

A study to detect factors influencing the formation of loyal customers' mental image

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ABSTRACT

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Understanding customers' behavior normally helps planning better marketing strategies, which could lead to an increase in market share and profitability. Loyal customers are always considered as the most important assets for any firm. This paper presents a survey to detect factors influencing the formation of loyal customers' mental image. The proposed study uses factor analysis to determine these factors by designing a questionnaire and distributing among some loyal customers who do banking business in Bank Melli Iran located in city of Tehran, Iran. The results indicate that there were eight important factors influencing customer loyalty including social status, business identity, brand strength, the contract role, organizational benefit, consumer rights, organizational image and supporting power.

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1. Introduction

Branding plays an important role on marketing planning and building good business enterprises. Loyal customers could be considered as long term intangible assets and reduce the chance of having any financial crises. However, one primary question is on how business units are able to find important factors in shaping loyal customers and what factors help make improvement on having reliable and loyal customers (Yüksel & Akgül, 2007; Fournier et al., 2008; Konrad, 2010; Loureiro & Kastenholz, 2011). Auh et al. (2007) proposed a model of co-production and investigated the links between co-production and customer loyalty as well as the factors, which could increase the level of co-production in a financial services context. They also considered the relationships of customer expertise, customer–advisor communication, customer affective commitment, and interactional justice with the level of co-production. They reported that co-production plays important role as a basis for competition in the financial services industry. De Beni et al. (2007) tested the effect of age on some mental operations for independence of components and reported that image generation, maintenance and transformation could be influenced by kind of image and aging, supporting a model of their cognitive segregation, differently.

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Branding research has largely concentrated on consumer goods markets and in many business markets, the company's reputation has a strong impact on buying decisions, which could differ from the more specific product related effects of the brand's image. Cretu and Brodie (2007) studied these differences by testing the hypotheses about the effects of brand image and company reputation on customers' perceptions of product and service quality, customer value, and customer loyalty in a business market where there were three manufacturers marketing their brands directly to a large number of small firms. They reported that the brand's image had a more specific impact on the customers' perceptions of product and service quality while the company's reputation had a bigger impact on perceptions of customer value and customer loyalty.

Chang and Chen (2008) proposed an integrating theoretical framework for testing the relationships among customer interface quality, satisfaction, switching expenditures, and e-loyalty. In addition, this study argued that the relationships among these constructs could be moderated by Internet experience. Empirical analyses were executed based on structural equations modeling analysis. The findings confirmed that customer interface quality, including customization, interaction, convenience and character, contributes to generating e-loyalty. More specifically, the results demonstrated that convenience directly enhances e-loyalty and customer interface quality positively influenced switching expenditures for customers with higher Internet experience.

Fernández-Sabiote and Román (2012) explored how overall customer loyalty was constructed as a consequence of the value provided by each channel. They also analyzed the moderating effect of complexity of services implemented and customers' Internet access in the service value–loyalty link. The model was examined with a sample of 302 multichannel financial services customers who applied both the offline and the online channel. Their results indicated that offline perceived service value increased online perceived value; offline value had a stronger impact on overall loyalty than online value; and online service complexity and Internet adoption could moderate the effect of service value on overall loyalty.

Image building is an important technique both for customer retention. Helgesen et al. (2010) investigated chain image and store image as well as store satisfaction as mediators of assortment, service quality and price, on store loyalty. They reported that chain image and store image were various concepts and a two-level image building approach was an essential aspect for petrol retailing.

According to Hosany and Martin (2012), self-image congruence helps describe and forecast various aspects of consumer behavior. They examined a model, which includes self-image congruence, cruise ship passengers' experiences, satisfaction, and behavioral intention. Path modeling examined the hypotheses and the results indicated that self-image congruence influences passengers' experiences but indirectly affecting satisfaction levels. In addition, satisfaction was positively associated with respondents' propensity to recommend. Kressmann et al. (2007) examined a model dealing with direct and indirect impacts of self-image congruence on brand loyalty and reported some positive effects between these components. Lai et al. (2009) examined the relationships among service quality, value, image, satisfaction, and loyalty in China and reported that value had both a direct and indirect influence on customer loyalty.

Lee et al. (2010) investigated the relationships in terms of customer store loyalty by applying means-end chains (MEC) analysis to test the linkages between department stores' service attributes, involvement, satisfaction and loyalty each of which the customer regards as important. Loureiro et al. (2011) investigated corporate reputation, satisfaction, delight, and loyalty towards rural lodging units in Portugal. Nguyen and Leblanc (2001) studied corporate image and corporate reputation in customers' retention decisions in services. Sahin et al. (2011) studied the impacts of brand experiences, trust and satisfaction on building brand loyalty. Shamsuddoha and Alamgir (2004) investigated loyalty and satisfaction construct in retail banking in an empirical study on bank

customers. Azad and Mohammadi (2013) attempted to find important factors influencing on packaging dairy products.

2. The proposed study

This paper presents a survey to detect factors influencing the formation of loyal customers' mental image. The proposed study uses factor analysis to determine these factors by designing a questionnaire and distributing among some loyal customers who do banking business in Bank Melli Iran located in city of Tehran, Iran. The proposed study uses factor analysis to perform the investigation. Since factor analysis is sensitive to skewness of the factors, we first look at basic statistics associated with 28 factors extracted. Table 1 demonstrates details of 28 factors along with basic statistics.

Table 1
The summary of basic descriptive statistics

Description	N Statistic	Range Statistic	Skewness		Kurtosis	
			Statistic	Std. Error	Statistic	Std. Error
VAR00001 Rating agencies	300	8.00	-.991	.141	.581	.281
VAR00002 Organization identification	300	8.00	-.699	.141	.163	.281
VAR00003 Environment	300	8.00	-.156	.141	-.212	.281
VAR00004 Advertisement	300	8.00	-.829	.141	.007	.281
VAR00005 Physical environment	300	8.00	-.896	.141	.182	.281
VAR00006 Technical specification	300	6.00	-.924	.141	-.473	.281
VAR00007 Education	300	8.00	-.439	.141	-.478	.281
VAR00008 Image	300	8.00	-.223	.141	-.494	.281
VAR00009 Customer orientation	300	8.00	-.527	.141	.022	.281
VAR00010 Organizational image	300	8.00	-.889	.141	.160	.281
VAR00011 Society	300	8.00	-.779	.141	.000	.281
VAR00012 Delivery time	300	8.00	-.364	.141	-.560	.281
VAR00013 First impression	300	8.00	-.883	.141	-.243	.281
VAR00014 Age and gender	300	8.00	-.153	.141	-.983	.281
VAR00015 Communication	300	8.00	-.751	.141	.176	.281
VAR00016 Diversity in services	300	8.00	.155	.141	-.379	.281
VAR00017 Special orders	300	8.00	-.084	.141	-.813	.281
VAR00018 Quality of services	300	8.00	.073	.141	-.505	.281
VAR00019 Service awareness	300	8.00	-.621	.141	.173	.281
VAR00020 Discount purchases	300	8.00	-.118	.141	-.438	.281
VAR00021 After sales services	300	8.00	-.838	.141	.527	.281
VAR00022 Social personality	300	8.00	-.099	.141	-.487	.281
VAR00023 Communication	300	8.00	-.108	.141	-.214	.281
VAR00024 Affective commitment	300	8.00	-.293	.141	-.247	.281
VAR00025 Previous experience from brand	300	8.00	-.904	.141	.796	.281
VAR00026 Interactional justice	300	8.00	-.237	.141	-.163	.281
VAR00027 Online services	300	8.00	-.813	.141	.418	.281
VAR00028 Price	300	8.00	-.962	.141	1.078	.281
Valid N (listwise)	300					

As we can observe from the results of Table 1 none of the 28 factors has unusual skewness, which means we can rely on the results and no data needs to be removed. In addition, determinants of the components are greater than zero, which means we can rely on factor analysis. Fig. 1 shows scree plot of the factors. As we can observe from the figure, the curve becomes flat after 8th factors and we can, therefore conclude that there are 8 influencing factors. These factors are including social status,

business identity, brand strength, the contract role, organizational benefit, consumer rights, organizational image and supporting power.

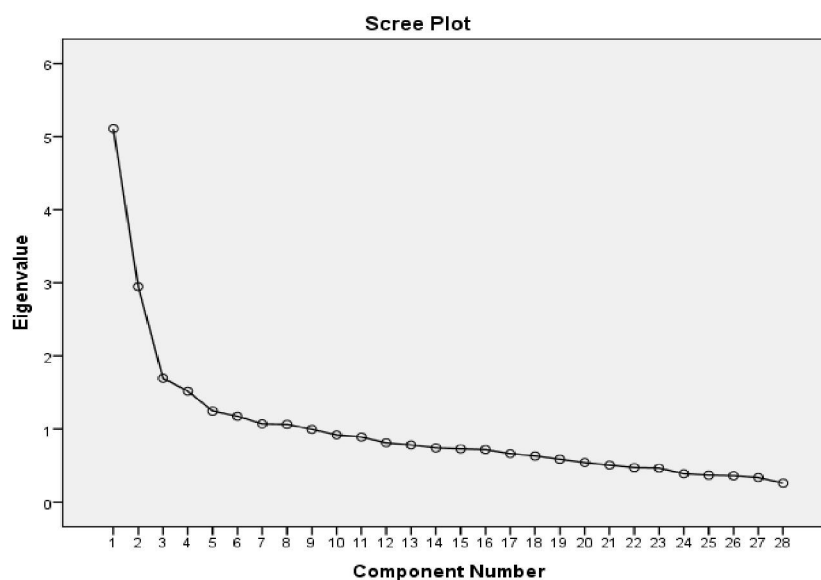


Fig. 1. Scree plot for 28 factors

Next, we present each component of in details.

3. The results

In this section, we present details of all 8 factors associated with the proposed study.

3.1. The first factor: Social relationship

The first factor, social relationship, consists of seven factors including being customer oriented, having a good image, environment, society, age and gender, education and social characteristics. Table 2 demonstrates the summary of our findings.

Table 2

The summary of factors associated with the social relationship

Option	Factor weight	Eigen value	%of variance	Accumulated
Being customer oriented	.738			
Having a good image	.732			
Environment	.650			
Society	.580	5.108	18.243	18.243
Age and gender	.537			
Education	.510			
Social characteristics	.472			

Cronbach alpha = 0.793

According to the results of Table 2, being customer oriented is the most important factor followed by having a good image and environment.

3.2. The second factor: Contracts

The second factor is associated with different methods used for doing business, which includes online business, interactional justice and affective commitment and the results are summarized in Table 3.

Table 3

The summary of the second factor

Option	Factor weight	Eigen value	%of variance	Accumulated
Online business	.718			
Interactional justice	.683	2.946	10.523	28.766
Affective commitment	.566			

Cronbach alpha = 0.842

The results of Table 3 indicate that online business is the most important factor followed by international justice and affective commitment.

3.3. The third factor: Customer's right

Customer's right is the third factor extracted in our survey, which includes quality of services, diversity and special orders and the weights of these components are summarized in Table 4 as follows,

Table 4

The summary of factors associated with customers' right

Option	Factor weight	Eigen value	%of variance	Accumulated
Quality of services	.743			
Diversity	.699	1.694	6.050	34.817
Special order	.644			

Cronbach alpha = 0.719

The results of Table 4 indicate that quality of services is the most important factor followed by diversity and special order.

3.4. The fourth factor: Business identification

Business identification is the fourth factor in our exploration study, which consists of four factors including organizational image, technological characteristics, relationships and price. Table 5 demonstrates the results of our survey.

Table 5

The summary of business identification

Option	Factor weight	Eigen value	%of variance	Accumulated
Organizational image	.596			
Technological characteristics	.581	1.518	5.422	40.239
Relationships	.558			
Price	.456			

Cronbach alpha = 0.719

The results of Table 5 demonstrate that organizational image is the most influential factor followed by technological characteristics, relationship and price is the last component in terms of priority.

3.5. The fifth factor: Organizational advantage

This factor includes three components including delivery time, awareness and the first impression. Table 6 shows details of our findings,

Table 5

The summary of factors associated with advantages

Option	Factor weight	Eigen value	%of variance	Accumulated
Delivery time	.640			
Awareness	.618	1.246	4.451	44.690
First impression	.545			

Cronbach alpha = 0.707

The results of the fifth factor indicate that delivery time and being on time is the most important factor followed by awareness and first impression.

3.6. The sixth factor: Image

Image is the next factor in our investigation and it involves with three factors including physical environment, advertisement and communication. Table 7 shows details of our findings,

Table 7

The summary of factors associated with image

Option	Factor weight	Eigen value	%of variance	Accumulated
Physical environment	.720			
Advertisement	.646	1.175	4.195	48.885
Communication	.504			

Cronbach alpha = 0.792

The results indicate that physical environment is the most influential factor followed by advertisement and communication.

3.7. The seventh factor: Supportive power

Supportive power is the next factor influencing brand loyalty and it includes two components including after sales services and promotions. Table 8 demonstrates the summary of our findings,

Table 8

The summary of factors associated with supportive power

Option	Factor weight	Eigen value	%of variance	Accumulated
After sales services	.775	1.071	3.824	52.709
Promotions and discounts	.696			

The results indicate that after sales services is the most important factor and promotions and discount programs are in lower priority.

3.8. The eighth factor: Brand power

The last factor includes three components of organizational identity, credibility and past experiences from brand. Table 9 summarizes the results of our survey.

Table 9

The summary of factors associated with brand power

Option	Factor weight	Eigen value	%of variance	Accumulated
Organizational identity	.764			
Organizational credibility	.682	1.063	3.797	56.506
Past experiences from brand	.382			

The results of Table 9 show that organizational identity is the most important factor followed by organizational credibility and past experiences from brand.

4. Conclusion

In this paper, we have presented an empirical investigation to find out more about the important factors influencing the formation of loyal customers' mental image. The proposed study has implemented factor analysis to determine these factors by designing a questionnaire and distributing among some loyal customers who do banking business in Bank Melli Iran located in city of Tehran, Iran. The results have indicated that there were eight important factors influencing customer loyalty including social status, business identity, brand strength, the contract role, organizational benefit, consumer rights, organizational image and supporting power.

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