service quality at UAE commercial banks", International Journal of Quality and Reliability Management, Vol.20 No.4, pp 458-472
- 11) Ranjbarian, B. and Barari, M. (2009), "Foundations of relationship marketing on customer loyalty: A comparison of public and private banks", Journal of Business Administration, second edition.
- 12) Sweeney, J And Swait, J. (2008). "The effects of brand credibility on customer loyalty", Journal of Retailing and Consumer Services, Vol. 15, No. 3, pp. 179-193
- 13) TajSadehnamin, A. and Allah Yari, S and TajSadehnamin, S. (2010). "Customer Loyalty Evaluation) Study: Tehran City Bank "