

Effect of Customer Satisfaction, Trust and Contractual Obligations on Long-Term Relationships (Case Study: Bank Maskan of the City of Ahwaz)

Dr. Ebrahim Albonaemi

Department of Management Science and Research Branch
Islamic Azad University, International Abadan, Iran

Seyed Abolghasem Tabatabaie

M. A Student of Management Science and Research Branch
Islamic Azad University, International Abadan, Iran

Abstract – Nowadays, customer satisfaction and loyalty are deemed as essential criteria for determining the quality of service organizations, and the trend is rapidly increasing. The importance of customer's long-term relationship is a phenomenon which refers to competitions at the international level. It is the most essential work for each bank industry to maintain its share in the market and keep its customers; hence in this essay we study the effect of customer satisfaction, trust and contractual obligations on long-term relationships of Bank Maskan' customers of the city of Ahwaz. We utilized questionnaires to collect data for testing the 4 hypothesis of this study. The questionnaires have been distributed among 305 customers. In order to analyze the relationship between our variables we used AMOS software for path analysis and structural equation model analysis tests. The results show a positive and meaningful relationship between customer satisfaction, commitment and trust, and customer-bank long-term relationship.

Keywords – Satisfaction, Trust, Contractual Commitments, Long-Term Relationship, Bank Maskan of Ahwaz.

I. INTRODUCTION

As the 3rd millennium began, many of the old concepts of the pioneering organizations have been changed and consequently found new functions in the societies. The concept of "the customer" is not excluded from the above fact. By "the customer" One cannot only think about trades and marketing, but human relations and their cooperation in general. Customers are the only source for returning the companies' capital, so all the activities and abilities shall aim to satisfy the customers. Companies shall keep their customers satisfied and develop the range of their services so they could be surviving in the competitive markets. Nowadays, the success of the corporations depends on satisfying the customers in the target markets as much as possible. Buyers in today's world face with an extremely wide range of products and their expectations about the quality of goods and services are a lot more different than before. According to these facts, the buyers would choose materials and services that match better with their needs and expectations. Finally, the marketing section of the companies shall identify the pivotal factors on the customer satisfaction and absorb them. Nowadays, our lives move increasingly towards an economy which is based on providing services, and this shall be deemed as the valuing heart of the modern economy. Such services include intangible activities which satisfy the customer, not because have them own anything but cause them to feel happy. To keep a customer satisfied

will make him/her loyal which eventually cause an increase in the purchasing times. Regarding the fact that absorbing new customers usually costs a lot more than keeping the current customers (actually 6 times more), one could say that loyal customers pay more than casual customers for a certain service or product. Several studies show that customer satisfaction will determine their intention for a purchase and influences their behavior. Cronin and Taylor found that, among factors like quality of services, customer satisfaction has the most effect on the intention of purchase. Lim and Chan stated that the quality of the services has a direct effect on customer satisfaction and this will influence the customer loyalty. Finally, customer loyalty at its high levels has a direct effect on a long-term relationship with the customer. However Chan (2008) stated that service quality diminishes the effect of theoretical loyalty on behavioral loyalty. Since a satisfied customer will probably continue to buy products and services, he/she will advertise the goods orally and use the facilities moreover. In the light of the above, we believe that success in such careers would increase if we have loyal customers, spend less time on finding new customers and also if the customers are willing to pay a higher price to receive a high quality service or product.

II. THEORETICAL LITERATURE

Nowadays, service industries play an important role in economical development of countries and banking industry has an essential position among them. On the other hand, as the competition market grows more than ever, managers are seeking ways to survive and be stabilized in the business. Hence they shall look for methods to increase customer satisfaction and loyalty. In service companies, personnel have the major role in absorbing customers and maintain their relationship with the company. Saser believe that personnel are the primary market of each organization. Parasurman states that careers in the service section of an organization shall be considered as the interior products of the organization which provide the personnel needs and lead the organization to its goal. The personnel are the primary customers of the organization which shall be considered as the main operatives of the marketing, because they provide services to the main customers; and of course almost all the customers would recall the service providers as the company. Today, developing long-term relationships with customers has a specific position in marketing literature.

(Anderson and Narous, 1990). Communication management Scholars emphasizes that customer satisfaction and their relationship with organizations act beyond contractual traditions in long term (Lin and Wong 2008). It is obvious that the same effective factors of the above long-term relations would actually cause to implement a stable competitive advantage, customer satisfaction, market share and more interest (Flynt, Wodrov, 1997). During exchanges and particular investments in which long-term relationships are needed, Mutual trust plays a major part in order to cooperate successfully with the customers (Madhook, 2006). However, trust might not be the only required long-term guarantee for turning a relationship into a fruitful opportunity and sometime there shall be an official or legal control needed to maintain a relationship. Customer satisfaction also points on an emotional state which is due to all the aspects of a business relationship with a business partner. Previous studies in marketing field emphasize that customer satisfaction together with improvement of the level of mutual understanding between both parties in a trade business would facilitate the relationships and decrease the need to complain (Hunt and Nevin, 1974). When both parties are satisfied it means that they value each other and such levels of satisfaction will eventually implement motivation for developing a long-term relationship. There seem to be some incoherence in the definitions regarding satisfaction-trust relationship (Dwyer &Schurr 1987). Some scholars define the concept of trust as a result of customer satisfaction (Jonhson 1994). Although there might be stages of improvement between the relations of trust and satisfaction, one cannot deny that customer satisfaction is an effective source for building trust (Selnes 1998). Relationships in western culture are made on the basis legal bonds (Wong 2013). In such bases, an exchange deal may not result in a long-term relationship between the buyer and the seller and no trust would be built. In addition, the resulting mutual satisfaction may only cause a short-term profit for the parties (Chang 2014). These short-term activities are like short lives. An important difference between long and short term relationships is that the parties are more confident about short-term relationships.

III. STUDY PROCEDURE, MODELS AND ASSUMPTIONS

This study shall be regarded as a utilizing practice from the viewpoint of its targets and the procedure is based on structural equation model. This study is descriptive, according to its topic, nature and assumptions. This is due to the fact that our variables are analyzed with Matrix Covariance method (structural equation model and operative analysis). Furthermore, this study shall be regarded as a utilizing practice from the viewpoint of its targets. Our data has been collected using questionnaires which distributed among Bank Maskan of Ahwaz clients. Our statistical population is Bank Maskan of Ahwaz clients. The method of sampling is cluster random. If the population variance and the parameter have been

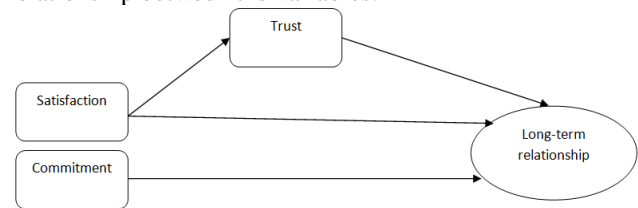
determined previously, the scholar can use them. Otherwise, he/she must first estimate the variance (Sarmad et al 1386). In this study we used regression and AMOS software to survey the relations between variables.

IV. ASSUMPTIONS AND STUDY MODEL

Our assumptions include:

- 1- Customer satisfaction has a positive and meaningful effect on long-term relationship between customer and the bank.
- 2- Customer satisfaction through their commitment has a positive and meaningful effect on long-term relationship between customer and the bank.
- 3- Customer trust has a positive and meaningful effect on long-term relationship between customer and the bank.
- 4- Customer commitment has a positive and meaningful effect on long-term relationship between customer and the bank.

The following model is proposed for showing the relationship between the variables:



V. RESULTS

After surveying and verifying the pattern, we used P and CV as fractional indices to test our assumptions for being meaningful. CV can be obtained by dividing “regression weight estimation” on “standard error”. Based on 0.5 level of meaningfulness, CV shall be more than 1.96. If $CV < 1.96$ then it shall not be counted (Chau 1997). Also if $P < 0.05$ it shows meaningful difference for regression weight=0 with 0.95 assurance. The standardized regression coefficient for the 1st assumption is 0.44 which, regarding the amount of $P < 0.05$ for this coefficient, it is concluded that the assumption is accepted with 0.95 assurance. In other words one can be sure with 0.95 accuracy that customer satisfaction has effect on a long-term relationship. The standardized regression coefficient for the 2nd assumption is 0.34 which, regarding the amount of $P < 0.05$ for this coefficient, it is concluded that the assumption is accepted with 0.95 assurance. In other words one can be sure with 0.95 accuracy that customer satisfaction through building trust has effect on a long-term relationship.

Impact coefficient for the 3rd assumption is 0.69, while $P=0$, so it shows meaningful difference for regression weight=0, hence the assumption is accepted with 0.95 assurance. In other words we can conclude that customer commitment influences on a long-term relationship. The standardized regression coefficient for the 4th assumption is 0.66 which, regarding the amount of $P=0$ for this coefficient, it is concluded that the assumption is accepted with 0.95 assurance. In other words one can be sure with

0.95 accuracy that customer trust through building trust has effect on a long-term relationship.

Statistical results of model fitting indices:

CMIN is one of the absolute indices. The less CMIN value in a pattern is the better fitting for a pattern. If $P > 0.05$, CMIN is acceptable and it could be concluded that there is no meaningful difference between reproduced covariance and variance matrix. Since $P > 0.05$, CMIN value is acceptable.

- One of the general indices is called rational CMIN which obtained by dividing CMIN value over freedom degree, and usually has an acceptable value between 1 and 3. The table shows a value of 3.288 for CMIN which is acceptable.
- GFI is an adaptive index. If $GFI > 0.95$ our pattern is well fitted. Here our $GFI = 0.962$ and it could be concluded that there is no meaningful difference between reproduced covariance so our pattern is well fitted.
- Remaining matrix is one of the important matrices which can be used for general fitting assessment (edited pattern) as well as partial fitting (a parameter defined between two variables). RMR for the above pattern is equal to 0.028 which shows an inconsiderable error in our pattern
- Comparison Fitting Index (CFI) is one of the comparison indices. If $0.9 < CFI < 0.95$ then the pattern is acceptable. For $CFI > 0.95$ it can be concluded that the data are fitted very well inside the pattern. Here we have $CFI = 0.945$ which is acceptable.
- RMSEA Index, like RMR index, implies on analysis the remaining matrix. RMSEA must be equal to 0.05 or less. If $RMSEA > 0.1$ then our pattern is not well fitted. As it is shown in table 6-4, $RMSEA = 0.038$ so we have a well-fitted pattern in our study.
- In the light of the above it is clear that our collected data support our pattern in a good way.

HINTS FOR FUTURE STUDIES

We discovered some hidden points during different stages of this study and we faced some ambiguities as we went further in this research which, considering our limitations, need more studies for clarifications. So here are our propositions for the future scholars:

- 1- Implementing similar researches in other industries
- 2- Considering other variables regarding long-term relationship

REFERENCES

- [1] Anderson, J. C., & Narus, J. A. (1990). A model of the distributor's firm and manufacturer firm working partnerships. *Journal of Marketing*, 54, 42–58.
- [2] Dwyer, F. R., Schurr, P. H., & Oh, S. (1987). Developing buyer-seller relationships. *Journal of Marketing*, 51(2), 11–27.
- [3] Hunt, S. D., & Nevin, J. R. (1974). Power in channels of distribution: Sources and consequences. *Journal of Marketing Research*, 11(May), 186–193.
- [4] Lin, X., & Wang, C. L. (2008). Enforcement and performance: The role of ownership, legalism and trust in international joint ventures. *Journal of World Business*, 43(3), 340–351.
- [5] Madhoo, A. (2006). How much does ownership really matter? Equity and trust relations in joint venture relationships. *Journal of International Business Studies*, 37(1), 4–11.
- [6] Selnes, F. (1998). Antecedents and consequences of trust and satisfaction in buyer-seller relationships. *European Journal of Marketing*, 32(3/4), 305–322.
- [7] Wang, C. L., & Chung, H. (2013). The moderating role of managerial ties in market orientation and innovation: An Asian perspective. *Journal of Business Research*, 66(12), 2431–2437.