Investigating the Effect of the Quality of Staffs' Relations on Customers' Loyalty

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Abstract
As it is more costly to attract new customers than to keep old ones, it is essentially important for firms and institutes to retain old customers. Meanwhile, banks, being considered as one of the most important institutes giving financial services in society, are not an exception. As a matter of fact, to become successful and also to surpass their rivals, banks need to pay attention to their customers' satisfaction and loyalty. Moreover, as most of the services given by banks to customers are performed by their staffs, having good staff is the key for their (the banks') success. Therefore, the present research wants to investigate the factors affecting customers' loyalty and also the effect of staff's relationship from two perspectives (satisfaction and confidence) and of the obstacles against changing of service-giver, on customers' loyalty. The results show that the quality of staff's relationship with customers, as far as their satisfaction and confidence are concerned, and the obstacles against the changing of service-giver will have a positive effect on customers' loyalty. Thus, all the research hypotheses are accepted.  
Keywords: Loyalty, Satisfaction, the Obstacles against the Changing of Brand Happiness from Peripheral Services, Service Quality, Intimacy with Customers.

1. Introduction
Over the past decades the sector related to offering financial services has been subject to many great changes leading to a severer competition among service-giving institutes and a small growth in early demands (Bloomer, Ruyter and Peeters, 1998). Moreover, the quality of relations has improved during this period, as a result of which, the importance and significance of service-giving staff has equally and effectively been discussed in their process of providing services for customers. This is because, the staff of a company are able not only to pleasantly strengthen or change the beliefs, attitudes, aims and behaviors of their customers, but also, through increasing the quality of their relations with customers and also via the provision of more intimacy with them, to induce customers to find such a satisfaction and confidence that eventually leads to their long-term loyalty. Apart from trying to retain old
customers, service-giving institutes have also the intention to introduce distinguishable products and services so to absorb new customers, although this causes them to incur high costs. However, they have to be careful because their innovation is subject to be copied by many other rivals who are outside ready to copy from them. To do so, service-giving organizations should present intangible, less copiable services, and for the aim of keeping their loyal customers they should provide some preventive factors not to let their loyal customers quit their relations.

Regarding the growth of banking industry in Iran and due to the appearance of private banks and financial institutes, many banks have lost a noticeable share of their resources; thus, it is fundamentally necessary for them to retain their loyal customers. Moreover, due to the fact that very few studies have simultaneously investigated the effect of factors related to the quality of staff’s relationship with customers (protective factors) and the obstacles preventing customers form changing their service-givers (preventive factors), the approach adopted by the study is to examine the simultaneous and relative effects of such factors on customers’ loyalty.

2. Customer Loyalty

Oliver (1999) refers to loyalty as "creation of a strong commitment to repurchase a better product or service in future". Customer loyalty has two meanings: long term and short term loyalties. Customers who have a long term loyalty do not easily change their service-providers while those having short term loyalty simply change their service-providers for a better alternative (Liu, Guo and Lee, 2011). Apart from increasing the value of trade, customer loyalty causes the costs of such trades to remain low, i.e. lower than the time when we are trying to absorb new customers. A great number of definitions about loyalty share in one point which is "paying attention to the aspect of loyalty but disregarding its psychological aspect" (Oliver, 1999).

3. Customer Satisfaction

The trend which is now getting more and more common among producing and service organizations is to consider the amount to which customers are satisfied as a criterion to assess their own performance. Customer and his satisfaction have now found a world-wide importance. In fact, customer satisfaction is an experience resulting from customer's purchase and consumption (Yi, 1990). The term "satisfaction" is defined as a general evaluation based on the whole process of purchase and the experience of consumption. As a matter of fact, the emphasis of satisfaction is on the assumption of customers about the performance of product or service compared to the expectations existing before their purchase (Fornell, 1992).

Customer satisfaction is an extensive feeling being influenced by the quality of service or product, its price and some individual and contextual factors (Ahmad and Kamal, 2002). It is one of the factors that affect customer loyalty. The effect of satisfaction on customer loyalty has been approved in previous studies (De Ruytre and Wetzel’s, 2000).

4. Confidence

A great deal of studies has been done about confidence. Confidence consists of the belief and trust of one part of trade to the other part in order to satisfy his needs and requirements. With regard to services, confidence can be defined as: the belief and trust that a customer has to his service-giver in order to meet his requirements and aims (Liu, Guo and Lee, 2011). Hart, Sparks and Tzokas (1999) state that confidence refers to the tendency to trust the other part of transaction, who is trustworthy (Lind green, 2003).

Being the main core of successful relations, confidence leads to the provision of higher levels of loyalty to the other part of negotiation, hence increasing profitability. As a matter of fact, confidence to the other part of transaction encourages customers to continue cooperation, searching for long-term benefits and refraining from opportunistic behavior. Some aspects of confidence are as follows: truth, security, merit, credit and previous experiences (Lind green, 2003). Reich held and Schafer (2000) state that customer satisfaction is a prerequisite for customer loyalty.

5. Obstacles against Replacing Service Provider

Service quality and customer satisfaction were the only factors used to be thought of as creating loyalty in customers. But, now due to the increase that has occurred in the number of service organizations, hence competition among them, and also because of customers’ tendency to have a variety of different things, and also as a result of some other factors, even satisfied customers may decide to refer to other institutes to receive services.
Therefore, it should be taken for granted that satisfaction, though being a necessary factor, is not enough to retain customers. Consequently, organizations have to resort to other factors in order to retain their customers. One of these factors is "costs of replacing customers" which should be fully recognized by organizations so that they can, through managing such costs, utilize them as an obstacle preventing customers from leaving the organization and also as a competitive advantage. One of the factors effective on customer loyalty is "cost of replacing one's bank" that can be thought of as psychological, technical and financial factors making it difficult for customers to change their bank (Seles, 1993).

6. Pleasantness from Peripheral Services
In addition to the provision of basic services, some additional services are also offered to customers. Such additional services often provide customers with satisfaction and pleasure and are usually referred to as "satisfiers" or "improvers" (Neumann and Jackson, 1999). In fact, such services generally play a key role in the provision and maintenance of relations between sellers and buyers of goods.

The main issue observed in the provision of peripheral product is to satisfy those aspects of customers' needs that are beyond their expectations. Here, the emphasis is usually on supportive and protective systems that are created for the offering of services to customers. Some examples of such systems are the employment of an assistant for sellers, assigning periods for delivery and payment, guarantees, after-sale services, etc.

7. The Meaning of Service Quality
It is difficult to define service quality. However, the first issue that deserves discussion is that a service is called to have quality if it can satisfy the needs and wants of customers and if the levels of the service presented are consistent with customers' expectations. Customers' expectations refer to what customers are willing and interested to have, and also to what they feel service-provider should offer them. As a matter of fact, quality is judged and defined by customer. If a service satisfies the expectations of customers or is beyond their expectations, it is decided to have quality. However, if a service is less than customer expectations, it does not necessarily mean that the service has a low quality, but that it cannot satisfy customers. Thus, service quality is assessed based on what a customer expects it to be.

Research about the quality of services in banking and hospitals shows that service quality has a positive effect on the quality of relations (satisfaction and confidence) (Hsieh and Hiang, 2004). Herrmann and Huber also found that service quality is an important factor effective on satisfaction. Caceres and Paparodimis (2007) indicated that the increase of customers' understandings about service quality is effective on different aspects of the quality of relations (confidence and satisfaction). They furthermore found that service quality in financial institutes has a noticeably salient effect on customers' trust and confidence (Liu, Guo and Lee, 2011).

8. Hypothesis
Regarding the model presented the research hypotheses are put forward as follows:
- **H1.** Customer satisfaction has a positive effect on his loyalty.
- **H2.** Confidence has a positive effect on customer's loyalty
- **H3.** The obstacles against the replacement of service-provider have a positive effect on customer's loyalty.
- **H4.** Pleasantness from peripheral services has a positive effect on customer's loyalty
- **H5.** Service quality has a positive effect on customer's confidence.
- **H6.** Service quality has a positive effect on customer's satisfaction.
- **H7.** Intimacy with customer has a positive effect on his confidence.

9. Research Method
With respect to aim, the research is an applied study, and concerning the method of data collection, it is qualitative and especially based on correlation. As the study wants to examine the effect of different aspects of the quality of staffs' relations and the obstacles against the replacement of service-provider, and because it wants to investigate the presented model, it has used structural equations model.
9.1 Sample
The research population for the research is real customers of all branches of Keshavarzi bank (including 41 branches) in Golestan Province. Before the research was done, 150 questionnaires were distributed to these branches, from which 120 questionnaires were filled in and returned, hence being analyzable. Therefore, the return rate for the questionnaires was 80%, which is an appropriate rate.

9.2 Validity and Reliability
To determine questionnaires' validity, questions appropriate to each variable of the research were taken from reliable resources and then were approved by five experts in this field. Moreover, to evaluate the reliability of the measured tools, Cranach’s $\alpha$ was used. To do so, 30 introductory questionnaires were distributed, of which the alpha acquired was 84%. This shows a high reliability coefficient.

10. Data Analysis
Using Pearson Product Correlation Coefficient test, the research hypotheses were examined. The results of the test are illustrated in table 1.

10.1 Results of Testing $H_1$
$H_1$. Customer satisfaction has a positive effect on his loyalty. The results acquired from the correlation test show that the amount of relationship between the two variables is equal to 0.40, while the significance level equals 0.000. The conclusion is that customer satisfaction has a significant and positive effect on his loyalty. Thus, it can be said that customer loyalty will enhance if an increase occurs in his satisfaction.

10.2 Results of Testing $H_2$
$H_2$. Confidence has a positive effect on customer's loyalty. The results acquired from the correlation test show that the amount of relationship equals 0.23 at the significance level of 0.011. Thus, it can be deduced that confidence has a positive and significant effect on customer loyalty, i.e. if customers have high confidence to the staff and personnel of bank, and if they are relaxed and confident when working with bank, they will probably remain more loyal.

10.3 Results of Testing $H_3$
$H_3$. The obstacles against replacing service-provider have a positive effect on customer loyalty. The results obtained from the correlation test indicate that the amount of relationship equals 0.34 while the significance level is equal to 0.000. Therefore, it can be deduced that the obstacles of changing service-giver has a positive and significant effect on customer loyalty, i.e. it is through decreasing monetary, financial and non-financial costs for their loyal customers and also via the creation of competitive advantages that banks can manage to prevent their loyal customers from leaving the bank.

10.4 Results of Testing $H_4$
$H_4$. Pleasantness from peripheral services has a positive effect on customer loyalty. The results acquired from the correlation test show that the amount of relationship equals 0.43 at the significance value of 0.000. Thus, the conclusion is that pleasantness from peripheral services has a positive and significant effect on customer satisfaction. In fact, it can be said that peripheral services want to satisfy the needs of customers beyond their expectations and play a complementary role for the main product.

10.5 Results of Testing $H_5$
$H_5$. Service quality has a positive effect on customer satisfaction. The results acquired from the correlation test show that the amount of relationship equals 0.44 while the significance value is equal to 0.000. Thus, it can be deduced that service quality has a significantly positive effect on customer satisfaction. Hence, the results indicate that like other similar studies the quality of services offered can affect customer satisfaction.

10.6 Results of Testing $H_6$
$H_6$. Service quality has a positive effect on customer's confidence. The results obtained from the correlation test show that the amount of relationship equals 0.44 while the significance value is 0.000. Thus, it can be concluded that service quality has a significant and positive effect on customer's confidence, as approved by Liu, Guo and Lee (2011) and Cacerer and Paparodimis (2007). Therefore, customers can be endowed with more confidence if they are offered better services.
10.7 Results of Testing H7

H7. Intimacy with customer has a positive effect on his confidence. The results obtained from the correlation test show that the amount of relationship is equal to 0.32 and the significance value is also equal to 0.000. Therefore, the conclusion is that intimacy with customer has a significant and positive effect on his confidence.

<table>
<thead>
<tr>
<th>Research Hypotheses</th>
<th>Correlation Coefficient</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1. Satisfaction has a positive effect on customer loyalty</td>
<td>0.404</td>
<td>0.00</td>
</tr>
<tr>
<td>H2. Confidence has a positive effect on his loyalty</td>
<td>0.237</td>
<td>0.01</td>
</tr>
<tr>
<td>H3. Obstacles of replacing service-provider have a positive effect on customer loyalty</td>
<td>0.342</td>
<td>0.00</td>
</tr>
<tr>
<td>H4. Pleasantness from peripheral services has a positive effect on customer loyalty</td>
<td>0.434</td>
<td>0.00</td>
</tr>
<tr>
<td>H5. Service quality has a positive effect on customer satisfaction</td>
<td>0.446</td>
<td>0.00</td>
</tr>
<tr>
<td>H6. Service quality has a positive effect on customer's confidence</td>
<td>0.380</td>
<td>0.00</td>
</tr>
<tr>
<td>H8. Intimacy with customer has a positive effect on his confidence</td>
<td>0.324</td>
<td>0.00</td>
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</table>

11. Conclusion

The aim underlying the present research was to investigate the quality of staff’s relations and the obstacles of changing service-giver on customers’ loyalty. To do so and with regard to the research literature, 7 hypotheses were proposed. Having conducted a Pearson correlation test, all the seven research hypotheses were accepted. Now and based on the research done, it can be concluded that both of the variables “intimacy with customers” and “obstacles of changing service-giver” are effective on customer loyalty. What is noticeable is that the foregoing relations are also approved in the research of other researchers, hence being indicative of the existence of a relationship among the research variables.

Customers will remain loyal to their service-providers, only when their service-providers offer a high quality relationship to them, and also when the providers of service have prepared some obstacles not to let their customers quit their relations. The results of the present research show that both these variables have positive and significant effect on customers’ loyalty. In fact, Staff's high quality relationship with customers and the provision of obstacles against changing service-providers (i.e. changing the brand they are buying now) will make customers more and more loyal, especially when both these variables are applied simultaneously. This study shows that none of these two forces should be omitted. This is because they can have a significantly appropriate effect on customers’ loyalty if both of them are exerted simultaneously.

In general, the results show that, considering the intense growth of competition among banks, the best strategy is to offer services with higher qualities and also to apply some methods the purpose of which is to provide more surplus value for customers. Furthermore, the research shows that provision of obstacles against changing service-provider is a competent technique that stops loyal customers from leaving; however, banks should not apply this strategy on its own, i.e. as the only strategy for retaining customers.

Finally, the followings are some applicable recommendations proposed for the research:

The results of the study indicate that customer satisfaction is thought of as a very important factor having a long-term effect on customer loyalty. Due to the fact that loyalty is highly important for organizations, and also because of the progress occurring in privatization of the country's banking system and the intense competition resulted by this trend, it is necessary to pay a considerable attention to customer satisfaction.

No commercial trading system can survive without the provision of an original trust unless some strategies are planned to strengthen the relationship between buyers and sellers to fill the gap between them and unless there is a strong belief in the truth and nature of such long-term relations. The issue of trust or confidence is highly important in banking industry. This is because, apart from a bank's capacity to restrict probable risks, confidence allows customers to refer to a bank from which they have more satisfaction, because of its previous behavior. Therefore, it is necessary to generate confidence in customers by providing better services and a more suitable behavior.
As suitable and intimate behavior of staff can result in customers' satisfaction, hence leading to their maintenance, staff should have a convenient and respectful behavior with customers. Thus, through providing a better and more intimate behavior with customers, in addition to generating confidence in their customers, staff can become aware of their needs and wants, hence being able to provide the grounds for satisfying their future needs and expectations.

1. Providing better and newer peripheral services in addition to the main services;
2. Providing more advisory services to customers;
3. Training suitable customer-absorbing behavior to the staff that has a direct relationship with customers.

References


