



Assessing the Factors Associated to Building Trust in the Bank's Key Customers

The Case of the Bank Pasargad's Key Customers in Tehran

raheleh ghasemi rostamkolaei

Graduated Master of Business Management Islamic Azad University of Firouzkoh

Abstract

Banking industry, particularly in the small and medium-sized banking segments, has grown to a full-scale competitive business all around the world. Considering the fact that the main products actually offered to customers are basically the same in all banks, there is an inevitably strong need for differentiation from the rivals. One way to achieve this is maintaining a long-term relationship with key customers and profiting from the created trust in them (Hoffman and O'Neil, 2013: 183). In this applied research, conducted as a survey, an inquiry was made into the determinants of the customer trust in the bank, in which the views of 104 key customers of Bank Pasargad on the major factors contributing to their confidence in the bank were collected. Next, based on the collected data, using exploratory factor analysis (EFA), the model of the factors associated to enhancement of trust in the bank's key customers was set up.

The data factor analysis resulted in identification and prioritization of 10 factors, namely providing useful advices, employees, as the organization, providing supplementary services, organization's image in the mind of customers, preparation to respond customers, technologies and processes used in organization, customer prior experiences, establishing intimate relationship with customers, flexibility in service delivery, and complaint handling.

Key words: trust, trust marketing, customer trustee, key customers, relationship marketing (RM)



I. Introduction

Achieving the objectives in new corporate marketing approaches of the ultra-competitive era depends more than ever upon gaining the customer trust. In the global economy, where organizations more than before get in touch with foreigners and become even dependent on them, and the policies and the relationships between them grow more complex, the effort to build trust becomes critical (Solomon and Flores, 2013). In a time that most markets have turned mature and new customers are difficult to find, companies urgently need to keep the existing customers and make them loyal, as it is the common knowledge that the cost of acquiring a new customer is about 6 to 9 times the cost of retaining an existing one (peppers and Rogers, 2010).

Today, successful managers are convinced that securing the loyalty of customers and keeping them in the basket of customers could be only realized by gaining their trust. Therefore, the marketing shift and the new emphasis on a trust-based customer orientation is rather a requirement than a free opportunity.

The developments in the marketing concept in recent decade have led all organizations and businesses toward customer orientation. The final recommendation of all the new marketing approaches in competitive markets is based on the customer retention. Now, the main question is how we can manage to keep the customers that have become today so powerful, intelligent, diversity-seeking, and out-of-reach for a long time beside the organization. Of course, the answer to this question should not be sought only in quality of goods and services, for such aspects in the today competitive markets have become the minimum requirements, and if organizations do not meet these 'minimums,' they won't have any place in the competitive markets. Perhaps, the first step toward realization of this great ideal of marketing (i.e. customer retention) is the effort focused on gaining the customer trust (Peppers and Rogers, 2010).

If we take a somewhat contemplative look at the new marketing approaches seeking to create loyal customers, we will draw the logical conclusion that the customer trust lies at the root of customer loyalty. That is to say, no customer will remain loyal to any organization without trust and in the competition tempest will change the course to another direction. But, what does trust mean exactly? And how can it be created and developed in customers of banks? This paper, based on the obtained data from a survey conducted hereon, attempts to answer these two questions.



The paper begins with a review of the literature on relationship marketing (RM) and the role of trust in establishing the aimed relationship, and in this context, it further extends to the issue of trust in banking industry. Next, the research method and its findings are discussed. In the end, the conclusion and the research practical implications are presented.

II. Literature review

Relationship marketing

Relationship marketing (RM) signifies building, maintenance, and enhancement of relationships with customers and other business partners and the effort for support and increase of an organization's customers and the eventual improvement of its profitability, so that by establishing and maintaining this relationship both customers and the organization engage in a win-win interaction (Gronroos, 2015: 6, 9-29, 11-27).

Research indicates that the organization's use of relationship marketing is positively correlated with its performance, employee satisfaction, new product success, and achieving competitive advantage in the market environment (???, 2010; Afraz (?), 2009: 91-100, 9, 507-519; Dwyer et al, 1987:115-125). Research in the area of RM has introduced other complementary features and concepts to the literature as well (Dwyer et al, 1987: 335-345). Some of the sources introduced trust as the most critical element of the performance of relationship success. Trust is believed to be "the cash of all sales and purchases" (Peppers and Rogers, 1999: pp.3-15). Thus, addressing the trust issues for the businesses willing to remain in the competition scene is inevitable, and gaining the customer trust requires deep understanding of views, their constituents, and operationalization thereof. RM activities are also of high importance in banking sector.

Adamson (2014: 347-358) maintains that for a sustained success with organizational customers, small banks in the long run need to invest on their RM structure and support customer-oriented solutions.

In every business and in implementation of all policies, and even in the private life and in fact, in all relationships which are created between humans, trust is the necessary condition for success. Kenneth Arrow in 1975 wrote, possibly, it could be claimed that most of the world economic underdevelopment is explainable by lack of trust (Arrow et al, 1975: 13-28). Fukuyama believes that trust affect performance of all organizations and businesses (Fukuyama, 2014). The exhaustive and fascinating study of La Porta and his



colleagues demonstrated that trust promotes cooperation and collaboration in large organizations (La Porta et al, 2016: 333-338).

It seems that all the experts in the field of trust are of the same view in conceiving it as a special mental state in which an individual eagerly allows another individual to get into him/her. Some scholars assume trust as a behavior based on which willingness is created for cooperation (Hill and O'Hara, 2006). Authors have provided various definitions for trust. In one definition, it is defined from an emotional viewpoint in terms of affection, praise, respect, faith, and security (Childers and Ruekert, 1986; Jackson, 1985; Zaltman and Moorman, 1988; Zand, 1987). In the field of RM, trust is regarded as an important factor in success of the relationships with suppliers, distribution channels, lateral relationships, and the relationship with the final customer (Weitz and Jap, 1995: 305-320; Webster, 1992: 1-17; Berry, 1995: 236-245).

Given the presented literature, numerous conceptions have been made of trust; but the common feature in these conceptions is presence of the confidence between groups that are in interaction with each other and rely upon one another. Trust marketing or trust-based marketing is a kind of marketing that tries through the use of reasonable and proper methods to gain the trust of customers in an organization. This type of marketing is an approach that deepens the relationship between the organization and customer, is the creator of all new opportunities to make impression on customers and make them interested, and generates significant benefits for an organization (Neitlich, 2003).

Creating trust in service organizations, especially in banks, is more difficult and more important than in product organizations. Trust has great impact on success of service organizations, because service, unlike product, before purchase is not visible and tangible and buyers of services always consider the services they buy as high risk products. Thus, a service consumer, when buying his/her desired service, needs to trust the service provider (Peppers and Rogers, 1999). A variety of factors are involved in creating trust. MORI Social Research Institute, in a research in public organizations, stated the factors *fulfilling the promise, learning from mistakes, mouth-to-mouth advertisement, employee's conduct, management quality, giving importance to customer's views* among the most important factors in creating trust in customers. However, in the context of banking relationships, trust is conceived as the customer's strong belief in the integrity (honesty), reliability, judgment, and communication ability of the service provider (Gill et al, 2006: 384-405). Banks as providers of financial services should more seriously take the issue of trust into consideration, as their success in building and maintaining intimate relationship depends on the degree of the customer



trust in them. In a survey, 85 percent of the examinees attached high importance to the role of trust in banking relationships. And another study found that higher levels of trust result in more cooperation (Zeithaml et al, 2001: 118-142; Ndubisi et al, 2007: 16-24).

The role of trust in banking industry has been proved in extensive research. These researches sought to identify and assess the major factors involved in creating trust. In a more recent study, the three factors *dependency*, *knowledge*, and *expectations* were reported as the major contributing factors to creation of trust in banks (Heffernan et al, 2008: 194). This study, in addition, categorized the trust determinants into two groups of 'person-related service characteristics' and 'offer-related service characteristics.' The findings of this research assigned such factors as politeness, empathy, and customer/service representative similarity to the first group and factors such as customization, competence, and promptness to the second group. The findings, additionally, indicated that in early stages of the interaction between the customer and the bank, service 'customization' has stronger effect on building trust, while person-related characteristics are of secondary importance, though the value and position of the latter group will rise gradually with time. Another research confirmed the significance of the influence exercised by trust upon loyalty in relationship marketing, indicating that relationship, commitment, competence, and conflict management both directly and indirectly through trust and relationship quality affected customer loyalty (Ball et al, 2006: 391-403).

Also, in an analysis of the impact of 'customization' on loyalty, it was shown that customization of the service delivery in the bank through building trust could lead to loyalty (Jayakody and Sanjeewani, 2006: 461-474). The role of the salesforce in creating trust was addressed by another group of researchers who demonstrated that behavior of the salesforce was crucial in the process of creating customer trust and commitment. Their findings indicated that the seller's appropriate handling and behavior positively affected the customer trust, and when this factor was accompanied with the salesforce's personal attention to the customer, it would result in the customer commitment. Furthermore, the customer/bank attitudinal similarity, employee's communication skill and professionalism, and trustworthiness (reliability) and personality of the actual service providers (or deliverers) were among the factors that strengthened the customer-bank relationship (Hawke and Heffernan, 2006: 145-157). Moreover, the higher the degree of the customer commitment and the customer-bank cooperation became, the stronger the mouth-to mouth advertising for the bank tended to be (Flavian et al, 2005: 447-475).



Finally, the research indicated that the bank image and the length of cooperation with the bank influenced trust building and strengthening (Human, 2011).

Given the recent changes and developments in Iran's banking industry, including the growth of private banks and private sector joining of the state-owned banks, competition in this industry is increasing. Therefore, banks need to carefully assess the degree of their customer trust and regularly monitor and evaluate it.

Research method

This is an applied research, conducted based on a descriptive survey design. The statistical population included all the key customers of the bank Pasargad in 12 bank branches in the city of Tehran. The total number of the bank's key customers, according to the statement of the bank was 500 people who formed as well the research sample, using census sampling. The choice of the key customers was made in consistence with the emphasis of the all new marketing approaches on retention of the organization's major customers.

Part of the required data for establishing the research theoretical and empirical backgrounds, identification of the trust determinants, design of the research questionnaire, definition and operationalization of the variables, and the eventual modeling was collected through review of the research literature and interviews with different experts, including banking experts. The actual data on the trust determinants for the use in the intended analyses was obtained from the distributed questionnaires among the bank's key customers and interview.

The questionnaire was tested and approved in terms of content validity and internal consistency (reliability), the latter one being verified through a pre-test with a preliminary sample of 30 questionnaires/respondents based on the calculated Cronbach's alpha (0.932). All items in the questionnaire were designed based on Likert scale.

To determine the degree of the customer trust, 500 questionnaires were distributed among the bank's key customers. Of this number, 304 questionnaires could be eventually used in the subsequent research analysis, which gave a return rate of about 61 percent. The actual sample consisted of 245 men and 43 women, and 16 people had not declared their gender, at different ages and education levels. The obtained data from the questionnaires were analyzed, using the principal components analysis and Varimax Rotation techniques from exploratory factor analysis (EFA) in SPSS environment.



The model design

For identification of the trust determinants, the literature was searched for the relevant research, concepts, and models. After the literature review, multiple interviews were held with different experts, including banking experts, which resulted in specification and definition of the variables and the design of the research conceptual model. In this model, two groups of variables were specified, each with its own subsets. The first group of factors, the customer-related determinants, included customer willingness to trust, customer's prior experience with the bank, and the bank's image in the mind of customers. The second group, the bank-related determinants, included providing useful information and advice, providing supplementary services, establishing intimate relationships, flexibility in service delivery, technology and processes, getting prepared to respond customers, complaint handling, employee's psychological skills, and employee's occupational (job-related) skills.

Exploratory factor analysis (EFA)

As is shown in table 1, KMO index (0.9) with a significance level of smaller than 0.001 fully justifies application of factor analysis based on the obtained correlation matrix in the studied sample group.

Table 1 – KMO index and Bartlett's test of sphericity

Measure of sampling adequacy		0.9
Bartlett's test of sphericity	Bartlett's test measure	7300.119
	Degrees of freedom (<i>df</i>)	1128
	Sig	0.000

The first output of this program, after entering the initial data and the program running, based on the principal components analysis, indicated that eigenvalue of the 12 factors was greater than 1. The 12 factors together determined 65.851 percent of variance in all variables. In a factor analysis, normally, less than 50% of variance is explained. But, the greater the percentage of variance is, the better the factor analysis works in explaining the variables. At the final stage, for discerning the simple structure of the variables, using Varimax rotation, the final matrix of the rotated factors was computed. Table 2 shows features of each factor after rotation.


Table 2 – Eigenvalues and variances of factors after rotation

Factor	Eigenvalue	Var.	Cumulative Var.	Factor	Eigenvalue	Var.	Cumulative Var.
Factor 1	4.675	9.740	9.740	Factor 7	2.029	4.227	49.153
Factor 2	4.652	9.692	19.432	Factor 8	1.944	4.049	53.203
Factor 3	3.602	7.504	26.936	Factor 8	1.736	3.617	56.819
Factor 4	3.267	6.807	33.743	Factor 9	1.621	3.378	60.197
Factor 5	2.744	5.718	39.461	Factor 10	1.476	3.074	63.271
Factor 6	2.524	5.466	44.927	Factor 11	1.238	2.580	65.851

Next, by examining the factors and their constituting indicators, the factors whose constituting indicators had a factor load of greater than 0.3 were selected and assigned names. In the selection of indices, it was found that two factors had a factor load of smaller than 0.3 which were excluded, so the number of factors was reduced to 10. In the following, each factor will be fully explained.

Defining the variables

Defining the factors (variables) is one of the crucial parts in application of factor analysis. In a factor analysis, it is likely that some of the initially defined factors become refused, as their importance turns out to be lower than what initially was assumed, or due to further research findings, new factors, in place of them, are introduced (Human, 2011).

In this research, the variables 'customer willingness to trust', 'employee's psychological skills', and 'employee's occupational skills' were excluded, and based on the defined indices, a new factor (variable), namely 'employees as the organization' which had a high eigenvalue was identified. Below, the factors are discussed in detail.

Factor 1: this factors which was named 'providing useful information and advice,' is considered the most important factor in building the key customer trust. All indicators of this factor signify a general concept which is accurate and timely information supply to customers regarding the latest developments, the bank's manner of service delivery, and supply of useful advices by experts (Heffernan et al, 2008: 183-1999).



The findings of this section of the research are consistent with prior research finding on the role of employee's knowledge and gaining the customer trust.

Factor 2: this factor was titled 'employees, as the organization.' The components of this factor indicate that employees have a crucial role in gaining the customer trust. They are, in fact, the organization representatives and symbolize its culture and pursued objectives.

The obtained results in this part of the research are consistent with the earlier research findings (e.g. Gill et al, 2006: 384-405; Hawke and Heffernan, 2006: 140-157).

Factor 3: this factor was named 'providing supplementary services.' All indicators of this factor have emphasis on services beyond the bank's routines, which serve to complement and further improve the service delivery to customers, such as bank's acceptance of compensation in case of violation of the customer rights, and bank's ignoring of and leniency towards the customer's inadvertent mistakes.

Factor 4: this factor was named 'bank's image in the mind of customers.' Its indicators have emphasis on features that contribute to bank's reputation. The findings of another extensive research on the role of bank's image in creating the customer trust supported the critical role of this factor in foundation and sustenance of the bank's customer trust (Flavian et al, 2005: 447-470).

Factor 5: this factor was named 'getting prepared to respond customers,' and its constituting indicators signify basic facilities and capabilities, such as sufficient cash holding in bank, orderly appearance in the whole branch, at counters and complete discipline in handling of all matters for attracting the customer's attention and making impression on them.

Factor 6: called 'the bank's technologies and processes,' and all its indicators refer to the level of technology and operational processes utilized by the bank, such as a defined feedback system, level of the modern technology at the bank's disposal, appropriate service delivery, as well as their impact on the customer trust. The similar results were found by Gill (2006: 384-405) and Hawke and Heffernan (2006: 140-157).

Factor 7: this factor, named 'customer's prior experience,' consists of the indicators that collectively emphasize on the impact of the customer's earlier experience with the bank on creating trust. Direct and indirect customer's experience of the bank has a significant effect in shaping their mentality regarding bank which in turn will influence the degree of the customer trust or distrust towards the bank. Customer trust is also influenced by the



experience of other people and their mouth-to-mouth advertising, and the individuals who do not have trust in their bank tend to produce more mouth-to-mouth advertising (Flavian et al, 2005: 447-470).

Factor 8: this factor was titled 'establishing intimate relationship with customers. Its constituents refer to actions and skills which are necessary for establishing a warm and friendly relationship between the bank and customers. The obtained results in this section are also confirmed by prior research (Ball et al, 2006: 391-403; Hawke and Heffernan, 2006: 140-157).

Factor 9: the ninth factor was called 'flexibility in service delivery.' It suggests that bank should, when necessary, respond to the customer's wishes in a fully customized manner. The results of this section, too, confirms prior research findings (Gill et al, 2006: 384-405; Jayakody and Sanjeewani, 2006: 461-474; Hawke and Heffernan, 2006: 140-157; Flavian et al, 2005: 447-470).

Factor 10: was called 'complaint handling' which included items suggesting the need for presence of system for receiving and quickly handling of the customer's complaints. Of course, it should born in mind that this factor, too, like factor 9, is part of the customer's basic rights, and customers think of this factor as something that should surely be included in the organization the absence of which causes extreme discontent among customers.

Based on the obtained results in factor analysis, the research final model was set up, as is represented in figure 1.

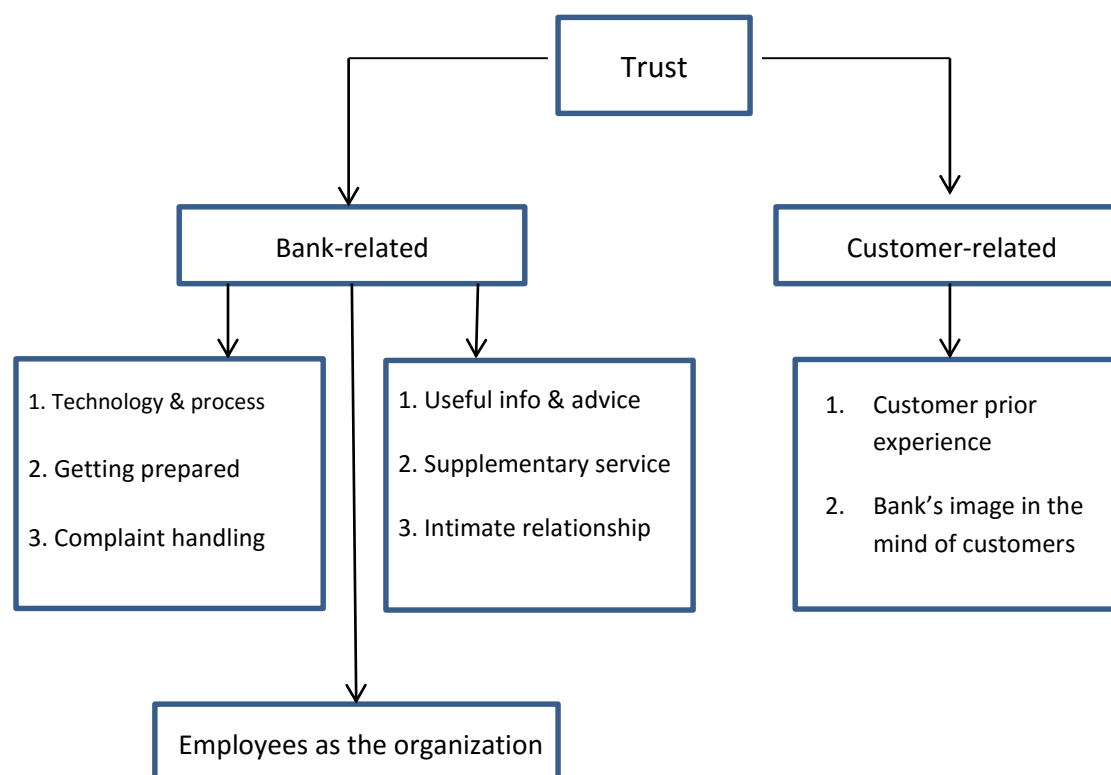


Figure 1 – Research conceptual model

Conclusion

The research results, in sum, indicate that the bank's customers must realize that their interests are as important as those of the organization, and the bank not only by providing proper consultation services, but also by the manners in which the desired services are delivered, makes effort to save them time and money. It appears that taking the true meaning of the customer trustee into account, which requires establishing appropriate relationship beyond the formalities with the customer, is worth more. The chief function of the customer trustee that by establishing a completely truthful and committed relationship with customers, provide them with accurate and timely information and guide them in using its services. Customers, receiving this information and advices from the bank's experts, would be able to settle their banking matters in the best possible way, which in many instances save them expenses. Experienced, competent and knowledgeable employees, who consider customer's problem as their own, are the winning cards in the hands of organization to gain the customer's trust. Holding suitable training courses in different time periods, based on the time- and place-specific



requirements, would enhance individual proficiency of the bank's employees in this regard. The role of innovation and creativity should not be forgotten both in delivery of services and products in accordance with the customer's wish and in the ways they are delivered. In addition, creating an attractive and relaxing environment that soothes the tension arising from the customer's financial interactions at the time of their presence in the bank location is crucial. All the mentioned instances contribute to creating a pleasant experience and sweet memory in the mind of the customer, encouraging them to repeat their visitation.

Given the risky nature of financial transactions, those customers that cherish a pleasant experience of the financial service provider in the mind would surely share it with others and will turn into the bank missionaries. In which case, the bank's costs are reduced. Considering the weakened effectiveness of the media advertising, enjoying the positive mouth-to-mouth advertisement in shaping the bank's image gives bank a powerful weapon and strong competitive advantage (Amirshahi and Siahtiri, 2008). However, the importance of receiving feedback from the customers and their complaints should not be forgotten or ignored. In fine, it should be emphasized that with an active public relation in place to inform the customers about all what the bank Pasargad has done for their comfort and convenience will complete the job.

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