

6th International Conference on Contemporary Marketing Issues

CUSTOMER LOYALTY DETERMINANTS IN RETAIL BANKING



Marina Y. Sheresheva

Svetlana V. Vasilyeva

Lomonosov Moscow State University

Faculty of Economics

Athens, Greece, June 27, 2018

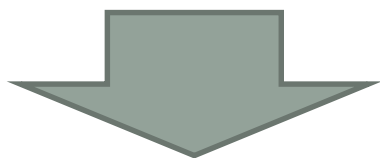
Agenda

- Russian retail banking sector
- Literature review: factors affecting loyalty
- Empirical study: preliminary results
- Conclusions and recommendations

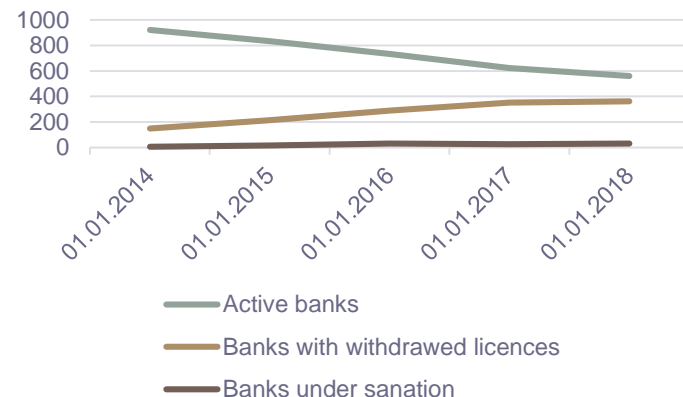
Russian retail banking

Recent developments:

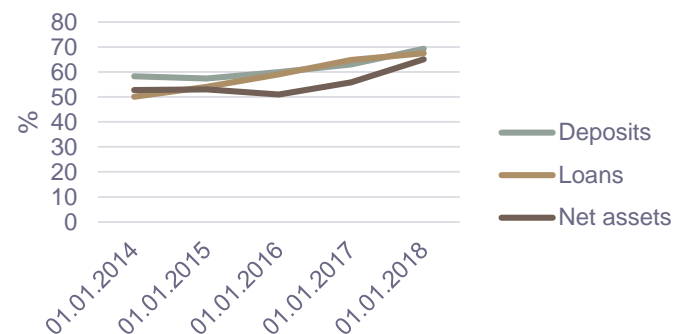
- enhanced competition
- the Central Bank of Russia sanitation in the Russian banking sector
- increased share of state banks due to:
 - transfer of ownership to the state during sanitation
 - customer trust reduction leading to funds movement from private to state banks



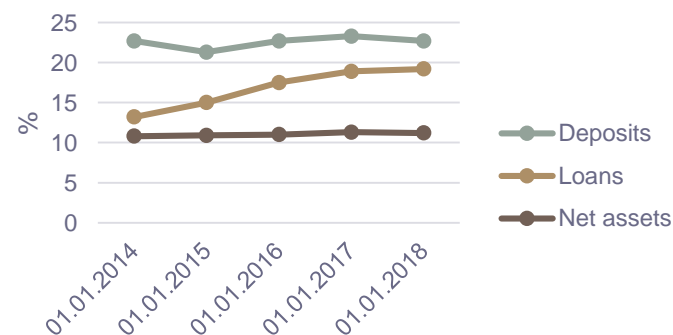
Need for new marketing strategy aimed at gaining customer loyalty



Share of state banks



Herfindahl-Hirschman index



Factors affecting loyalty (1/3)

- Our analysis of empirical papers on customer loyalty helped to identify seven major factors of customer loyalty: *trust, satisfaction, service quality, bank offer, bank image, switching barriers, and prices.*
- *customer trust* includes reliability (Leify, Ali, 2014, Trif, 2013, Oleksiak, 2009) and readiness to continue cooperation in future (Oleksiak, 2009).
- treatment of customer complaints (Keaveney, 1995, Moisescu, 2017), overall satisfaction (Hallowell, 1996, Wulandari, 2015, Filip, Anghel, 2009, Trif, 2013), experience in cooperation with bank (Wulandari, 2015, Bain&Company, 2013), e-banking (Bain&Company, 2013) and understanding customer needs (Oleksiak, 2009) are recognized as the key determinants of *customer satisfaction*

Factors affecting loyalty (2/3)

- Placement and operating hours (Keaveney, 1995, Hallowell, 1996, Bain&Company, 2013, PWC, 2012), waiting time (Keaveney, 1995, Oleksiak, 2009), personnel competence (Keaveney, 1995, Hallowell, 1996, Wulandari, 2015, Bain&Company, 2013, Filip, Anghel, 2009, Oleksiak, 2009, PWC, 2012) and perceived quality (Leify, Ali, 2014, Wulandari, 2015, Moisescu, 2017, Filip, Anghel, 2009, Trif, 2013, PWC, 2012) are included in *service quality* factor.
- Set of bank products (Keaveney, 1995, Bain&Company, 2013, Oleksiak, 2009, PWC, 2012) and full information on products available (Moisescu, 2017, Filip, Anghel, 2009, Oleksiak, 2009) together form the *bank offer*.

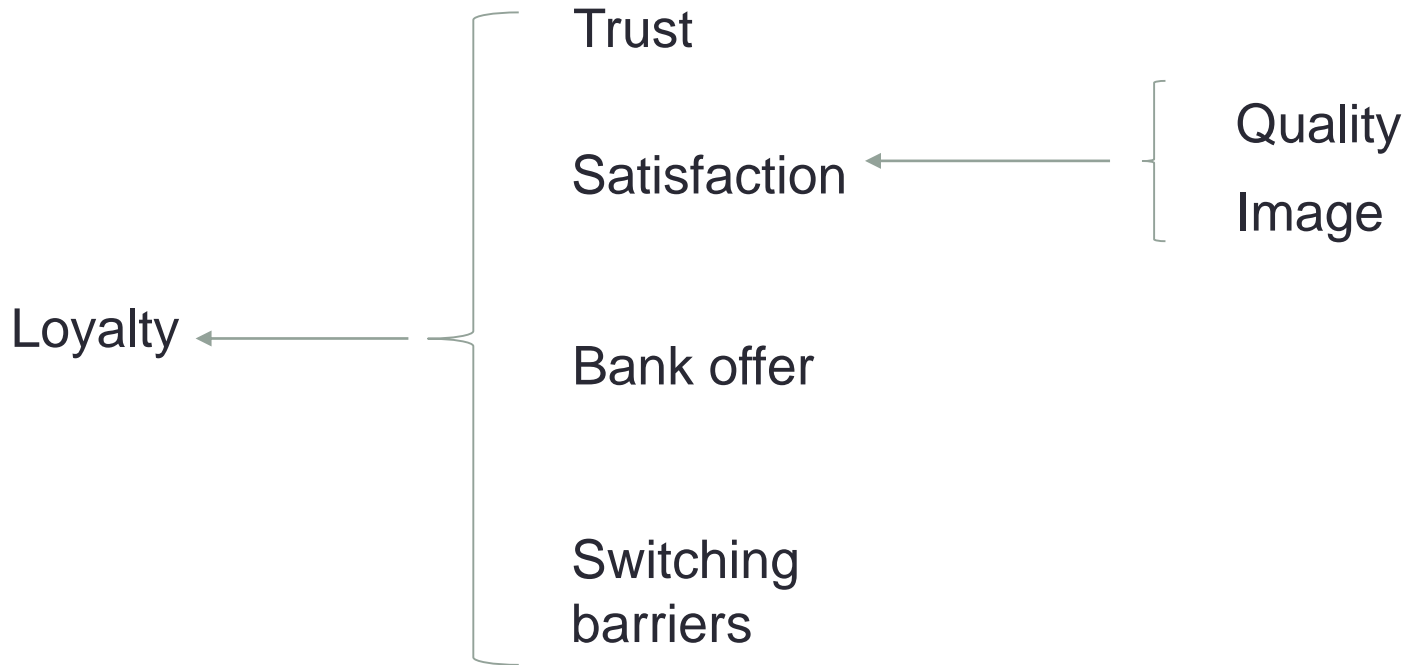
Factors affecting loyalty (3/3)

- *Bank image* implies image of stable bank (Bain&Company, 2013, Oleksiak, 2009, PWC, 2012) with good reputation (Leify, Ali, 2014, Bain&Company, 2013, Szwajca, 2016), as well as recommendations of family and friends (Bain&Company, 2013, Filip, Anghel, 2009, Oleksiak, 2009).
- *Switching barriers* include contractual obligations, psychological aspect and no information about alternatives (Filip, Anghel, 2009) and physical aspect (Keaveney, 1995).
- *Prices* or interest rates and commissions in banking sector are also one of the most important factors influencing loyalty (Keaveney, 1995, Hallowell, 1996, Bain&Company, 2013, Oleksiak, 2009).

Data and sample

- On-line questionnaire placed in popular Russian banking forums
- Questionnaire based on empirical research papers
- February-April 2018
- 891 respondents
- Respondents characterized their bank by 7 factors: loyalty, trust, satisfaction, service quality, image, bank offer, and switching barriers
- Price factor included in offer (as customer perception of price)
- 10-point Likert scale
- The modelling was performed in SPSS19.0 and consists of four steps

Step 1. Proposed model design



Step 2. Factor analysis

- Step 2. Factor analysis using principal components (PC) method.
- Applying factor analysis questions on client's assessment of their bank were aggregated to 6 factors described above.
- For each factor were identified one PC.
- Share of described dispersion for each PC is above 55% that demonstrates good quality of components that could be used for further modelling.

Step 3. Regression for satisfaction

- Step 3. Linear regression model to assess impact of quality and image on satisfaction. The model is of good quality taking into consideration high R-square, all variables are significant at 5% confidence level, thus, predicted satisfaction values could be used in loyalty model (step 4).

Dependent variable: satisfaction	Coefficient	Standard error	Confidence ($p < 0,05$)
Const	0	0,040	1,000
Image	0,363	0,068	0,000
Quality	0,584	0,068	0,000
R-square	81%		

Step 4. Regression for loyalty

Dependent variable: loyalty	Coefficient	Standard error	Confidence (p<0,05)
Const	0	0,065	1,000
Trust	0,239	0,113	0,037
Satisfaction (predicted)	0,393	0,193	0,044
Offer	0,165	0,151	0,276
Switching barriers	0,039	0,187	0,378
R-square	62%		

Conclusion

- As a result, we identified factors that have significant positive impact on customer loyalty in the Russian retail sector: trust, customer satisfaction, quality of services, and bank image.
- Therefore, Russian retail banks should concentrate on these aspects, especially on enhancing trust and improving quality of service as it has the most significant impact on customer loyalty

Recommended measures for Russian retail banks to enhance customer loyalty

- Improve competence of office personnel and call-center staff in order to reduce the number of complaints, as complaints published online viewed by many current and potential customers and negatively influence bank image.
- Improve e-banking service, especially those concerning client data and fund protection due to increased risk of hacker attacks.
- Optimize business processes, including staff placement optimization, to reduce the time needed to customer request procession, because many clients are not satisfied with the service rate.
- Correct the set of services and products is needed in order to enhance bank positioning as currently the offers of many banks are poorly differentiated and thus are perceived by customers as highly similar.

Marina Sheresheva

m.sheresheva@mail.ru

<https://www.econ.msu.ru/science/RCNE/>



Lomonosov Moscow State University
Faculty of Economics