An Assessment of Loyalty of Bank Customers

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This study is conducted to examine the effect of satisfaction, value received, image, attachment and trust on loyalty. The scope of this study is limited to the banking services only. Data for the present study has been collected through survey method from the population of Delhi. With the variables of satisfaction, value received, image, attachment and trust, a statistical calculation known as regression analysis is run to determine their effects on loyalty behaviour. Also a correlation matrix is made to check the interdependence of variables.

Keywords: loyalty, bank, Delhi, regression, correlation

Introduction

Understanding consumers' choice is most tough task. However companies have to take efforts to understand this process properly if they want to retain their customers in this competitive world. Reichheld and Sasser, (1990) indicate that five percent increase in customer retention can increase a firm's profit by 100% over the long term. Retained customer continues his/her exchange process with the same firm. This continuing customer increases the profits of the firm by increasing his/her purchase spending, purchasing at full price or even at high prices and most important by attracting new customers. Thus the marketing managers should concentrate on retaining customers or to build up loyal customers (Aggarwal, 2011). The degree of loyalty can be gauged by tracking the customer accounts over defined time periods and noting the degree of continuity in patronage (Yi and Jeon, 2003). Management should strive to uncover what drives loyalty in their business and exploit those drivers to the benefit of their firm. Loyalty in turn breeds retention which translates into higher profits for the company (Aggarwal, 2011).

Customer loyalty, which in this highly unpredictable market can be called as a mandatory requirement, is very difficult to achieve. A company might be doing very well and also its customer is very satisfied and is strongly willing to repurchase from the company. But any unfavourable situation like, promotional schemes by competitors, new brand in market, non-availability,

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etc. can take this loyal customer far away from the company (Aggarwal, 2011). In order to increase customer loyalty, many banks have introduced innovative products and services (Alam and Khokahar, 2006) to attract more customers.

Marketing managers are always keen to determine which actually increases loyalty among the customers. Thus it becomes interesting to determine that what drives loyalty. The goal of this research is to find the factors of customer loyalty for banking industry of Delhi.

An analysis of previous literature is made to extract the factors influencing loyalty behaviour. Bloemer and Ruyter (1998) provide that satisfaction occurs through matching of expectation and perceived performance. Ortmeyer et al., (1991) and Mittal (1994) contend that while taking a purchase decision, consumer always brings in mind the brand that he/she purchased for the last time and if he/she is satisfied with that brand, his/her probability of loyalty increases. Hallowell (1996), Arora and Shaw (2002), Taylor, et al., (2004) also identify that when the consumers are satisfied they were more likely to loyal.

Moreover value in general refers to benefits minus cost where cost refers to amount of money paid to acquire the product and benefits refer to the outcomes arising because of its use. Customers expect that the money paid for a product/service must yield more return in terms of benefits. Thus a product/service that proves good on the criteria of value for money delivers good value to the consumer. He/she feels more satisfied since the brand is giving outcome more than the money spent. More value derived from a particular purchase encourages him/her to exhibit loyalty behaviour.

Further image represent the symbolic reference which makes it different from other available alternatives. Image again leads to loyalty.

Lassar et al., (1995) find that when the customer is attached with a brand, he/she becomes loyal towards it.

Furthermore, Lassar et al., (1995); Chaudhuri and Holbrook (2001); Delgado-Ballester and Munuera-Aleman (2001); Ball (2004) and Zboja and Voorhees (2006) analyse that trust also drives loyalty behaviour.

Thus previous literature states that various factors affect the loyalty behaviour but however all these factors are not incorporated in a single study. Hence in this study, satisfaction, value received, image, brand familiarity and trust are the various factors which have been selected for the purpose of research.

Data Collection and Research Methodology

Data for the present study has been collected through survey method from the population of Delhi. Only those people are targeted who are the main earning source of their family like professionals and businessmen. The reason behind choosing such category of people is that the use of banking services is very frequent in such class of people.

The survey has been administrated personally. A total of 250 questionnaires were distributed, with 219 usable surveys returned; this represents 87.6% response rate.

Out of the total respondents, male consisted of 65% of population and females comprised of 35%. The age profile represented that 46% of people were of 25-40 years, whereas 35 % people were of 41- 54 years, rest of the people that is, 19% of people were of 55+ years of age.

The scope of this study is limited to the banking services only. The reason for selecting banking services was that the professionals and businessmen are assumed to provide more accurate information as they interact with banking services on daily basis.

Measures of Variables

This study is conducted to examine the effect of satisfaction, value received, image, attachment and trust on loyalty. Following is the discussion with regard to the measures used in the study.

Satisfaction: Satisfaction is defined as pleasurable fulfilment. That is, when the need, desire or goal of the consumers gets fulfilled in such a way that fulfilment is pleasurable, then it becomes satisfaction. Further on, Fornell (1992) suggests that satisfaction can be assessed directly as an overall feeling. He further adds that customers have an idea about how the product or service compares with an 'ideal norm'. Bloemer and Ruyter (1998) provide that satisfaction occurs through matching of expectation and perceived performance. Satisfaction is measured with the help of scale items as mentioned by Taylor et al., (2004) which have been copied from Oliver (1997) and Sirdeshmukh et al., (2002). These scale items are as under. 'The bank has exceeded my expectations.' 'The bank is among the best I could ever avail.' 'The bank is exactly what I needed.' 'My choice to buy the services of this bank is wise one.' 'I am satisfied with my decision to buy the services of this bank.' 'I am sure that it is right thing to do to buy the services of this bank.' 'Using the services of this bank has been a good experience.' 'I have been delighted with the services of this bank I am evaluating.' The response to these items is to tick one of the scale of seven-point Likert scale, 1) Highly satisfied, 2) Satisfied, 3) Satisfied somewhat, 4) Neutral, 5) Dissatisfied somewhat, 6) Dissatisfied, 7) Highly dissatisfied (c.f. Aggarwal, 2011).

Value: Taylor et al., (2004) has defined the term value by giving the reference of Oliver (1999) which asserts that "value" is indeed a unique construct from satisfaction and quality. He proposes a nomonological net model depicting satisfaction and value as existing both prior to consumption as well as post-consumption. He envisions these constructs as coexisting and influencing one another, as well as outcome variables such as loyalty, as consumers make consumption judgments across time. The value has been measured with the help of three scale items as used by Taylor (2004) which have been copied from Lasser et al., (1995). The items are 'The bank I am evaluating offers good value for the price I paid.' 'The bank I am evaluating provides customers with a good deal.' 'I consider the bank I am evaluating to be a bargain for the benefits I am receiving.' These statements are to be rated on a seven-point Likert scale 1) Strongly agree, 2) Agree, 3) Agree somewhat, 4) Neutral, 5) Disagree somewhat, 6) Disagree, 7) Strongly disagree (c.f. Aggarwal, 2011).

Image: One more independent variable is added to this study named as "image". Lassar et al., (1995) has defined image as "the consumer's perception of the esteem in which the consumer's social group holds the brand. It includes the attributions a consumer makes and a consumer thinks that others make to the typical user of the brand". It has been analysed with the help of four multi-scale items borrowed from Lassar et al., (1995). These items are 'The bank fits my personality.' 'I would be proud to attach to this bank.' 'This bank will be well regarded by my friends.' 'In its status and style, this bank matches my personality'. These statements were again rated on a seven-point Likert scale 1) Strongly agree, 2) Agree, 3) Agree somewhat, 4) Neutral, 5) Disagree somewhat, 6) Disagree, 7) Strongly disagree (c.f. Aggarwal, 2011).

Attachment: Lassar et al. (1995) identified attachment as, "the relative strength of a consumer's positive feelings toward the brand". When a customer uses a brand and it meets his/her requirements, it generates positive feelings, and thus he/she develops certain attachment with the brand that encourages him/her to buy the same brand again and again. As specified in Lassar et al. (1995), respondent is considered attached with a bank if he/she gave high scores to three statements–"After using this bank I have grown fond of it," "For this bank I have positive feelings," "With time, I will develop warm feelings towards this bank".

Trust: Trust is defined as willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri and Holbrook, 2001). Trust upon a brand helps in increasing loyalty since consumer having high trust believes the brand is in conformity with his/her interests. Consumer attitude towards trust has been measured as a four-item index: "I trust this bank," "I rely on this bank," "This is an honest bank," and "This bank is safe." These statements are akin to Chaudhuri and Holbrook (2001).

Loyalty: This is the dependent variable of the study. As per Oliver (1999), loyalty consists of three aspects involving commitment towards brand irrespective of price change, recommendation, intention and repeat purchase patronage. Also Rowley (2005) provide that consumers demonstrate their loyalty behaviour in any of the three ways, first staying with the same brand; second one includes increasing the number of purchases or frequency of purchase and the last one they exhibit by acting as advocates of the brand. To cover these three aspects, this study measures the concept of loyalty with the help of five statements partly taken from Chaudhuri (1999) and partly from Chaudhuri and Holbrook (2001), 'I am committed to this brand.' 'I will pay a higher price for this brand over other brands.' 'I will recommend this bank to others.' 'I will buy the services of this bank the next time.' 'I intend purchasing the services of this bank again and again.' These statements are again rated on a seven-point Likert scale 1) Strongly agree, 2) Agree, 3) Agree somewhat, 4) Neutral, 5) Disagree somewhat, 6) Disagree, 7) Strongly disagree (c.f. Aggarwal, 2011).

Hypothesis Development

To reiterate, this study is conducted to examine the effect of satisfaction, value received, image, attachment and trust on loyalty. Thus the following hypothesis has been set.

H1: Satisfaction and customer loyalty has positive relationship.
H2: Value received and customer loyalty has positive relationship.
H3: Image and customer loyalty have positive relationship.
H4: Attachment and customer loyalty has positive relationship.
H5: Trust and customer loyalty have positive relationship.

Reliability and Validity

Multi-items scales for each of the constructs mentioned above are borrowed from the previous research. However as these scale items have been used in context of different products and environments (country), thus validity and reliability of items is checked. After that the various hypothesis are examined and implications are made.

Reliability: As suggested by Churchill (1979), to check the internal consistency of items, coefficient alpha is calculated. According to Nunnally (1978), the value of 0.7 or above is taken as acceptable measure. These scales satisfaction, value received, image, attachment, trust and loyalty have high coefficient alpha (.87, .73, .77, .81, .85, .88 respectively) for reliability.

Validity: Validity of scale items is checked through content validity and construct validity.

Content Validity: Content validity means each item of the scale deals effectively with the content of the construct that has to be measured (Odin et al., 2001). In this study, content validity is ensured as the underlying dimensions are taken from literature and thoroughly reviewed by professionals and academicians.

Construct Validity: Construct validity means proving that a construct is actually measuring that what it is supposed to do. According to O'Leary –Kelly and Vokurka (1998), convergent validity measures the degree to which a construct actually measures its besieged value. As suggested by O'Leary –Kelly and Vokurka (1998) and also employed by Lin and Chen (2006), in order to check the construct validity, factor loading of all scale items was observed. Chiu (2003) provide that if the factor loading is equal to or above, 0.5, then the measures are said to have construct validity. Values displayed in Table 1 shows the presence of construct validity since factor loading of none of the item is below 0.5.

Table 1: **Factor loading of scale items**

Satisfaction	Value	Image	Attachment	Trust	Loyalty
0.914	0.932	0.671	0.765	0.861	0.824
0.725	0.930	0.761	0.674	0.659	0.811
0.723	0.921	0.712	0.813	0.763	0.814
0.773	-	0.864	-	0.698	0.756
0.702	-	-	-	-	0.747
0.739	-	-	-	-	-
0.598	-	-	-	-	-
0.549	-	-	-	-	-

Method

This study has examined the relationship of satisfaction, value received, image, attachment and trust with loyalty. For the purpose of analysis, a regression equation is estimated through ordinary least square (OLS). The relationship between Y (dependent variable) and Xs (independent variables) is specified as under:

$Y = \alpha + \beta$satisfactionXsatisfaction + βvalue receivedXvalue received + βimage Ximage + βattachmentXattachment + βtrustXtrust + μij   Equation: 1

Where Y refers to loyalty behaviour; α is constant; β is the vector coefficient of X. μi refers to the error term which reflects a number of different aspects that cannot be observed by a researcher such as measurement errors, omitted variables etc. All the above stated variables are with regard to specific individual i for the brand j that he/she is using currently. After conducting regression analysis, a correlation matrix is solved to check the interdependence of various variables. Eviews 5 is used to analyse the above mentioned relationship.

Results And Discussion

All values are put into Eviews 5 to obtain the results. The results after running the model are presented in Table 2.

Table 2. **Regression results and Correlation matrix**

Regression results Variable	Coefficien (T-ratio)	Correlation matrix Loyalty Behaviour	Satisfaction	Value	Image received	Attachment	Trust
Constant	75.48 (7.56)*						
Loyalty behaviour	-	1					
Satisfaction	2.78 (3.09)***	0.858**	1				
Value received	2.53 (2.93)**	0.776*	0.523**	1			
Image	1.69 (2.06)***	0.685**	0.513*	0.613**	1		
Attachment	1.63 (2.30)**	0.653**	0.414**	0.511*	0.323*	1	
Trust	1.61 (2.03)**	\0.679*	0.503*	0.274*	0.279*	0.736**	1
R^2	0.79						

Note: *,** represent significance at 1%, and 5% respectively.

The above stated model is a good fit since R2 constitutes 0.74. The higher the value of R2, greater is the % of variation of Y, explained by regression, that is, better the goodness of fit (Gujarati, 2004). The above model explains 79% of total variation in Y. All the above stated variables are found to be significant which means all the hypothesis are accepted. As per the results of Table 2, satisfaction is found to be the most important factor influencing loyalty behaviour of the customers with highest coefficient value of 2.78. Trust least influences loyalty behaviour (1.61) leading by attachment (1.63), image (1.69) and value received (2.53) respectively.
Correlation matrix shows that satisfaction and loyalty are related (0.858) which means as the customer is satisfied, he/she becomes loyal. Positive correlation between value received from the bank and satisfaction (0.523) shows that more the value received, more satisfied the customer will be. However a high correlation between image and value received is observed (0.613) which means that customer is impressed by the image of the bank which further influences his/her satisfaction level (0.513). Brand attachment and value received (0.511) effect each other and thus influencing satisfaction level (0.414). Moreover trust also plays an important role in building up satisfaction level (0.503).

Thus it is observed that satisfaction plays a dominant role over value when assessing customer loyalty.

Conclusion

This study provides that no doubt loyalty of the customers depends upon various variables. However satisfaction plays an important role in influencing loyalty. But however, for the banking customers, value received is also important as satisfaction. It means customers want to derive full value for the prices they have paid. And it is obvious that when the customers are getting full value in return of prices paid by them, they will be automatically satisfied.

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