The impact of customer experience and satisfaction on loyalty and word of mouth advertising in a Samen credit institution of Rasht

Reza Derakhshanfar
Department of Management, Rasht Branch, Islamic Azad University, Rasht, Iran

Maryam Hasanzadeh*
Department of Management, Rasht Branch, Islamic Azad University, Rasht, Iran
Corresponding author*: Hasanzadeh.M.iau@gmail.com

Abstract
The aim of this study was to investigate the impact of customer experience and satisfaction on loyalty and word of mouth advertising in a Samen credit institution of Rasht. The study is applied in terms of goal, and it is correlational type of descriptive study in terms of data collection. The population of this study included branches of Samen credit institution of Rasht customers. Sample size of study was estimated 384 using Cochran Formula and 410 questionnaires were distributed among them for higher confidence. Questionnaire was used to collect data and structural equation modeling and test the research hypotheses were used to analyze the data. The results showed that customer satisfaction and experience have an impact on customer loyalty. The results also show the impact of customer loyalty on word of mouth advertising in Samen credit institution of Rasht.

Keywords: customer relationship management, customer experience, customer satisfaction.
1. Introduction

The popularity of communication and word of mouth advertising become a key and vital factor in business that both factors can cause a sense of trust among potential customers (Gauri et al., 2008). Word of mouth communication has unprecedented and high speed of diffusion (Cheung and Thadani, 2012). In particular, this issue should be stated. In addition, word of mouth advertising has positive and negative aspects known as negative and positive word of mouth advertising, in which negative word of mouth advertising has higher and more powerful impact on decision of customers compared to positive word of mouth advertising. Chang et al have stated that messages on cases such as complaints are easily and quickly transferred to great number of potential consumers (Chang et al., 2012), causing irreparable losses on credit of organizations and companies with same speed. Chevalier and Mayzlin (2006) stated that existing literature on marketing and economics consider word of mouth advertising or relationships between customers as the possible guidance in decision-making process of consumers. However, in some studies, word of mouth advertising has been used as a means to measure the success of products and services (Chevalier and Mayzlin, 2006). When customer needs are properly identified and required actions are done based on that needs, then customer satisfaction and loyalty will be supplied. Customer satisfaction is a key factor for organizations wishing to create a competitive advantage in today's ultra-competitive world. When customer satisfaction is created is that he feels the ratio of cost he has spent to receive product or service is less than the value of the product or service (Mohammadnezhad Shurkaee and Makaran, 2011). Another variable that investigated in the present study is the customer experience. This word comes from two words: experience and customer. Experience means the process of obtaining information on a phenomenon by engaging or exposure to it. Customer is also a person paying money for a product or service. Customer experience means transfer of a group of information on a product by providing them for those who need it and willing to pay money to receive it (Nemati, 2014). On other hand, given the competitive environment in banks and credit institutions in country and as Samen is one of the most known credit institutions, customers loyalty is very important in this regard. Loyalty is a psychological state consisting of continuous customer satisfaction of product and emotional attachment to it, leading to deep relationship and attachment of customer with organization providing the service or product (Rai and Medha, 2013). Loyalty is continuation of customer support of products and services of an organization (Ladhari et al., 2011). It is achieved through combination of image, reputation, quality, value, satisfaction and commitment (Nguyen et al., 2013). Previous research showed that there is significant relationship between customer loyalty and word of mouth advertising (Villarejo-Ramos et al., 2014). In a study conducted in recreation center of Macau, the relationship between customer satisfaction and loyalty was assessed. In this study, 669 customers were consulted in 39 recreation centers using questionnaire. The results showed that customer satisfaction has positive and significant impact on customer loyalty (Shi et al., 2014). In the banking industry sector, a group of Greek researchers examined the impact of customer satisfaction and loyalty on financial performance of Greece's banking sector. They used 304 customers of this sector selected randomly to do this study. At the end of study, they concluded that satisfaction affects customer loyalty. In addition, both variables affect the Banks’ financial performance (Keisidou et al., 2013). In another study conducted to determine the relationship between word of mouth advertising and customer loyalty in the field of e-commerce among Korean customers, results showed that word of mouth
advertising and customer loyalty are significantly and positively correlated (Yoo et al., 2013). In recent decades, the financial services industry has been separated from local and personal service providing and it has moved to internet and telephone banking. Banks and financial institutions need new methods that retain their valuable customers and increase their loyalty. Where attracting customers is used as a key element in increasing the profit, customer retention is a golden rule. Without word of mouth advertising, these institutions cannot enhance their ability to retain customers. These institutions improve the quality of their services to attract customers. In addition, to attract more customers, the loyalty of existing customers must be retained because the cost of acquiring new customers is almost five times the cost of retaining old customers (Wu and Li, 2012). In this study, researchers sought to examine the impact of the mentioned factors on word of mouth advertising of customers of Samen credit institution in Rasht.

2. Literature Review

2.1. Verbal or word of mouth Advertising
Word of mouth marketing is creating activities and incentives expanding word of mouth advertising among people living in a society (Jillian et al., 2009). The potential factor of word of mouth advertising affects consumer’s perception and practice, depending on the nature of the relationship between transmitter and receiver, clarity of message, and individual and situational factors. Results of previous studies show that the key factors affecting willingness of word of mouth advertising receiver are combination of four groups: individual factors, interpersonal factors, the characteristics of the message, and situational characteristics (Sweeney et al., 2010). Litvin et al introduced word of mouth communication as a communication between consumers of product, service or company where resources are considered independent of commercial penetration (Litvin et al., 2010). Organizations are constantly seeking to find new ways to gain competitive advantage and word of mouth communication can provide an opportunity for organizations (East et al., 2009).

2.2. Customer loyalty
Loyalty is continuation of customer’s support of products and services of an organization (Ladhari et al., 2011). Loyalty is a factor achieved through image, reputation, quality, value, satisfaction and commitment (Nguyen et al., 2013). Another definition introduces customer loyalty as a key component in brand long life (Chen et al., 2010). Loyalty concept has been widely referenced in the marketing literature and it is an important concept in strategic marketing. Some researchers think that customer loyalty is a vital factor for organizations in their business (Chen and Quester, 2006). Customer loyalty is essential for every company and organization in order to return customers and customer loyalty has many advantages for the company. Loyal customers are less sensitive to price and loyal customers cause in saving in the company's marketing efforts to attract new customers (Rowley, 2005).

2.3. Customer satisfaction and experience
Customer satisfaction is the main cause of long-term success of an organization influencing on behavioral and attitudinal loyalty. For this reason, several studies have referred to relationship between customer satisfaction and advertising repeated purchase and increased profitability of the organizations (Nam et al., 2011). Every manager has an incentive to focus on something that has great potential to increase income, leading ultimately to increased profit margins and loyal
customers who offer goods and services to others. However, if the goal of many attempts made on the customer is merely to achieve increasing improvements, the real impact of these efforts and values will be destroyed. Very few companies can be the real vanguard of the market. Customer experience in order to have complete effect must be strategic program on same level or in conjunction with the company's strategy, brand management and new product development. Customer experience should not be confused with efforts made to provide service for customer or management of relationship with customer. These efforts are mainly focused on transfer of technical reengineering processes facing with (Rezaei, 2004).

3. Methodology

Based on literature review, a conceptual model adapted from (Ejaz et al., 2013) model was provided in this study. We seek to find the proper answer to identify the main problem of study that is the impact of customer satisfaction and experience on loyalty and word of mouth advertising in Samen credit institutions of Rasht.

According to the proposed model and reviewed literature, the following hypotheses are proposed:

**Hypothesis 1**: The customer experience has an impact on customer loyalty.
**Hypothesis 2**: customer satisfaction has an impact on customer loyalty.
**Hypothesis 3**: customer loyalty has an impact on word of mouth advertising.

The current study is applied in terms of goal, and it is correlational type of descriptive study in terms of data collection. The population of study includes Samen credit institution customers of Rasht, that 384 of them were selected as sample of study based on Cochran Formula.
Since it was possible that some questionnaires are not returned to researcher, 410 questionnaires were distributed in 10 branches of Samen credit institutions of Rasht, and 41 questionnaires were distributed in each branch using convenient non-probability sampling. Among them, 395 questionnaires were returned to researcher that 384 of them were used to final analysis after examining them.

In the present study, field method and questionnaire were used to collect data and 5-point Likert scale was used. To verify the validity of questionnaire, confirmatory factor analysis (CFA) was used. Using Cronbach's alpha coefficient, reliability of the questions posed to measure each variable was obtained as follows:

<table>
<thead>
<tr>
<th>Row</th>
<th>Variable</th>
<th>Cronbach's alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>customer satisfaction</td>
<td>0.957</td>
</tr>
<tr>
<td>2</td>
<td>Customer Experience</td>
<td>0.853</td>
</tr>
<tr>
<td>3</td>
<td>Costumer loyalty</td>
<td>0.910</td>
</tr>
<tr>
<td>4</td>
<td>Word of mouth advertising</td>
<td>0.807</td>
</tr>
</tbody>
</table>

Cronbach's alpha coefficient was calculated higher than 0.7 for all variables. Therefore, the present questionnaire is reliable.

4. Analysis of data

In this study, 74.7% of respondents are male and 25.3% of them are female. Among them, 12.2% have diploma and lower education level, 34.6% have associate level of education, 36.7% have bachelor level of education, and 16.4 of them have master or higher level of education. 7.8% of respondents aged below 30, 65.9% are between 30 to 40 years old, 26.35 are between 40 to 50 years old. Structural equation modeling technique was used to analyze the data and Lisrel 8.5 software was used for data analysis. After ensuring that measurement model is proper, to study and test structural models was studied and tested using confirmatory factor analysis. Structural model test or hypotheses of study included Path Analysis (Beta) and significance of path coefficients. Path coefficients show the effect of each of independent variables on the dependent variable.
Table 2) fit indices of confirmatory factor analysis (CFA)

<table>
<thead>
<tr>
<th>fitness indices</th>
<th>value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square test</td>
<td>504.01</td>
</tr>
<tr>
<td>Degree of freedom</td>
<td>399</td>
</tr>
<tr>
<td>Chi-square / degree of freedom</td>
<td>1.26</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.027</td>
</tr>
<tr>
<td>Good fitness index (GFI)</td>
<td>0.92</td>
</tr>
<tr>
<td>Adjusted good fitness index (AGFI)</td>
<td>0.90</td>
</tr>
<tr>
<td>Comparative fitness index (CFI)</td>
<td>0.89</td>
</tr>
<tr>
<td>Normed Fit Index (NFI)</td>
<td>0.86</td>
</tr>
</tbody>
</table>

Fit indices of model suggest that the model is proper. The ratio of chi-square to degrees of freedom is less than 3 and root mean square error of approximation (RMSEA) is under 0.08. RMSEA relating to remaining of model is fluctuating between zero and one, and as its value is lower than the model will have better fitness. The chi-square test indicates the difference between observed and expected covariance matrix. Three criteria of good fitness index (GFI), adjusted goof fitness index (AGFI) and parsimony good fitness index (PGFI) are known as absolute fitness indices. GFI and AGFI values must be between zero and one. Among three indexes, GFI statistic is recommended to determine the absolute fitness. The results of structural model hypotheses are summarized in Table 3.

Table 3) Results of structural model hypotheses

<table>
<thead>
<tr>
<th>hypotheses</th>
<th>Standard estimate</th>
<th>Statistic t</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1: customer experience has an impact on customer loyalty.</td>
<td>0.72</td>
<td>5.53</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 2: customer satisfaction has an impact on customer loyalty.</td>
<td>0.71</td>
<td>4.02</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 3: customer loyalty has an impact on word of mouth advertising.</td>
<td>0.76</td>
<td>5.46</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

Considering first hypothesis testing, according to the structural model of study, the standard estimate obtained for this hypothesis is 0.72, and it is observed that value of statistic t between two variables is 5.53 and as it is lower than 1.96, it can be concluded that customer experience has impact on customer and the hypothesis is confirmed.
Considering first hypothesis testing, according to the structural model of study, the standard estimate obtained for this hypothesis is 0.71, and it is observed that value of statistic \( t \) between two variables is 4.02 and as it is lower than 1.96, it can be concluded that customer satisfaction has an impact on customer loyalty and the hypothesis is confirmed.

Considering first hypothesis testing, according to the structural model of study, the standard estimate obtained for this hypothesis is 0.76, and it is observed that value of statistic \( t \) between two variables is 5.46 and as it is lower than 1.96, it can be concluded that customer loyalty has an impact on word of mouth advertising. Therefore, this hypothesis is confirmed.

5. Conclusion

Nowadays, word of mouth advertising has great importance to marketers to the extent that some people believe word of mouth advertising is among the most effective and efficient methods of advertising. Given the importance of this issue and the effective role of word of mouth advertising in the current marketing, and according to results of the study, this phenomena must be managed and use its advantage adapting conscious decisions since some facilities are provided for people through this way so that they can remove redundant information. Then, they can purify, filter, and scrutinize information and provide us their useful information. As a result, our dependency to data obtained due to conversations among people increases, since we need to be said what is required to be avoided of confusion, especially when they are experts. It means that when they are expressed by experts, we will have higher trust in them. In further studies, we will focus mainly on introducing experts (Mohammadi, 2014). Finally, word of mouth advertising is valuable when the receiver has no enough time to examine the options. It seems that word of mouth advertising is an important source of information when time is limited in making decisions (Sweeney & et.al, 2010). Therefore, it is recommended that Samen credit institution to provide service for its customers in a way (including new electronic services to save time and money) that they talk with their friends on advantages of this credit institution and provide their good experience and information of Samen credit institution of Rasht to their friends and relatives.
References


Jillian, C, Sweeney, & Geoffrey N,( 2009), "factors influencing word of mouth effectiveness", *Europe Journal of marketing*, vol.42.


Mohammadnezhad Shurkaee, M., Jashniarany, M, & Yazdani, HR. (2011), methodology of studies conducted on factors affecting customer satisfaction: document analysis of doctoral and master theses of state universities of Tehran, Business Administration Outlook, 2 (6), pp. 164-141 [In Persian]

Nam, J, Ekinci, Y, (2011), Brand Equity, Brand Loyalty and consumer satisfaction, annals of tourism research.


