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The Impact of Trust, Communication, Commitment, And Conflict Handling on Customer Loyalty: An Empirical Evidence from Banks in Lahore, Pakistan

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Abstract

Relationship marketing is emerging as a new phenomenon however; relationship oriented marketing practices date back to the pre-Industrial era. This study expressed that how relationship marketing helps to build the customer loyalty. Relationship marketing has been measured through following indicators such as trust, communication, commitment, and conflict handling. 122 questionnaires were administered to customers of banks and all of that questionnaire has been taken to evaluation. Relationship marketing contributes significantly to customer loyalty and predicts thirty percent of the variation found. Trust and communication in the relationship marketing contribute significantly to customer loyalty and customer loyalty is not contributed significantly by commitment and conflict handling in the relationship marketing. And, also there is a significant mean different in customer loyalty among different age groups.

Keywords: Trust, Communication, Commitment, customer loyalty, Lahore, Pakistan

Introduction

There is undoubtedly a growing interest in the subject of relationship marketing. The strong rivalry characterizing today's business environment has resulted to the building of stronger firm-customer relationships. Webster (1992) noted that the phenomenon described by this concept is strongly supported by on-going trends in modern business. Ndubisi (2004) reported that more and more firms are capitalising on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards (Rapp and Collins, 1990) which benefit both the firm and the customer. By building relationship with customers, an organisation can also gain quality sources of marketing intelligence for better planning of marketing strategy. It is important, therefore, to empirically examine the actual impact of the underpinnings of relationship marketing of customer loyalty. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers. The research study reported here investigates the impact of four underpinnings of relationship marketing – trust, commitment, communication, and conflict handling – on customer loyalty in Pakistan.

Literature Review

In both services marketing and industrial marketing a new concept naming relationship marketing rose up. (Christopher et al., 1991; Gummesson, 1991; Lindgreen et al.,2004). A strategy has been observed by Berry (1983) that the relationship marketing is used to attract, maintainand enhance customer relationships. Gummesson (1993) expressed the term in other perspective that the core issues are the management of interactions, relationships and networks. Gro¨nroos (1994). Gro¨nroos (1994) explained the scheme of relationship marketing i.e, to create then maintain and finally improving the relationship of both the customers and other partners by also considering profit so that the objectives of both can be fulfilled.In the same term Rapp and Collins (1990) derived that the goal has the aim to maintain the longlasting relationship of firm with their customers which is equally benefit for both parties.From the other context the main objective is to nurture customer loyalty which is explained by Oliver(1999) that it relates to the repeat purchase of a preferred product or service and the customer must show its commitment despite influences in market and marketing efforts that it cannot lead to the switching of a customer behavior.

The following key characteristics of relationship marketing was suggested by Blomqvist et al. in (1993) every customer is deemed as an individual person; the activities of the firm must b for existing customers; implementation is based on interactions and dialogues; and the firm must increase the profitability by reducing customer turnover and making strong bond for customer relationship. The "underpinnings" of relationship marketing. The marketing literature has theorised key virtues that underpin relationship marketing, such as trust (Morgan and Hunt, 1994; Veloutsou et al., 2002), commitment (Grossman, 1998; Chan andNdubisi, 2004), conflict handling (Dwyer et al., 1987; Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi and Chan, 2005;Morgan and Hunt, 1994; Crosby et al., 1990). Aforesaid have been linked in this study to customer loyalty. Ndubisi (2004) has suggested that companies should mold their conditions and make investments for maintaining relationships with loyal, or at least those who are potentially loyal customers. There are four different factors that identify customer loyalty.

Trust is defined as ". . . a willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1993). If there is double cross form the suppliers side then it can cause desertion. Calonius in (1988) focused that the promise concept is the main part in relationship marketing.he explained further that the promises are not only make but they should be fulfilled for a strong customer relationship (Reichheld and Sasser, 1990).according to (Morgan and Hunt, 1994) a person with the strong integrity can be also treated as a person on whom can rely. Though commitment is another importan factor in relationship marketing that annexed with the repeat purchase and loyalty of a customer this cocept is explained by (Gundlach et al., 1995; Morgan and Hunt,1994; Dwyer et al., 1987).since commitment is more important for those customers who think more value is received due to relationship (Mowday et al., 1982). Communication refers to the concept that it is the most reliable and timely source of information. Now a days a communication with the firm and their customers go along upto the pre-selling, selling,consuming and post-consuming stages (Anderson and Narus, 1990).communication is such an important thing that tells that either our customers are satisfied from our product or it leads to the dissatisfaction of a product or service.

Dwyer et al. (1987) defined that the potential conflicts or their sources must be solved and eradicated before they become a problem. How much it is better it treated depend on two terms from the concept of customer loyalty that it should b an "exit" or "voice" that means either a customer retain or not. Rusbult et al. (1988) have the conclusion that it depends on the satisfaction of customer that he received before,the customer investment in the relationship and the evaluation of available alternatives. Ndubisi and Chan (2005) found an important relationship between conflict handling and customer loyalty. How well a supplier is treated them that increase chances of customer loyalty.

Methodology

Figure 1 shows a schema relating the four research constructs to the dependent variable, customer loyalty. Data was collected through a field survey of bank customers in Lahore Pakistan. All banks in the city were invited to participate in the survey; The sampling frame thus consisted of the customers of the volunteer banks only. This sampling method was chosen because it permits analysis of possible selection bias or error (Sher and Trull, 1996). In the questionnaire completed by customers, items to measure the construct dimensions were adapted from previous studies: Churchill and Surprenant (1982) for the trust dimension, Morgan and Hunt (1994) for communication, commitment and conflict handling, and Bloemer et al. (1999) for loyalty. The eventual total of 20 items and 12 questions related to the five dimensions as follows: Trust: the bank is very concerned with security for my transactions; the bank's promises are reliable; the bank is consistent in providing quality service; employees of the bank show respect to customers; the bank fulfils its obligations to customers; and I have confidence in the bank's services. Loyalty program: the bank makes adjustments to suit my needs;

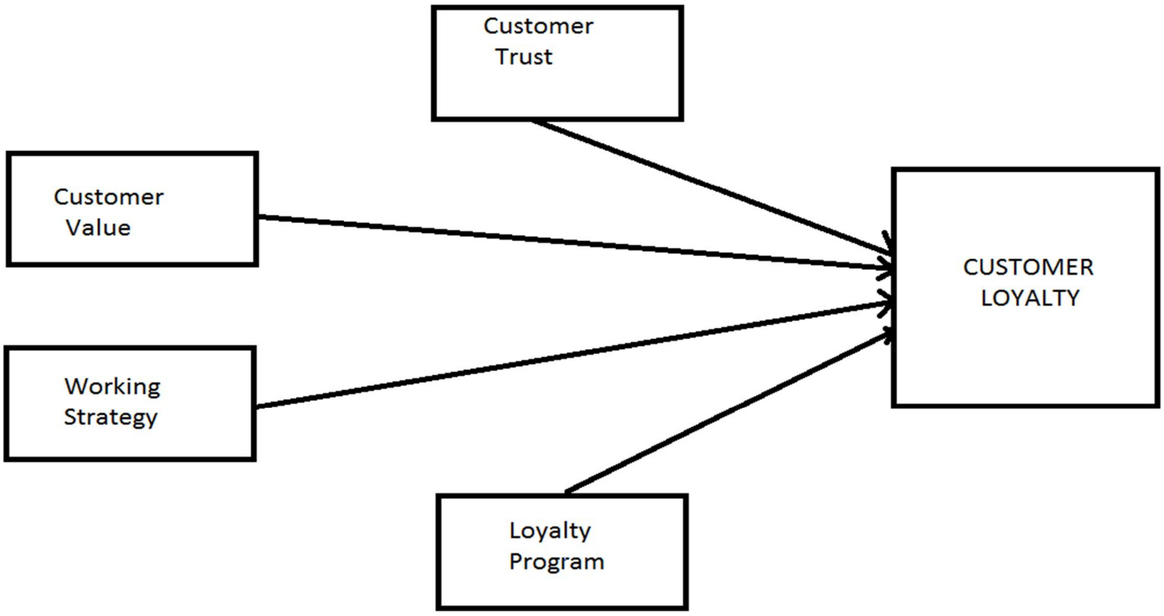

Figure 1: Research Framework

The bank offers personalized services to meet customer need; the bank is flexible when its services are changed; and the bank is flexible in serving my needs. Communication: the bank provides timely and trustworthy information; the bank provides information when there is new banking service; the bank makes and fulfils promises; and information provided by the bank is always accurate. Conflict handling: the bank tries to avoid potential conflict; the bank tries to solve manifest conflicts before they create problems; and the bank has the ability to openly discuss solutions when problems arise. Customer loyalty: considering the bank as first choice among other banks in the area; and the bank that first comes to my mind when making purchases decision on bank services. All items were measured by responses on a five-point Likert scale of agreement with statements, ranging from 1 strongly agree to 5 strongly disagree. Multiple regression analysis was performed to predict the relationship between the four “underpinnings” of relationship marketing and customer loyalty, in this context

Consumer survey questionnaire method

The questionnaire was very easy to understand even at the first sight we distribute the questionnaire to get to know about the customer experience which they get from their relevant banks, and come to know the point that either banks can achieve loyalty.

Analysis and Interpretations

In our research we have total 121 respondents in which there are 22 females and 99 males by the percentage of 18.2% and 81.8% respectively as there cumulative percentage for females are 18.2 and for male there were 100%. As far as the age is concern the number of frequency of people below 20 years were 17 by 14% and the age group 20-30 were 94 by 77% and above 30 there were 10 people by 8.3%

Frequency Table

Table 1: Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	22	18.2	18.2	18.2
	male	99	81.8	81.8	100.0
	Total	121	100.0	100.0	

Table 2: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 20	17	14.0	14.0	14.0
	20-30	94	77.7	77.7	91.7
	above 30	10	8.3	8.3	100.0
	Total	121	100.0	100.0	

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.480[a]	.231	.224	.86537

a. Predictors: (Constant), brandloyalty

b. The model dexcribes the standard error of the estimate is .86537

Table 4: ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.825	1	25.825	34.486	.000[a]
	Residual	86.119	115	.749		
	Total	111.944	116			

The anova table give the significant value by 0.000 where the regression i.e sum of squares are 25.825

Table 5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.489	.342		1.428	.156
	Brand loyalty	.771	.131	.480	5.872	.000

Table 6: Correlations

		Customer relationship management	Brand loyalty
Customer relationship management	Pearson Correlation	1	.480**
	Sig. (2-tailed)		.000
	N	121	117
brand loyalty	Pearson Correlation	.480**	1
	Sig. (2-tailed)	.000	
	N	117	117

**. Correlation is significant at the 0.01 level (2-tailed).

Table 7: Reliability Statistics

Cronbach's Alpha	N of Items
.602	2

Table 8: One-Sample Kolmogorov-Smirnov Test

		Customer relationship management	Brand loyalty
N		121	117
Normal Parameters[a]	Mean	2.4242	2.5348
	Std. Deviation	.97373	.61163
Most Extreme Differences	Absolute	.163	.068
	Positive	.163	.065
	Negative	-.113	-.068
Kolmogorov-Smirnov Z		1.795	.740
Asymp. Sig. (2-tailed)		.003	.644

Table 9: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Customer relationship management	121	2.4242	.97373	.08852
Brand loyalty	117	2.5348	.61163	.05654

Table 10: One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Customer relationship management	-6.504	120	.000	-.57576	-.7510	-.4005
Brand loyalty	-8.227	116	.000	-.46520	-.5772	-.3532

Conclusions and Future Research Directions

This study has demonstrated that measurement of the "underpinnings" of relationship marketing can predict customer loyalty, at least in the Pakistani banking sector. Therefore, researchers and strategists aiming to nurture loyal customers should pay close attention to issues of trust, commitment, communication and conflict handling. The research reported here has not delved into the possible influences of socio-demographic factors on the relationship between relationship marketing initiatives and customer loyalty. Earlier studies have suggested that women be more loyal than men (Ndubisi,2005), and older people more so than younger age groups. Moreover, there is the tendency for higher-income customers to receive better attention Pakistan, because of their higher net worth and the larger volume of business they generate for banks. This could make them more loyal than other customers. Future research studies might fruitfully investigate such moderating influences.

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