

An Examine Proposed Factors Affecting Customer Loyalty toward the Financial Services of Jordanian Commercial Banks: Empirical Study

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Abstract

This study aim to examine proposed factors affecting customer loyalty toward the financial services of Jordanian commercial banks. a proposed model designed to analyze the relationship among different factors for the customer loyalty. A random sample of 1000 customers of Jordanian commercial banks were participated to answers the designed questionnaire, the analysis and the relations among the factors are explained. Perceived quality and expectations, willingness and trust, bank changes and switching cost, and bank commitment are the factors which affect the customer loyalty of the customers. These factors also affect each other as well. The SPSS software is used to analyze the data gathered from the respondents.

Key words: Service marketing, Banking marketing, Customer loyalty.

Introduction

Financial sector has facing a number of factors, particularly on the light of intense competition, financial crisis and global economic (Chaudhuri and Halbrook, 2002). Financial institutions managers are under pressure not only to maintain customer satisfaction while sustaining lower costs, but also to maintain market leadership. Traditional product-oriented is becoming increasingly customer- oriented accordance with basic principles of relational marketing, which focuses on customer loyalty(Gilmar,2007). Practically ,banks committed and often inherited relationships between customer and banks were becoming increasingly scarce (Lee and Feick, 2001). A success marketing component requires a better understanding and frequently monitoring product and service attributes which increase customer loyalty. Customer loyalty to bank products comes out over time of continuity in patronage such as services quality and satisfaction (Yi & Jeon,2003). Banks all over the world realize that no bank can offer all services and be the best leading bank for all customers. To improve the quality of their own services (Zineldin, 1996). A bank has to create the customer relationship that delivers value beyond the provided by the core product.

Jordanian banking industry is growing in size, resources and capabilities, each bank is trying to improve it's competitive position by offering a variety of services to meet customer needs and expectations. The main objectives of this study are to examine a proposed factors that affecting customer loyalty toward financial services of Jordanian commercial banks. The proposed model consist of four major factors to be analyze the impact of these factors on customer loyalty toward the financial services of Jordanian commercial banks and analyzing their impact on each other.

Study Problem

Financial service sector of Jordan has a number of banks which further increases the competition and complexity among the banks.

Allocating target market becomes vital to the long-run profitability and ultimate survival banks. In this study the researchers tried to find out the main factors were affecting customer loyalty toward the financial services of Jordanian commercial banks. This study aims to seek to answer the following questions was as:

- To what extent do the proposed factors affecting customer loyalty through the mediating factor(customer satisfactions) toward the financial services of Jordanian commercial banks?
- What are the relationships between these factors on customers' loyalty toward the financial services of Jordanian commercial banks?

Study Literature Review

To increase sales volume of services, firms should focused on customer loyalty towards their products and services. These findings prompted business decision makers and executive to search for new innovative strategies to keep their existing customers loyal towards their products and services, and also to further increase the base of loyal customers (Lauren and Lin, 2003).

Customer Perceived Quality and Expectation

Customer perceived quality and expectation is very closely related with satisfaction and loyalty, and the differences between these have not always been very clearly defined. They have been used on occasion in an indistinct manner. In an attempt to clarify the distinction between customer satisfaction and customer perceived quality and customer expectations, satisfaction requires previous consumption experience and depends on price, whereas quality can be perceived without previous consumption experience and does not normally depend on price. However in circumstances where there is little available information or where quality evaluation is difficult, price can be an indicator of quality. In this sense, (Stephanie ,2007). Service quality has been found to have a profound input on customer satisfaction and loyalty as a whole and is defined as the result of the com-parison that customers make between their expectations about a service and their perception of the way the service has been performed (Chumpitaz et al., 2004).

Customer Willingness and Trust

Morgan and Hunt define trust as the willingness of customers to rely on an exchange partner in whom one has confidence or confidence in an exchange partner's reliability and integrity (Morgan and Hunt, 2004). Chaudhuri and Holbrook (2002) define brand trust as the customer's willingness to rely on the ability of the brand to perform its stated function. Trust causes dedication because it reduces the costs of negotiating agreements and lessens customers' fear of opportunistic behavior by the service provider (Berry, 2007). In social psychology trust is considered to consist of two elements: trust in the partner's honesty, and trust in the partner's benevolence ('Wetzels et al., 1998). Honesty is the belief that a partner stands by his word while benevolence is the belief that the partner is interested in the customer's welfare, and will not take actions with negative impact on the customer.

Customer Bank Change and Switching Cost

Customer bank change and switching cost is a factor that makes it difficult or costly for customers to change providers. Another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergill and Bing, 2006). For this reason, a switching cost can be seen as a cost that deters customers from demanding a rival firm's brand (Aydin and Ozer, 2005). It can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Selnes, 2007).When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives (Kon, 2004).

Bank Commitment

Commitment is frequently defined as a desire to maintain a relationship (Morgan and Hunt, 1994). (Pritchard, Havitz and Howard ,1999) as resistance to change. In a conceptualization and study of employees' commitment to an organization, (Allen and Meyer ,1990) identified three types of commitment to an organization: affective, continuance and normative. Affective commitment is defined as an affective state of mind that is based on a person sharing, identifying with and internalizing the values of an organization and thereby implies liking and emotional attachment (Morgan and Hunt, 2004).

Trust in a relationship partner has been positioned as a central factor for customer loyalty (Chaudhuri and Holbrook, 2002) and is a principal factor causing dedication (Berry, 2007).

Customer Satisfaction

Customer satisfaction is another important trait which must be taken into account when shaping the overall loyalty of customers towards their service providers. In banks, the customers ask themselves about the level of the services and decide about the lack of importance given to them and decide about repurchase behavior after using the services. The level of satisfaction is always high when the customer gives minimum price and gets maximum of usage and profit (Jamal and Kamal, 2004). Dissatisfaction usually occurs when the pricing issues are not suiting the needs of the customers. Also, the interest rates of loans and charges of online services such as credit cards and ATM machines and these fees is a major bone of contention between the bank and its customers while customer thinks that the charges are more than the needs. The customer initially tries to compromise with the bank but at a certain point he decides to defect. Nowadays, it has become too easy to open an account in any other bank so the switching cost is also minimal. These all factors help customers to switch from the current bank. The response of customer plays a pivot role in the overall satisfaction graph of the provider. If a customer is satisfied, the loyalty injects automatically and the customer remains with the current providers for a longer and longer period of time (Fox and Poje, 2002).

Customer Loyalty

Satisfaction is not an essential requirement for loyalty, so satisfied customers do not have to be loyal but there is a correlation between the satisfied customers and loyal customer (Srinivasan, 2007). Unsatisfied customers are also loyal due to attachment and commitment with the supplier. And satisfied customers, if lack the trust, commitment and attachment with the suppliers products and services will always deflect once they find a competitor with better quality of products and services.

Study Model

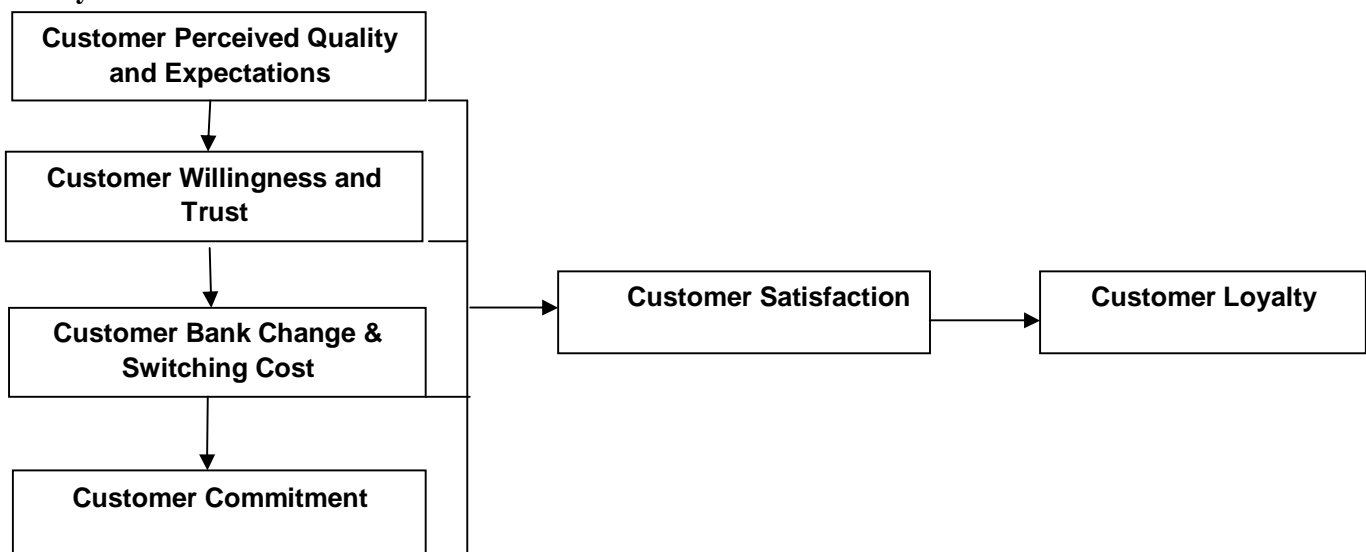


Fig.1: A proposed Model for Customer Loyalty Factors designed by researchers in the bases of literature review and previous studies used

Study objectives

- To examine and analyze the proposed factors which affecting customer loyalty toward the financial services of Jordanian commercial banks .
- To analyze the effect of each factor as far as perceived quality and expectations, bank commitment, willingness and trust, and bank changes and switching cost on customer loyalty.

Study Methodology

This study concerns bank customers, so the sampling frame is a complete list of all commercial banking customers in Jordan. A total of 10000 questionnaires were distributed.

A random sample were selected of all Jordanian commercial banks customers. The study used self-administered questionnaire method for collecting the primary data. The questions in the questionnaire tried to find the factors of customer loyalty in toward financial services of Jordanian commercial banks. Respondent's answers measured by five-point Likert-type scales, with a 30 statements that characterize the factors for customer loyalty model. In this study, survey method is employed to have an analysis on the model of customer loyalty factors. The study approach is a quantitative survey . In order to find the factors and also the relationship between these factors, a questionnaire is designed in the bases of literature review and previous studies are used.

Study Data Analysis

The reliability of the items was high as Cronbach’s alpha for all the items was above 0.7 The validity determines the extent to which a scale measures a variable of interest. In this research, the researchers have conducted a principal components factor analysis among perceived quality, willingness and trust, bank change and switching cost, commitment, customer satisfaction and loyalty . This study has four factors as independent factors which are determining their effect on customer satisfaction as mediator factor and one dependent factor that is customer loyalty (Tables1- 6). Discussion for each factor and the questions which identified these factors in detail, the relationship between questions in each factor through inter-item correlation matrices, the reliability of each factor, the validity of each factor, analyzing ,correlation and relationship between the variables of the model. The Correlations procedure computes the pair wise associations for a set of variables and displays the results in a matrix. It is useful for determining the strength and direction of the association between two variables.

Table 1: Customer Perceived Quality and Expectations Analysis

Perceived Quality Questions	Extraction Results
Q. 1.Creditability, speed of response, preparedness, and accuracy in all banking services provided to target customers.	0.9
Q. 2.Bank is keen to solve problems and high speed, customers on the grounds of the banks priorities.	0.6
Q. 3.Bank cares personal interest in its customers within the range of personal and social values.	0.8
Q. 4.Tact and good appearance, skilled, and knowledge services to deal efficiently with customers in accordance with their privacy and individuality.	0.6
Q. 5.External appearance, office facilities, lighting, temperature, guidance painting, advanced technologies used attractive of modern style reflects the quality of banking services.	0.8

Table 2: Customer Willingness and Trust Analysis

Trust Questions	Extraction Results
Q.1.Bank's policies and practiced activities worthy of mutual trust and respect toward customers.	0.9
Q.2.Fairness and justice based on banking transactions and away from exploitation and deception.	0.8
Q.3.Banking services rendered safe.	0.7
Q.4.Methods used of providing banking services designed to gain customers confidence.	0.9
Q.5.The interest of the customers is the basis of the banks approach toward customers.	0.6

Table 3: Customer Bank Change &Switching cost Analysis

Switching Questions	Extraction Results
Q.1. Switching to another bank will it cost me a lot of time, efforts and money.	0.9
Q.2. Switching to another bank will affect my financial transactions with other .	0.8
Q.3. Switching to another bank will lose a lot of banking advantages and incentives provided to me as a client.	0.6
Q.4. Switching to another bank will lose a lot of personal relationship with current bank and it's management.	0.6
Q.5. Switching to another bank it will hinder my financial transactions of my financial account.	0.6

Table 4: Bank Commitment Analysis

Commitment Questions	Extraction Results
Q.1.Bank is committed to provide banking services to customers in accordance with the specifications and quality required.	0.8
Q.2.Bank is committed to provide banking services on time in response to customer and customer's condition's.	0.8
Q.3.Bank is committed to solve any encountered problems facing customer's as soon as possible without any delay.	0.6
Q.4.Bank is committed to follow up the way's of providing banking services to customer's before and after.	0.8
Q.5.Bank is committed to conduct studies on customer attitudes and continuously to understand customer's needed and life circumstances.	0.6

Table 5: Customer Satisfaction Analysis

Satisfaction Questions	Extraction Results
Q.1.The bank is able to predict and identify the needs of customers of banking services required and work to satisfy.	0.9
Q. 2.Banking services provided competitive advantages as a result of bank's long experience.	0.9
Q.3.The bank conducts studies and continuously to develop a comprehensive understanding of the needs and expectations of customers and work to provide high quality services.	0.8
Q.4.The bank provides banking services in all areas through ATMs and other technological means such as the internet and mobile phone.	0.9
Q.5.The bank provides banking services and high quality specifications and competitive prices.	0.8

Table 6: Customer Loyalty Analysis

Loyalty Questions	Extraction Results
Q.1.I considered the current bank is my first choice bank to meet my banking needs.	0.9
Q.2.I have a firm desire to keep my financial transactions with the current bank.	0.8
Q.3.I defend the current bank policies positively.	0.7
Q.4.I enjoy the comfort and good reception of the current bank employees.	0.8
Q.5.I will not think of moving to another bank of whatever the competitors offers is attractive.	0.9

The correlation matrix between different factors is shown in Table 7. By looking at the correlation matrix between the factors we can understand that customer satisfaction is the most correlated element with loyalty.

The correlation of 0.691 between these two factors shows that a little change in customer satisfaction has a major influence on the loyalty of the customer towards bank services. Banks managers should provide customers a group of financial services to meet customers' needs to make them highly satisfied. Once the customer is satisfied, the chances of becoming loyal to the bank increases considerably. The next factor which is more important is the commitment. The correlation between commitment and loyalty is 0.603 which shows that the highly committed customers are always loyal to the bank. The next factor which is more important is the tangible perceived quality with a correlation of 0.585 which shows a strong relationship with loyalty.

Table 7: Correlation Test Results of Proposed Factors

	Customer Loyalty	Customer Perceived Quality and Expectations	Customer Willingness and Trust	Customer Bank Changes & Switching Cost	Bank Commitment	Customer Satisfaction
Customer Loyalty	1.0	0.585	0.325	0.392	0.603	0.691
Customer Perceived Quality and Expectations	0.585	1.0	0.364	0.314	0.341	0.664
Customer Willingness and Trust	0.325	0.364	1.0	0.201	0.521	0.205
Customer Bank Change & Switching cost	0.392	0.314	0.201	1.0	0.226	0.125
Bank Commitment	0.603	0.341	0.521	0.226	1.0	0.168
Customer Satisfaction	0.691	0.647	0.205	0.125	0.168	1.0

Correlation is significant at the level $p < 0.05$ (2-tailed).

These are the most important factors which show strong correlation with the loyalty. The rest of the factors are also correlated but not as much as customer satisfaction, bank commitment, customer perceived quality and expectations. Then we analyze the correlation of each factor with other factors. The perceived quality and expectations of customer's is most correlated with customer satisfaction factor and least correlated with trust factor. So for having more satisfied customers, customer perceived quality and expectations factors are more important to be considered by the banks. If the banks are successful in increasing the tangible quality of the services, they also become successful in increasing the number of satisfied customers. Intangible customer perceived quality and expectations has a good correlation with bank commitment and satisfaction. This means by providing error free services and paying special attention to the queries of the customers, the bank commitment of the customers can be increased. The highly committed customers are those who received high standard of intangible quality of services provided by the banks In trust column, the bank commitment factor is more correlated than the others. This means that when a customer is committed to a bank, customer willingness and trust on the bank is increased more and more. Trust on the services of the banks is also increased depending on the standard of the tangibility provided by banks in their services. So changes in commitment or tangibility cause changes in the trust of the customer on the bank. The bank changes and switching cost factor is most correlated with the loyalty. This means that when the customers are loyal in using the services of the bank, they do not switch easily from their bank. The more loyal the customers are, the higher the number of the barriers in switching from one bank to another bank. The hypothesized relationships were tested using the multiple regression analysis using SPSS. The average scores of the items representing each of the four factors were used in the data analysis.

The R² was used to assess the model. t values, and variance explained for each factor are presented in the study model. The regression analysis is as follows:

H1: To what extent do customer perceived quality and expectations affecting customers satisfaction of Jordanian commercial banks?

Table (8): Customer Perceived Quality and expectations Affecting the Customer Satisfaction of Jordanian Commercial Banks

F-value	t-value	Sig.t	R	R ²
84.57	3.033	0.017	1.96	0.01

The above table (8) shows that customer perceived quality and expectations ($\beta = 0.196$, $t\text{-value} = 3.033$, $p < 0.05$) had a strong positive effect on customer satisfaction as t value was 3.033 and p value was 0.01 which is significant..

H2: To what extent do customer trust affecting customer satisfaction of Jordanian commercial banks?

Table (9): Customer Willingness and Trust Affecting Customer Satisfaction of Jordanian Commercial Banks

F-value	t-value	Sig.t	R	R ²
84.57	1.034	0.017	1.96	0.00

The above table (9) shows that customer willingness and trust = (1.96, t value= 1.034, $p < 0.05$) The effect of trust on customer satisfaction was a strong positive as t value was 1.034 and p value was 0.00 which is significant.

H3: To what extent do Bank Change and Switching Cost affecting customers' satisfaction of Jordanian commercial banks?

Table (10): Customer Bank Change and Switching Cost Affecting Customer Satisfaction of Jordanian Commercial Banks

F-value	t-value	Sig.t	R	R ²
84.57	0.321	0.017	1.96	0.02

The above table (10) shows that customer bank change and switching cost = (1.96, t value= 0.321, $p < 0.05$) The effect of Switching cost on customer satisfaction was not strong as t value was 0.321 and p value was 0.02 which is significant.

H4: To what extent do bank commitment affecting customers' loyalty of Jordanian commercial banks?

Table (11): Bank Commitment Affecting Customer Satisfaction of Jordanian Commercial Banks

F-value	t-value	Sig.t	R	R ²
84.57	0.378	0.017	1.96	0.02

The above table(11) shows that bank commitment = (1.96, t value= 0.378, $p < 0.05$) The effect of bank commitment on customer satisfaction was a strong positive as t value was 0.378 and p value was 0.02 which is significant.

H5: To what extent do Customer Satisfaction affecting customers loyalty of Jordanian commercial banks?

Table (12): Customer Satisfaction Affecting Customer loyalty of Jordanian Commercial Banks

F-value	t-value	Sig.t	R	R ²
84.57	0.393	0.017	1.96	0.00

The above table(12) shows that customer satisfaction = (1.96, t value= 0.393, $p < 0.05$) The effect of customer satisfaction on loyalty was not strong as t value was 0.393 and p value was 0.00 which is significant.

H6: To what extent do Perceived quality and expectations, willingness and trust, bank change and switching cost, Bank Commitment factors affecting Customer Satisfaction and customers loyalty of Jordanian commercial banks?

Table (13): The Overall Factors

F-value	t-value	Sig.t	R	R ²
84.57	0.393	0.017	1.96	0.01

The above table(13) shows that customer satisfaction = (1.96, t value= 0.393, $p < 0.05$) The effect of customer satisfaction on loyalty was not strong as t value was 0.393 and p value was 0.01 which is significant. The proposed model explained a significant percentage of variance in loyalty ($R^2 = 0.01$, F value = 84.57, $p < 0.05$). It means that about 80 percent of the variance in customer satisfaction and customer loyalty was accounted by independent variables. According to the path coefficients, strongest direct effect on customer loyalty. The statistical analysis shows that customer satisfaction has a positive relationship with loyalty. Also, it shows that if the bank managers should have some special strategies to satisfy the customer rather to switch to other competitors. So, managers should take into consideration the needs of the customers. As a result of that customer surely become loyal while current and future needs are fulfilled by banks.

Study Findings

1. Perceived quality the most factor affecting customer satisfaction. Based on that, banks management should understand customer current and future needs to be provided with a high quality and in proper ways to ensure customers satisfaction and loyalty.
2. The effect of perceived quality and expectations, willingness and trust, bank change and switching cost and bank commitment on satisfaction is strongly positive and significant
3. The effect of customer satisfaction on loyalty is strongly positive and significant.

Study Recommendation

1. Banks administration required to focused on customer current and future needs on the bases of customer life circumstances for a better understanding toward financial services which offered by commercial bank to ensure customer satisfactions and loyalty for a long term of customer relationships.
2. Banks administration required to keep in contact with customers to maintain a long term relationship with their customers by taken into account the feedback of customers, customer suggestions and complaints are addressed with top most priority.
3. Banks administration required to follow up employee's skills and knowledge of how to act and deal with customers effectively and to ensure efficiency of all financial transactions and procedures.
4. Banks administration must commit that to ensure all services are available on time.
5. Banks administration required ensures the creditability to customer to make him feel that the use financial services by banks on the bases of honesty and trust.

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