

## Investigation of the Influence of Mental image, Performance Quality and Relationship Quality on Customers' Satisfaction and Loyalty (Case Study: Iran Melli Bank in Abadan and Khorramshahr)

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*Received: July14, 2015*

*Accepted: September 22, 2015*

### ABSTRACT

This study aims to investigate the influence of mental image, performance quality and relationship quality on satisfaction and loyalty of customers of Melli Iranian Bank in Abadan and Khorramshahr. A sample consisting of 410 customers of Melli Iranian bank in Abadan and Khorramshahr were picked randomly and surveyed. The conceptual model was developed and a questionnaire was designed and data were gathered by the questionnaire. Finally, the hypotheses were investigated by means of structural equations modeling technique. The results showed that mental image and performance quality and quality of relationship had positive and significant impacts on customers' loyalty. Moreover, the results showed that relationship quality influences customer satisfaction while performance quality does not influence customer satisfaction.

**KEYWORDS:** mental image, customer loyalty, customer satisfaction, performance quality, relationship quality

### INTRODUCTION

Customers determine organizational survival in global economy. Organizations can no longer be indifferent to customers' expectations and demands because customer is the main source of investment return. Therefore, creation of customer-oriented values is the base for today's business world and this will not be possible without paying attention to customers' demands. Organizations tend to have loyal customers. Their ultimate goal is to acquire and maintain customers for repeated purchase (Egblopeali and Aimin, 2013). Many studies have revealed that satisfaction is not the ultimate key to success and profitability. In fact, marketing concepts which emphasized on this issue no longer recognize it but loyal customers are the main sources of long-term profitability (Gee et al, 2008). The cost of keeping customers is smaller than the cost of attraction of new customers. An increase in profitability from 25% to 95% can be reached only by 5% increase in customer keeping costs (reichards and johnes, 2008). On the other hand, it should be noted that acquiring concepts like satisfaction and loyalty is related to the quality of products and services, transparency, efficiency and responsiveness of managers and officials of banks (Roosta et al, 2010). This in part can result in mutual trust between customers and institutes and acceleration in financial success of banks (Shokrchizadeh et al, 2014). Therefore, service quality can be very important in customer satisfaction. This is because service quality is usually evaluated based on "customer need" and this can propound service quality with different methods (Taleghani and Kavehmanesh, 2014). One of these methods include SERVQUAL model which measures service quality based on difference between customer expectations and his/her perception of service performance (Ghobadian et al, 1994). Another model is bank service quality measurement model (BSQ) which adds some features to SERVQUAL model to be adapted to SERVQUAL model (Bahia et al, 2000). Considering the importance of customer loyalty in companies and commercial institutes like banks, this study aims to investigate the fact that whether there is a relationship between relationship quality, performance quality, mental image and customers' satisfaction and loyalty?

### THEORETICAL LITERATURE

#### Loyalty to brand

Customer loyalty or continuous relationship between customers and banks is of great importance. Customer loyalty patterns study is important because it helps banks with serving customers well. Banking industry is an important economic section. Identification of factors affecting loyalty of customers can help satisfy them in a better manner and thereby reach organizational goals. Furthermore, considering factors which affect loyalty, we can persuade present customers to purchase more. Customer loyalty is of strategic importance for organizations. Increasing customer loyalty has received a lot of attention by managers, commentators and academic scholars (Keiningham et al, 2007). This is important because customer consider it in their purchase decisions. Organizations which manage to have loyal customers have more competitive advantages than their competitors. Anderson and narus (2014) believe that keeping customers is more efficient than finding new

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customers (Gee et al, 2008). Therefore, service providers have focused on their existing customers than finding new customers (Shoemaker and Lewis, 1999).

### Quality concept

Quality is a common term which has had many different interpretations. However, the common aspect of all these definitions is "compatibility of the product or service with customers' needs and expectations". Quality starts from customers and paying attention to a product or service without considering customer ideas does not necessarily bring quality (Simons et al, 2003). Therefore, quality is usually defined as the level to which a product can satisfy customers' needs (Johnson and Nilson, 2003).

### Relationship quality

Relationship quality is a kind of relationship marketing. Due to the importance of relationship marketing in today's business world, relationship quality is necessary for evaluation of strength of relationship and degree of satisfaction with customers' expectations.

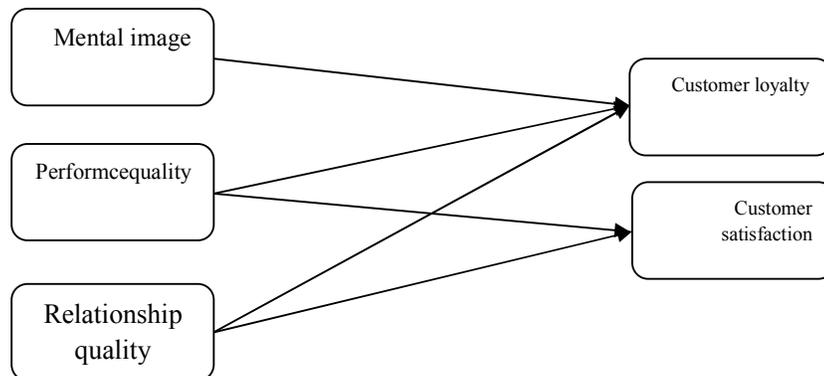
In order to develop long-term relationships, a good relationship quality can increase customer reliability (Li and Ho, 2008). In other words, a higher relationship quality causes interaction between service provider and customers and creates long-term stable transactions and both sides can benefit from (Singh, 2008).

The first attempt for measurement of relationship quality was conducted by Crosby et al (1990) who investigated relationship quality from two aspects: trust and satisfaction Morgan and hunt(1994) proposed trust-commitment theory by proposing the fact that commitment and trust are two main aspects of relationship quality measurement. After integration of different viewpoints, Chakrabarty, Whitten and Green (2007)found that relationship quality is measured by trust, commitment, culture, mutual dependence and contact.

### Brand mental image

Marketing aims to create an image of a brand or giving an image to a brand such that it attracts people. Consumers should have a clear image of brand features in their minds. These features can include: quality, speed, low price, high price and diversity. Image, in general, is a general combination of all things which consumers think about your company, product and brand. A consumer gives different importance to different features of a brand considering its unique needs (Kotler and Armstrong, 2004). Commercial brand image is a concept which is placed in consumers' minds and forms via establishment of mental links and inspirations. Brand image can be defined as a unique collection of consumers mental impressions which depict what the brand is representative of (Chan-Olmsted, 2006).

### Research conceptual model



### Research hypotheses

First hypothesis: mental image has a positive and significant influence on customer loyalty.

Second hypothesis: performance quality has a positive and significant influence on customersatisfaction.

Third hypothesis: performance quality has a positive and significant influence on customer loyalty.

Fourth hypothesis: relationship quality has a positive and significant influence on customer satisfaction.

Fifth hypothesis: relationship quality has a positive and significant influence on customer loyalty.

## METHODOLOGY

This is an applied study in terms of goal because it aims to investigate the influence of mental image, relationship quality and performance quality on customers' satisfaction and loyalty in branches of Iranian Melli Bank in Abadan and Khorramshahr. Furthermore, it is a correlation study because it identifies the intensity and type of relationship between independent and dependent variables. Furthermore, this is a descriptive study in terms of methodology nature since it makes use of library and field methods for gathering data. Accessible

sampling method was used for picking sample members. Cucheran's formula was used for determination of sample size. Sample size was 384. A researcher-made questionnaire was used for gathering data. This questionnaire was designed based on indices in similar studies and consisted of 7 questions for measurement of brand image (Parhizkar et al, 2013), 12 questions for measurement of customer loyalty (Parhizkar et al, 2013), 3 questions for measurement of performance quality (davoudian, 2010), 6 questions for measurement of relationship quality (Davoudian, 2010), and 2 questions for measurement of customer satisfaction (davoudian, 2010). Cronbach's alpha was used for measuring reliability of the questionnaire. Cronbach's alpha was used for evaluation f reliability of the questionnaire. 30 questionnaires were distributed for calculation of this coefficient in a primary sampling. Table 1 indicates the results of this primary sampling. Structural equations modeling technique and confirmatory factor analysis was used for investigation of relationships between dimensions in the conceptual model and measurement of fitness of the model a testing the hypotheses. SPSS19 and LISREL8.50 weresoftware applications used for analysis.

Table 1.Cronbach's alpha coefficient for research variables

row	Research variables	Cronbach's alpha
1	Mental image	0.739
2	Relationship quality	0.728
3	Performance quality	0.724
4	Customer satisfaction	0.902
4	Customer loyalty	0.834
6	questionnaire	0.918

**Research hypotheses test**

Structural equations modeling technique (using LISREL software) was used for testing the hypotheses. Output of LISREL was used both in standard and significance modes (figures 1 and 2).

Investigation of model fit indices

In structural equations modeling technique, we first investigate fitness of model before testing the hypotheses. Considering the output of LISREL depicted in table 2, normal Kai-squared is equal to 2.96 and is smaller than 3. Therefore, it is acceptable. RMSEA index is equal to 0.078 which is acceptable. Since more than three indices are acceptable, the model is of good fit.

Table 2.results of general fitness of research model

index	value	Allowable limit	result
X <sup>2</sup> /df	2.96	Between 1 and 5	acceptable
(NFI)Normalized fit index	0.90	0.9 and above	acceptable
Goodness of fit index(GFI)	0.75	0.9 and above	unacceptable
Adjusted goodness of fit index(AGFI)	0.72	Close to 1	unacceptable
Tucker-Lewis index(TLI)or non-normalized fit index(NNFI)	0.93	0.9 and above	acceptable
Increasing fit index(IFI)	0.93	0.9 and above	acceptable
Comparative fit index(CFI)	0.93	0.9 and above	acceptable
Parsimonious normed fit index(PNFI)	0.84	>0/6	acceptable
Root mean square error approximation(RMSEA)	0.078	<0/08	acceptable
(RFI) Relative fit index	0.89	>0/9	unacceptable
(RMR) Remainder mean root	0.055	close to zero	acceptable

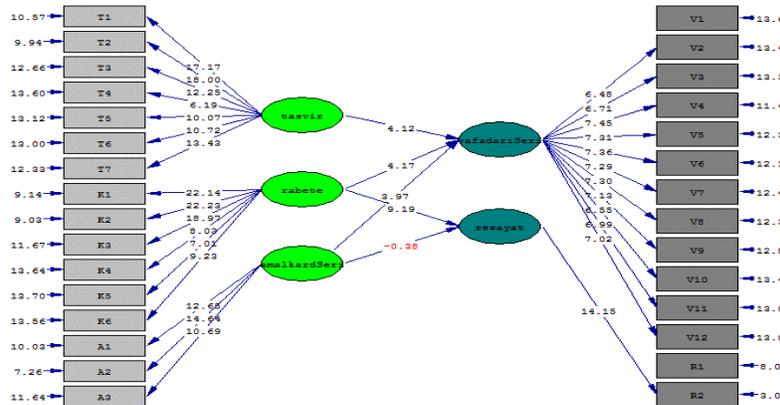


Figure 1.output of structural equations modeling in standard mode

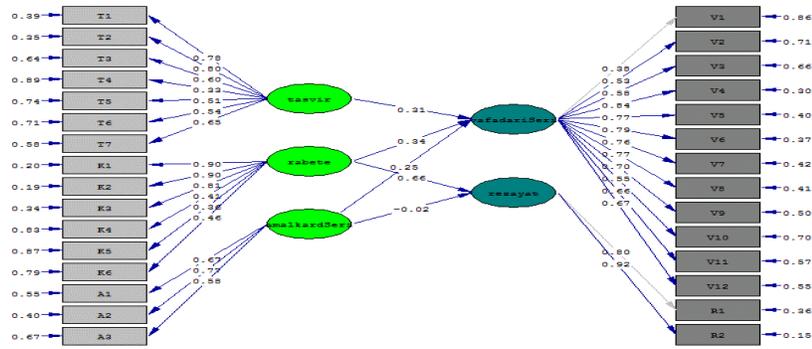


Figure 2. Output of structural equations modeling in t-values state

Considering table 2, correlation coefficient between the two variables is equal to 0.606 and significance level is 0.000. because significance level is smaller than error level 0.05, the hypothesis for presence of a significant relationship between mental image and customer loyalty is supported (error level equal to 0.05). furthermore, considering figures 3 and 4 and table 4, since standard coefficient value is equal to 0.31 and t value is greater than 1.96 (equals 4.12), it can be said that relationship between these two variables is significant. Therefore, H0 is rejected and mental image has a positive and significant influence on customer loyalty. Therefore, the first hypothesis is supported.

#### *second hypothesis test*

considering table 2, correlation coefficient between the two variables is equal to 0.264 and significance level is equal to 0.000. because significance level is smaller than error level (0.05), the hypothesis for presence of a significant relationship between performance quality and customer satisfaction is supported (error level equals 0.05). furthermore, due to the positive sign of the correlation coefficient, the relationship between these two variables is direct, i.e. as performance quality increases (decreases), customer satisfaction is also increased (decreased). Now the causal relationship between performance quality and customer satisfaction can be evaluated by means of structural equations modeling technique. Considering figures 3 and 4 and table 5, since standard coefficient is equal to -0.02 and significance value (t value) is smaller than 1.96 (equals -0.38), it can be said that the relationship between these two variables is not significant (error level 0.95). therefore, H0 is supported and performance quality does not have a positive an significant influence on customer satisfaction. Therefore, the second hypothesis is rejected.

#### *Third hypothesis test*

considering table 2, correlation coefficient between the two variables is equal to 0.507 and significance level is equal to 0.000. because significance level is smaller than error level (0.05), the hypothesis for presence of a significant relationship between performance quality and customer loyalty is supported (error level equals 0.05). furthermore, due to the positive sign of the correlation coefficient, the relationship between these two variables is direct, i.e. as performance quality increases (decreases), customer loyalty is also increased (decreased). Now the causal relationship between performance quality and customer loyalty can be evaluated by means of structural equations modeling technique. Considering figures 3 and 4 and table 6, since standard coefficient is equal to 0.25 and significance value (t value) is greater than 1.96 (equals 3.97), it can be said that the relationship between these two variables is significant (error level 0.95). Therefore, H0 is not supported and performance quality has a positive and significant influence on customer loyalty. Therefore, the third hypothesis is supported.

#### *Fourth hypothesis test*

considering table 2, correlation coefficient between the two variables is equal to 0.450 and significance level is equal to 0.000. Because significance level is smaller than error level (0.05), the hypothesis for presence of a significant relationship between relationship quality and customer satisfaction is supported (error level equals 0.05). Furthermore, due to the positive sign of the correlation coefficient, the relationship between these two variables is direct, i.e. as relationship quality increases (decreases), customer satisfaction is also increased (decreased). Now the causal relationship between relationship quality and customer satisfaction can be evaluated by means of structural equations modeling technique. Considering figures 3 and 4 and table7, since standard coefficient is equal to 0.66 and significance value (t value) is greater than 1.96 (equals 9.19), it can be said that the relationship between these two variables is significant (error level 0.95). Therefore, H0 is not supported and relationship quality has a positive and significant influence on customer satisfaction. Therefore, the fourth hypothesis is supported.

#### *Fifth hypothesis test*

Considering table 2, correlation coefficient between the two variables is equal to 0.712 and significance level is equal to 0.000. Because significance level is smaller than error level (0.05), the hypothesis for presence of a significant relationship between relationship quality and customer loyalty is supported (error level equals 0.05). Furthermore, due to the positive sign of the correlation coefficient, the relationship between these two variables is direct, i.e. as relationship quality increases (decreases), customer loyalty is also increased (decreased). Now the causal relationship between relationship quality and customer loyalty can be evaluated by means of structural equations modeling technique. Considering figures 3 and 4 and table 8, since standard coefficient is equal to 0.34 and significance value (t value) is greater than 1.96 (equals 4.17), it can be said that the relationship between these two variables is significant (error level 0.95). Therefore, H<sub>0</sub> is not supported and relationship quality has a positive and significant influence on customer loyalty. Therefore, the fifth hypothesis is supported.

## **CONCLUSION AND DISCUSSION**

Results of the first hypothesis test supported the influence of mental image on customer loyalty. Because standard coefficient is equal to 0.31 and significant value (t value) was greater than 1.96 (4.12), it can be said (0.95 level) that the relationship between the two variables is significant and because correlation coefficient is equal to 0.606, the relationship between the two variables is positive and direct. In other words, if mental image increases (is improved), customer loyalty will be also improved and vice versa. This means that offering desirable services creates a positive mental image in customers' minds and this increases satisfaction and consequently increases customer loyalty. The result of the first hypothesis test is consistent with the results of studies conducted by Egblopeali and Aimin (2011), Wu (2011), Doostar et al (2011), and Heidarzadeh et al (2011).

The results of the second hypothesis test rejected the influence of performance quality on customer satisfaction. Since standard coefficient was equal to -0.02 and significance value (t value) is smaller than 1.96 (equals -0.38), it can be said (in 95% level) that the relationship between these two variables is not significant. The result of the second hypothesis test is consistent with the result of study conducted by Chander et al (2002). Chander et al investigated service quality and customer satisfaction in Indian banks. Their results showed that service quality and customer satisfaction are two differentiated constructs considering the 5 factors and their aspects are significantly different.

The results of testing the third hypothesis supported the influence of performance quality on customer loyalty. Since standard coefficient is equal to 0.25 and significant value (t value) is greater than 1.96 (equals 3.97), it can be said (95% level) that the relationship between the two variables is significant and because correlation coefficient is equal to 0.507, the relationship is positive and direct. That is to say, if performance quality increases (is improved), customer loyalty will also increase and vice versa. This means that offering high-quality services helps customers feel safe and trust in the brand and repeat his or her purchase in future and feel committed to the company (or product). This results in improved customer loyalty. This result is consistent with the result of a research conducted by Omar et al (2010) and Borhani et al (2014). The results of the fourth hypothesis test supported the influence of relationship quality on customer satisfaction. Since standard coefficient is equal to 0.66 and significance value (t value) is greater than 1.96 (equals 9.19), it can be said in 95% error level that the relationship between the two variables is significant and because correlation coefficient is equal to 0.450, the relationship between these two variables is positive and direct. In other words, if relationship quality is increased (is improved), customer satisfaction will also increase and vice versa. This means that offering high-quality services by employees and their behavior towards customers is effective in attraction of banks customers. The result of the third hypothesis is consistent with the result of studies conducted by Kheng et al (2010) and Choi et al (2004).

The results of the fifth hypothesis test supported the influence of relationship quality on customer loyalty. Since standard coefficient is equal to 0.34 and significance value (t value) is greater than 1.96 (equals 4.17), the relationship between the two variables is positive and direct. In other words, if relationship quality is increased (is improved), customer loyalty will also increase and vice versa. This means that offering services with high quality to customers helps customers feel safe and trust in the brand and repeat his or her purchase and finally results in customer loyalty. The result of the fifth hypothesis reveals that the result of the fifth hypothesis is consistent with the result of a research conducted by Kheng et al (2011).

#### **Research recommendations**

- Considering the role of mental image, organizations are advised to include in their strategic plans the ways for creation of positive mental images in customers' minds and try to establish commitment in consumers in order to make them loyal customers. Offering desirable services by organization and its

validity establishes a positive mental framework from a brand in customers' minds and this in part increases commitment, satisfaction and loyalty.

- Since satisfaction is the product of customer needs satisfaction and service quality is an effective factors in customer satisfaction, service organizations should recognize customers' needs and offer corresponding desirable services.
- Considering the relationship between service quality and loyalty, organizations can do the followings for improving service quality: increasing attractiveness of services, equipment and things used by service organizations, tidiness and cleanliness of appearance of employees, improvement of organizational ability to abide by its commitments in a thorough and persistent manner, increasing employees' tendency to help customers and respond to their demands and making them aware of the time of service provision, teaching employees to do appropriate behaviors towards customers and paying attention to customers' interests, selection of appropriate working hours and making attempts to understand and eliminate customers' needs and problems.

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