A Study of the Key Factors in Qazvin Mellat Bank customers' Effective Loyalty

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ABSTRACT

The aim of the research is to explore contributing factors in customers’ effective loyalty in Qazvin Mellat Bank. The research is a survey research whose statistical population consisted of all customers referred to all branches of the province. The measurement instrument of the study is questionnaire and a number of 150 questionnaires were distributed in six eclectic branches in the province, of which 142 individuals completed the distributed questionnaires. In this study, data analysis was performed at two levels—descriptive and inferential. The results indicated that all variables (flexibility, reliability, time, service, quality and price) had a positive and direct linear relationship to loyalty, i.e. increase in each of the variables could increase loyalty. However, two linear models and goodness of fit were used to make sure the stability of linearity. In the end, ratings of variables—reliability, quality, flexibility, time, price and services—addressed using multiple regression model.

KEY WORDS: reliability, quality, flexibility, time, price and services.

INTRODUCTION

Statement of the problem and its introduction: in customer strategy, loyalty takes on strategic importance to every organization. Loyalty is an affirmative term. Friends and spouses expect one another to be loyal, so everyone who understand difficulties and take part in fixing them are expected to be loyal. In most cases, loyalty is attributed to people, companies and products. It is practically bilateral and based on collaboration. However, the traditional definition does not work when it comes to customers. Dick and Basu (1994) viewed loyalty as the power to build up a relationship between narrow attitude toward the presence of (brand, service, etc.) and repeat purchase. Oliver (1996) defined the concept of loyalty as “maintaining a deep commitment to purchase or re-selecting a product or service continually in the future in the face of situational changes and potential marketing efforts which can in turn change customer’s behavior”. However, the definition may seem shallow. As a matter of fact, customer’s commitment derive from the factors identified by organization and advantages provided for customers, in the sense that they keep purchasing the products of the organization. In other words, genuine commitment of customers is demonstrated when customer himself is prompted to purchase without any reward.

Statement of unknown and ambiguous dimensions; the term loyalty has been widely used in banks since the privatization of the industry. Undoubtedly, the industry requires programs that can make customers more loyal. Therefore, realization of such outcome require us to develop and establish loyalty programs successfully. However, in the execution of the plans, there are key factors that their type and share have yet to be recognized. In other words, it is not clear whether all factors have equal effect or their key functions outweigh others.

Research literature:

In regard to the key factors in customers’ loyalty, there has been a considerable body of research that we mention them to some extent in what follows;

Khorshidi and Kardgar (2009) conducted the study identifying and rating the most important factors influencing customer’s loyalty in Bank Maskan. The research was undertaken in the three headquarters of Tehran with the aim of examining customers’ attitude toward factors bringing about loyalty. In the study, three aspects of employees’ competency factors, service factors, and physical and environmental factors were separately addressed.
Hamidizadeh et al (2009) developed and explained private bank customers’ loyalty process. In the study, key factors in loyalty were first detected, and then how dependent and independent variables interact in the form of a model were tested. The proposed loyalty model included trust and commitment variables at the primary level. The latter two variables as key mediating variables are proved to be a known relationship in establishing long-term relations in the B2B environment and marketing, whose effects on the service loyalty model in the B2C environment were examined and confirmed. Moreover, the loyalty model was assessed and tested in the second layer, i.e. a variety of cognitive and affective related variables influencing the shaping of the different trust and commitment levels, among which the key factors were identified and their linkage was built in the form of final loyal model. In the end, relying on the results, practical suggestions were offered in order to promote customer’s loyalty on the part of executive and marketing directors, as well as some suggestions for future studies.

Kaffash et al (2009) conducted a study that aimed to identify and prioritize factors associated with Bimeh Iran (Iran Insurance Co.) customers’ loyalty, applying a European customer satisfaction model in which the three factors—customer satisfaction, perceived image of the company, and the perceived quality of a software—were taken into consideration.

In the study, a number of 310 questionnaires were distributed among the insured of Bimeh Iran Company, of which 267 questionnaires were completed. The result indicated that all identified factors influenced Bimeh Iran Company customers’ two main loyalty indicators—repeat purchase and suggestion to others—at the 95 percent level of confidence.

Fahimifard et al (2009), in a study, identified customer’s loyalty maker variables in the Mashhad Municipality’s markets using fast response organization model. In the model, the six-fold factors—price, quality, services, time, reliability, and flexibility—were led to satisfaction and made a difference in customer loyalty. The results indicated that as each of the six-fold variables—price, quality, services, time, reliability and flexibility, increased by 1%, so did customers’ loyalty to the Mashhad Municipality’s markets by 0.65 and 0.85, 0.75, 0.84, 0.93, and 1.3 percent. Since price and quality were the most important factors in the loyalty of citizens to the Mashhad Municipality’s markets, it was suggested that the organization take more effective measures in this respect.

Using fast response organizations (FRO) model, Hamidizadeh and Ghamkhari (2009) explored customer’s loyalty level at Shahrvand Chain Stores based in Tehran, considering the significance of product distribution at society level and establishment of chain stores so as to modify distribution system. The population of the study included Shahrvand’s customers and the statistical sample was estimated to be 150 individuals according to stratified cluster random sampling. By data analysis, each of the six dimension of the fast response organization model could made a difference in the loyalty of Shahrvand customers, but the amount of the dimension effect on their loyalty was varied.

The review of the research suggest that there has been little investigations into determining factors in customer loyalty based on fast response organization model. For this reason, one of the objectives of the study is to extend further the application of the model, besides exploring and rating FRO and the key factors in Mellat Bank customers’ loyalty.

Research Objectives:

Ideal objective: to raise national knowledge about customer orientation

Overall objective: to increase the efficiency of Mellat Bank

Special purpose: to investigate the factors influencing the loyalty of Mellat Bank customers

Practical objectives:

1. Goal setting for different branches of Mellat Bank in order to make an effort to quantitatively promote the level of customer’s satisfaction and loyalty
2. Utilization of customer satisfaction in order to assess the performance of the bank’s branches (local, regional, and district) as a supplementary benchmark
3. Application of the research as a benchmark and index introducible to successful branches of the bank
4. Application of the research as a benchmark and index for offering motivational reward to different branches of the bank.
5. Application of the research to introducing the advanced customer-oriented branches and customer respect

FRO model:

The model is viewed as the best model for identifying the key factors in loyalty in the service institutions. In the model, six indicators are used, in that each has a special contribution to the increase of customer loyalty; price, quality, reliability, flexibility, time and services. The purpose of the model is to examine to what extent the amount of loyalty goes up as each indicators increases.
Other models such as factors influencing customer loyalty in hotels, restaurants, stores, etc., all of which are derived from the dynamic and European model with little changes that we do not point out to them here.

Research hypothesis:
Given the research model, the following hypotheses are presented:

Main hypothesis: there is a significant relationship between Fast Response Organization (FRO) model and Mellat Bank customer’s effective loyalty.

Sub-hypothesis:
A. There is a significant relationship between flexibility and Mellat Bank customer’s effective loyalty.
B. There is a significant relationship between reliability and Mellat Bank customer’s effective loyalty.
C. There is a significant relationship between services and Mellat Bank customer’s effective loyalty.
D. There is a significant relationship between time and Mellat Bank customer’s effective loyalty.
E. There is a significant relationship between quality and Mellat Bank customer’s effective loyalty.
F. There is a significant relationship between price and Mellat Bank customer’s effective loyalty.

Testing hypotheses:
In this section, we deal with the analysis of the research variables. To do so, a t-test was first used for two independent groups as well as F test for several independent groups in order to find the effect of personal queries (gender, marital status, education degree, and career) on the dependent variable (loyalty). Hence if it works in the final analysis, the results will be used for finding the relationship. Afterward, how dependent (loyalty) and independent variables are correlated will be explored using the nonparametric measure Spearman correlation coefficient and the parametric measure Pearson and simple and multiple linear regression analysis.

Comparison of the mean of male’s loyalty with female’s loyalty

<table>
<thead>
<tr>
<th>gender</th>
<th>mean</th>
<th>(F) Levene’s statistic</th>
<th>Significance level</th>
<th>t statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>female</td>
<td>3.92</td>
<td>5.56</td>
<td>0.02</td>
<td>1.64</td>
<td>0.06</td>
</tr>
<tr>
<td>male</td>
<td>3.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since the male and female groups are independent and the distribution of loyalty variable is normal, it can be said that independent t test is used for the above hypothesis test, but we need to know whether female and male loyalty variances are equal or not. To do so, equality of variances test is first performed. The value of the equality of variances test statistic (5.56) and the significance level (0.02) were obtained; as it is less than 0.05, we conclude that the variances of either group are not equal. In conclusion, equality of variances test is used that includes t distribution, and t statistic is here equal to 1.64 along with the significance level 0.06. Again, it is concluded that females’ and males’ loyalty are not different.

Comparison of the mean loyalty based on marital status

<table>
<thead>
<tr>
<th>gender</th>
<th>mean</th>
<th>(F) Levene statistic</th>
<th>Significance level</th>
<th>t statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>married</td>
<td>3.00</td>
<td>1.26</td>
<td>0.26</td>
<td>1.13</td>
<td>0.26</td>
</tr>
<tr>
<td>single</td>
<td>2.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The value of Levene statistic was measured 1.26, and the significance level was obtained 0.26, which indicates the equality of loyalty variance across married and single groups. T statistic of the mean loyalty of both groups (1.13) and the significance level (0.26) indicate that the loyalty of both groups is not significantly different.

**Comparison of the mean loyalty based on education degree**

<table>
<thead>
<tr>
<th>Degree of freedom</th>
<th>F statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education degree</td>
<td>137 ( \neq 4 )</td>
<td>0.418</td>
</tr>
</tbody>
</table>

Since the number of education degree categories is more than two, F-test variance analysis is used for equality or inequality of loyalty mean in case of the categories. The test statistic is 0.418 and the significance level is 0.795, showing lack of significant difference in the loyalty of different education degree categories.

**Comparison of the mean loyalty based on careers**

<table>
<thead>
<tr>
<th>Degree of freedom</th>
<th>F statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Careers</td>
<td>139 ( \neq 2 )</td>
<td>0.13</td>
</tr>
</tbody>
</table>

The test statistic 0.13 and the significance level 0.88 indicate lack of significant difference in the loyalty of different careers.

**Comparison of the mean loyalty based on the frequency of referring to banks**

<table>
<thead>
<tr>
<th>Degree of freedom</th>
<th>F statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of referring</td>
<td>137 ( \neq 4 )</td>
<td>0.36</td>
</tr>
</tbody>
</table>

The test statistic 0.36 and the significance level 0.84 indicate lack of significant difference in the loyalty based on the frequency of referring to the bank.

**Research hypotheses:**

1. There is a significant relationship between flexibility and effective loyalty of Mellat Bank customers.

To examine the correlation between flexibility and loyalty, Pearson correlation coefficient has been used.

**Correlation coefficient of flexibility and loyalty variance**

<table>
<thead>
<tr>
<th>result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>(&lt;0.001)</td>
<td>0.278</td>
<td>Pearson</td>
<td>flexibility</td>
</tr>
</tbody>
</table>

Correlation coefficient of flexibility and loyalty is equal to 0.278 with a significance level close to zero, which indicates a direct relationship of both variables; that is, as flexibility increases, so does loyalty.

It can be said that:

There is a significant relationship between flexibility and effective loyalty of Mellat Bank customers.

2. There is a significant relationship between reliability and effective loyalty of Mellat Bank customers.

In order to examine the correlation between reliability and loyalty, Pearson correlation coefficient has been used (because distribution of reliability and loyalty is normal).

**Correlation coefficient of reliability and loyalty variance**

<table>
<thead>
<tr>
<th>result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>(&lt;0.001)</td>
<td>0.476</td>
<td>Pearson</td>
<td>Reliability</td>
</tr>
</tbody>
</table>

Correlation coefficient of reliability and loyalty is equal to 0.476 with a significance level close to zero, which indicates a direct relationship of both variables; that is, as reliability increases, so does loyalty.

It can be said that:

There is a significant relationship between reliability and effective loyalty of Mellat Bank customers.

3. There is a significant relationship between services and effective loyalty of Mellat Bank customers.

To investigate the correlation between services and loyalty, Pearson correlation coefficient has been used (because distribution of services and loyalty is normal),
Correlation coefficient of services and loyalty variance

<table>
<thead>
<tr>
<th>Result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>&lt;0.001</td>
<td>0.378</td>
<td>Pearson</td>
<td>services</td>
</tr>
</tbody>
</table>

Correlation coefficient of services and loyalty is equal to 0.378 with a significance level close to zero, which indicates a direct relationship of both variables; that is, as reliability increases, so does loyalty. It can be said that:

There is a significant relationship between services and effective loyalty of Mellat Bank customers.

4. There is a significant relationship between time and effective loyalty of Mellat Bank customers.

To investigate the correlation between time and loyalty, Pearson correlation coefficient has been used (because distribution of services and loyalty is normal).

Correlation coefficient of time and loyalty variance

<table>
<thead>
<tr>
<th>Result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>&lt;0.001</td>
<td>0.38</td>
<td>Pearson</td>
<td>services</td>
</tr>
</tbody>
</table>

Correlation coefficient of time and loyalty is equal to 0.38 with a significance level close to zero, which indicates a direct relationship of both variables; that is, the increase of time does not make a negative difference in customer loyalty. It can be said that:

There is a significant relationship between time and effective loyalty of Mellat Bank customers.

5. There is a significant relationship between quality and effective loyalty of Mellat Bank customers.

To investigate the correlation between quality and loyalty, Pearson correlation coefficient has been used (because distribution of quality is not normal).

Correlation coefficient of quality and loyalty variance

<table>
<thead>
<tr>
<th>Result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>&lt;0.001</td>
<td>0.504</td>
<td>Spearman</td>
<td>Quality</td>
</tr>
</tbody>
</table>

Spearman Correlation coefficient of quality and loyalty is equal to 0.504 with a significance level close to zero, which indicates a direct relationship of both variables; that is, as quality increases, so does loyalty. It can be said that:

There is a significant relationship between quality and effective loyalty of Mellat Bank customers.

6. There is a significant relationship between price and effective loyalty of Mellat Bank customers.

To investigate the correlation between price and loyalty, Pearson correlation coefficient has been used (because distribution of quality is not normal).

Correlation coefficient of price and loyalty variance

<table>
<thead>
<tr>
<th>Result</th>
<th>Significance level</th>
<th>Coefficient</th>
<th>Type of coefficient</th>
<th>Independent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct correlation</td>
<td>&lt;0.005</td>
<td>0.233</td>
<td>Spearman</td>
<td>Price</td>
</tr>
</tbody>
</table>

Spearman Correlation coefficient of quality and loyalty is equal to 0.233 with a significance level close to zero, which indicates a direct relationship of both variables; that is, the increase of price does not make a negative difference in customer loyalty. It can be said that:

There is a significant relationship between price and effective loyalty of Mellat Bank customers.

In the end, a multiple regression model is offered for loyalty and independent variables so that the independent variables can be seen together and the relationship of loyalty variable to the variables can be measured in the presence of all variables, which makes determining variables evident.

Regression model table is developed below, in which only significant variables are seen.
The above table demonstrates a multiple regression for the dependent variable satisfaction. Considering column B that indicates regression coefficients and/or Beta column that shows standardized coefficients, ratings of variables can be addressed as follows; reliability, quality, flexibility, time, price and services.

Conclusion:

The results indicate that we are able to rank the variables as follows; reliability, quality, flexibility, time, price and services.

Given the synergic trait of the simultaneous attention to all six components, it is necessary that we take account of all dimensions in policies and strategic plans so that competitive capability is reinforced based on competitive advantage. Similarly, we need to continually evaluate the performance of economic enterprises on the basis of fast response model and put necessary efforts into reducing the deviation so that there will be increase in customer’s loyalty rate and decrease in costs, and market share and organization’s earnings will optimally increase, so will agile pattern and its pillars.

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REFERENCES


