“Ranking the effect of services marketing mix elements on the loyalty of customers by using Topsis method (case study: city bank branches in Tehran)”

AUTHORS	Hossein Azimi
ARTICLE INFO	Hossein Azimi (2017). Ranking the effect of services marketing mix elements on the loyalty of customers by using Topsis method (case study: city bank branches in Tehran). <i>Innovative Marketing</i> , 13(2), 41-46. doi: 10.21511/im.13(2).2017.04
DOI	http://dx.doi.org/10.21511/im.13(2).2017.04
RELEASED ON	Friday, 08 September 2017
RECEIVED ON	Friday, 30 June 2017
ACCEPTED ON	Wednesday, 30 August 2017
LICENSE	This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Innovative Marketing "
ISSN PRINT	1814-2427
ISSN ONLINE	1816-6326
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES

22

NUMBER OF FIGURES

3

NUMBER OF TABLES

2

© The author(s) 2023. This publication is an open access article.

Hossein Azimi (Iran)

Ranking the effect of services marketing mix elements on the loyalty of customers by using Topsis method (case study: city bank branches in Tehran)

Abstract

Successful companies do not only pursue sale, but they are looking for satisfactions of customers and their loyalty. This study aims to rank effect of services marketing mix elements on the customers' loyalty in the City Bank. Method of this research is survey and causal-comparative and domesticated questionnaire was used for gathering data which its validity was confirmed by experts and its reliability with Cronbach alpha 0.908. Statistical sample size was 384 loyal customers of City Bank in Tehran based on Cochran formula and simple random sampling was used as sampling method. Findings showed that there is significant relationship in average level between physical factors and environmental factors including distribution of physical facilities and customer loyalty and the relationship between competence related factors including promotion of employees or customers' loyalty is strongly significant. Besides, there is significant relationship between services related factors including product, price, operation management and quality of services or customers' loyalty in moderate level. It is suggested that for attracting loyal customers, more attention should be paid to promotion which has very strong relationship with customers' loyalty. It is suggested that City Bank increases the motivation of employers in providing careful and rapid services for improving productivity and services quality by suitable incentives.

Keywords: marketing mix, services, customer loyalty, Topsis, City Bank.

JEL Classification: M31.

Received on: 30th of June, 2017.

Accepted on: 30th of August, 2017.

Introduction

Real mission of marketing units in organization and companies is understanding needs and demands of customers and presenting solutions for production of products demanded by customers. In this process, those companies are successful which do not only pursue sale but seek customers' long-term satisfaction through high quality products with long-term survival goals (Kotler & Armstrong, 2000).

One of the methods for increasing satisfaction of customers is using marketing mix. By marketing mix, we mean factors or tools that organization can control and use them for satisfying customer or communicating with customer (Ekhlesi, 2011). Also by mix, we mean that there is systemic and coordinated attitude among marketing elements in order to influence customer. In fact, marketing mix seeks to meet the needs and continuously tries to do this better and this is new ways of meeting the needs that distinguishes successful companies from unsuccessful companies (Imamgolicand&Piri, 2015). Due to diversity of services, definition has been always difficult. What complicates this is the fact that due to intangibility, most data and outputs can not often easy to understand and diagnose.

Services are some types of economic activity that by creating given change and service receiver or as his/her representative, develop value for customers in certain times and places and provide advantages (Lovelock & Wright, 2003). Zeithmal and Bitner (2008) believe that services are of act, process or performance type i.e. when we can say that a company provides services that it work includes an act, process or performance. Marketing mix includes seven factors: product (service), price, distribution, promotion, employees, physical facilities and operation management which are known as 7Ps (Roosta, Venus, Ibrahim, 2010).

In recent years, eighth variable – productivity and service quality has been added to these factors and so-called services integrated management has been consisted of eight variables. It is now clear that customer satisfaction is nor success key and customer loyalty is the success key in business activities. Customer loyalty means that customers are satisfied with products and services of an organization and advises for organization. Besides, customer will extend loyalty from one service or product of organization to all products and services during its life time and in sum, he/she will be loyal to organization brand (Bat, 2004). Preserving and enhancing customers for companies who want to preserve and develop competitive position in the market is a strategic challenge (Sutton & Klein, 2003). In Iran, most financial institutions and banks emerged in the monetary and financial system of our

© Limited Liability Company "Consulting Publishing Company "Business Perspectives", 2017.

Hossein Azimi, Ph.D., Assistant Professor, Faculty of Humanities, Management and Accounting, Zanjan, Iran.

country were not present and work for attracting customers to bank system was simple. Because realities and analysis of facts in the market are ignored, this shows importance of research for banks, especially City Bank. Importance of this research is evaluating that to what extent basic concepts of services' marketing mix are considered for achieving marketing goals in City Bank that customers' loyalty is one of them. In this research, we try to answer these questions: 1) Which of the services, marketing mix factors is more influential on the customers' loyalty? 2) How much is the effect of services' marketing mix factors on the customer satisfaction in City Bank? 3) What solutions can be presented for improving effectiveness of services' marketing mix on the customers' loyalty in City Bank?

1. Literature review

1.1 Services' marketing mix. Marketing mix is set of factors that company can influence customer purchase by controlling them and by combination of these factors, promote the position of certain product in the market (Kotler, 2011). On the other hand, mix or marketing mix is a combination of

controllable factors that companies, by balancing them, can develop required floating in productivity, customer satisfaction and competitiveness in modern competitive world. Cullition (1948), for the first time, presented marketing decisions depending on the guiding plans for production. These discussions were followed in 1950s and 1960s by marketing mix presented by Borden (1964) but the major role of marketing experts in extending this term relates to Mc.Carty (1960) in which he suggested four elements of marketing mix including product, price, place and promotion. Some researchers have added other elements to marketing mix elements, for example, Nickles and Jolson (1976) have added packaging and Mindak and Fine (1981) added public relations to this set. Some like Booms and Bitner (198) enumerated these elements to seven cases that in addition to 4Ps, they added process and market information. Lovelock and Wright (1999) believe that public relations, productivity, people and work processes should be embedded in this mix and transforms it to 8Ps marketing mix that its model is as following:

Fig. 1. Services marketing mix model (8P) (Lovelock & Wright, 1999)

1.2. Customer loyalty. Attempt for defining loyalty is more difficult than imagined. The major problem is that whether loyalty is a behavioral variable related to attitude (Duffy, 1998). The term loyalty imagines concepts like interest or love, honesty or commitment. Using satisfaction criteria as loyalty representative criteria is very common, because it is assumed that satisfaction has positive effect on the satisfaction. But research indicated that it is very simplistic that we assume that unsatisfied customer leave and satisfied customer remain. In fact, findings of Reichheld (1994) indicated that most customers leave. Regarding the limitations of satisfaction as loyalty criteria, criteria based on the robustness, repetition and monetary value, i.e. criterias which are used in direct marketing, applied increasingly. These criteria provide real picture of how companies

outperform to their competitors. Prediction ability increases purchase probability and makes possible the measurement of customer lifecycle value (Divett, Crittenden & Henderson, 2003). Customer loyalty in more important purchase repetition. In fact, even if someone buy many times from a company, this doesn't not mean that he/she is loyal to that company but he/she may be indifferent (Khorshidi&Kardgar, 2009). As mentioned, loyalty factors and their importance differ from one company to another. In one classification, we can classify effective factors on loyalty of bank customers as following:

- ◆ Factors related to employees' competence: including all personality, behavioral and outward aspects of service providers for bank. These factors encompass all characteristics of service providers which may include satisfaction and

loyalty of customers like dress, close relationship of employers with customers, interest in answering customers...

- ◆ Factors related to the services: type and features of services of an organization like bank. When customer refers to a service organization, the aim is to receive services of that organization and this distinguishes organization from other organization, such as service diversity, remote

services, stability in providing service, loan payment conditions and etc.

- ◆ Environmental-physical factors: include outward and physical aspects in presenting services like external and internal views of branches, hours and work days, locating branches near business and office places, ATMs and etc. we can present the model as following:

Fig. 2. Effective factors on bank customer loyalty model (Richeld, 1994)

1.3. Services marketing mix and customer loyalty relationship. As said in the definition of effective factors on customer loyalty, these factors are three classes including: 1) factors related to competence like employee dress type, formal close relationship of employee with customers, answering to customers and etc. In marketing mix, factors like promotion of employees exist that we can match and measure them with this variable; 2) factors related to the services like diversity of services, remote services, stability in presenting services, loan

payment conditions and etc. On the other hand, in services' marketing mix, we have factors like product (service), price, operation management, productivity and service quality that can be measured; 3) physical-environmental factors like external-internal views of branches, hours and bank work days, locating branches near business and office places and ATMs. In factors related to service marketing mix, elements like distribution and physical facilities are discussed which are synonymous with this factor (Fig.3).

1.4. Research model

Fig. 3. Conceptual model for services marketing mix and effective factors on customer satisfaction relation (Davis-Srameck, Mentzer& Sank, 2007)

1.5. Research hypothesis. Tested hypotheses in this research are:

H1: there is significant relationship between physical and environmental factors including distribution and physical facilities with customers' loyalty.

H2: there is significant relationship between competence related factors including promotion and employees with customer loyalty.

H3: there is significant relationship between service related factor including product, price, operation management and service quality with customer loyalty.

2. Research methodology

This is descriptive research in terms of purpose and applied in terms of results. It is also survey, causal-comparative research. Regarding variables in the research model, a questionnaire was prepared by domesticating related foreign questionnaires and expert opinions and its measurement scale is Likert five-point scale. Validity of questionnaire confirmed by expert opinions in bank services field. In order to achieve sample, we used multistage sampling method in three levels. In first level, City Bank branches in Tehran were classified. City Bank has four supervision branches in Tehran. 4 branches were selected from every branch. Regarding statistical population size and for measuring questionnaire validity, 20-member sample was used. These subjects were customers of 4 selected branches that by confirming their loyalty by bank authorities, they were selected randomly with equal male/female ratio. After returning questionnaire, reliability was measured by Using SPSS software and Cronbach alpha which was 0.908. We can conclude that questionnaire has high reliability. Using Cochran formula in 0.95 confidence level, and 0.05 error, statistical sample was 384 that by considering 16 branches, share of each branch was

24. As said, data gathering tool in this research was domesticated questionnaire by researchers confirmed with bank experts. This questionnaire includes 27 specific questions which is based on 8p services marketing mix (three questions related to one P) and 4 demographic questions.

3. Research findings

Research hypotheses were analyzed by Spearman correlation coefficient test. Results indicated that in first hypothesis, there is a significant relationship between physical and environmental factors including distribution and physical facilities with customers' loyalty in moderate level because Spearman correlation was 0.4. In relation with second hypothesis, we found that relationship between competence related factors including promotion and employees with customer satisfaction was significant and strong with Spearman correlation 0.8. It was observed that in third hypothesis, the relationship between factors related to services including product, price, operation management, productivity and service quality with customer loyalty is significant in moderate level with Spearman correlation coefficient 0.4. Results can be seen in Table 1.

Table 1. Results obtained by hypotheses analysis using Spearman correlation coefficient

Hypothesis	Variables	Spearman correlation coefficient	Significance
H1	there is significant relationship between physical and environmental factors including distribution and physical facilities with customers' loyalty	0.4	Average
H2	there is significant relationship between competence related factors including promotion and employees with customer loyalty	0.8	Very strong
H3	there is significant relationship between service related factor including product, price, operation management and service quality with customer loyalty	0.4	Average

These results indicate verification of three hypotheses and we found that we can rank these factors by using TOPSIS technique. Topsis model is one of the best multi-criteria decision-making models with high uses. This technique is based on this concept that selected option should have least distance from positive ideal and largest distance from negative ideal (Momeni, 2013). It is necessary that we break and analyze our hypotheses such that each we consider each 8P factors of services' marketing mix, separately in order to consider them in Topsis method and assume three effective factors on customer satisfaction in bank system and classify services' marketing mix elements. In this matrix, there is 8 options which are measured by three variables. Required data entered in Topsis Solver 2014 and results were presented in Table 2.

Table 2. Results obtained by services' marketing mix elements based on the effective factors on bank customer loyalty by Topsis method

Rank	Option	Near to positive ideal (1)
1	Promotion	0.974496
2	Productivity and service quality	0.742411
3	Product (services)	0.686509
4	Operation processes	0.585520
5	Physical assets	0.523448
6	Distribution	0.506069
7	Employees	0.308050
8	Price	0.007568

As seen in Table 2, promotion factor which is encouraging customers in different fields related to bank services is very effective than other ranking factors and it is considered as strength factor for significant relationship in H2 hypothesis.

This indicates importance of awards and incentive plans for bank customer loyalty. Second rank in this ranking belongs to productivity and service quality and this means that customers, in order to convince themselves to be loyal to City Bank, expect that bank provides services for them with least error and mistakes and good quality. Third factor is product or service that bank provides for customer. Customer wants service diversity and if City Bank considers this factor, customer will be loyal to them instead of going to other banks. Ranks 4, 5, and 6 are operation processes, physical assets and distribution which are in middle of table and indicate that banks will have higher share in customer loyalty. But two last ranks including price and employees have least importance in the customers' loyalty. We can analyze that today, in all banks, in all work stages from recruitment to daily encounter with customer, employees are selected according to certain rule and trained and in customer view, employees of all banks are in same level and they have no certain effect in loyalty of customers to bank. The last point is that lack of certain effect on customers' loyalty in bank system or City Bank relates to fixed rates of facilities and deposits which is the result of prescriptive policy of economy ministry and central bank.

Conclusion

According to statistical analysis, there is significant relationship between physical and environmental factors, employees' competence factors and services related factors with services marketing mix elements that this shows importance of these factors for enhancing the relationship between banks and customers. In ranking 8P marketing mix, it was observed that factors with highest influence on the customers like promotion, have the highest attraction for loyalty of customer to bank. It was also observed that factors like price and employees can not be very effective in customers' loyalty.

Regarding these findings, we can present practical suggestions for attracting loyal customers by City bank, as following:

1. Regarding the hidden motivation of customers in promotion, by implementing incentives and lotteries for deposits or ATM users, they reached customer loyalty.
2. When we observed second rank in productivity and service quality, it indicates its high importance for loyal customers and City Bank should provide suitable incentives for employees in different time scales in order to improve their accuracy and speed of services.
3. Regarding the importance of products (services) presented in the third rank, City Bank can become aware of customer loyalty through

interview or questionnaire and focuses its resources on the services.

5. City Bank, for emphasis on the operation processes which are important for customers, can design clear and rich brochures regarding information and providing it for customers or sending short message, help them in understanding operation processes in this bank.
6. Physical assets of City Bank can have good share of loyal customers by expanding number of branches and counters because one of the important customer loyalty factors is rapid access of customers to bank services.
7. Attractions in decoration of branches, bank brand and etc. is in the sixth rank but we should not ignore effect of prestige and its mental effect in using colors in human; City Bank can study it and this factor has higher share in attracting customers.
8. Low rank of employees' factor in customer loyalty should force City bank to think about gaining customers through systemic marketing between customers and employees. For example, they can use a system in the branch by which customer become aware of all actions and mutual understanding between employee and customer.
9. Last factor is price or profit for City Bank services. Although these regulations communicate by Central Bank to all Banks but by presenting plans to Central Bank by board of managers of City Bank can increase effect of this factor in customer loyalty.

Regarding finding of research, there are some suggestion for future research:

- ◆ A research related to the relationship or effect of decoration and arrangement of branches in terms of psychology on the customer, for feeling comfort and security in City Bank and increasing loyalty to Bank.
- ◆ A research related to the employees' penetration methods in relation with customers, beyond a client and in level of friend or financial managers.
- ◆ Research about mental effects of City Bank brand and its slogans for attracting loyal people.
- ◆ Research about City bank counters to become mobile and customer can reach any service in every time or place.
- ◆ Research about selection of employees in different time intervals for motivating them and also customer satisfaction from quality level of services.

References

1. Bet, K. K. R. (1996). *Beyond customer satisfaction: moving toward attracting loyal customer, key for profitability*. Translated by S.S. Mahdavi (2004). Tehran: Management and planning organization.
2. Booms, B., & Bitner, M. (1981). *Marketing Strategies and organization structures for service firms. Marketing of Services* (pp. 47-51). Chicago: American Marketing Association.
3. Borden, N. H (1964). The Concept of the Marketing Mix, *Journal of Advertising Research*, 4, 2-7.
4. Cheskin, L. (1957). *How to Predict what People will Buy*. New York: Liveright publishing corp.
5. Culliton, J. W. (1948). *The Management of Marketing Costs, Graduate School of Business Administration*. Boston: Harward University.
6. Davis-Sramek, B., Mentzer, T. J., & Sank, P. T. (2007). Creating Consumer Durable Retailer Customer Loyalty Through Order Fulfilment Service Operations. *Journal of Operations Management*, 26(6), 781-797
7. Divett, M., Crittenden, N., & Henderson, Ron (2003). Actively Influencing Consumer Loyalty. *Journal of Consumer Marketing*, 20(2), 109-126.
8. Duffy, D. L (1998). Customer Loyalty Strategies. *Journal of Consumer Marketing*. 15(15), 435-448.
9. Ekhasi, A. (2010). *Service marketing*. Tehran: Elmi publication.
10. Imamgholivand, F., & Piri, M. (2015). *Relationship of services marketing mix with customer loyalty*. National management and education conference papers, Malayer University, Malayer.
11. Khorshidi, Gh., & Kardgar, M. J. (2009). *Identifying and ranking most effective factors on customer loyalty*. No. 33, 177-191.
12. Kotler, Ph. (2000). *Marketing management*. Translated by Frozandeh. Tehran: Amookhteh publication.
13. Kotler, Ph., Armstrong, G. (1996). *Marketing principles*. Translated by Frozandeh. (2000). Tehran.
14. Lovelock, Ch., & Wright, L. (1999). *Marketing and services principles*. Translated by AboualfazlTajzadehNamin. (2003). Tehran: SAMT publication.
15. McCarthy, E. J. (1960). *Basic Marketing: A Managerial Approach*. Irwin: Homewood IL
16. Mindak, W. A., Fine, S. (1981). *A fifth p: public relations. Marketing of Services*. American Marketing Association. Chicago. IL. P 71-73.
17. Momeni, M. (2013). *New discussion in operation research*. Tehran.
18. Nickels, W. G., & Jolson, M. A. (1976). Packaging- the fifth p in the Marketing Mix, *Advanced Management Journal*, 13-21.
19. Reichheld, F. F. (1994). Loyalty And Renaissance of Marketing. *Marketing Management*, 2(4), 47-55.
20. Roosta, A., Venus, D., & Ibrahimi, A. (200). *Marketing management*. Tehran: SAMT publication.
21. Sutton, D., & Klein, T. (2003). *Enterprise Marketing Management*. New Jersey: John Wiley & Sons Inc.
22. Zeithaml, VandBitner, M. (2008). *Services Marketing: Integrating Customer Focus across the Firm (5th ed)*. New York: McGraw-Hill/Irwin.