

The Impact of Service Marketing Mix Elements on Customer Loyalty: A Case Study on CPA Bank in Algeria

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Abstract:

Companies require focusing on customer's special services and needs, as they have to seek for various marketing strategies in order to enhance the customer's loyalty. We aim in our investigation to analyse the influence of services marketing mix elements on customer loyalty. In this purpose, a survey has been conducted on 39 of the CPA bank customers (in Algeria). After the data analysis, the results demonstrated that there is a significant impact of service Marketing Mix elements (price, product, place, promotion, process, people, and physical evidence) on customer loyalty.

Key words: marketing mix elements, customer loyalty, CPA bank, Algeria.

JEL classification: M30, M31, M39.

Introduction

Nowadays, customers become more difficult to be satisfied, they shift from brand to another, making it harder for companies to keep their current customers than attract new one, and inspire their loyalty. Customers change from one product to another making it hard for corporations to preserve and retain their existing costumers (Wahabet al., 2016). Customer satisfaction is necessary for long-term success in business and it is one of the most important research issues in marketing (Nam et al., 2011). In addition, the marketing activities must focus on product and service that are necessary needs for customers and maintain their support on that with the intention to purchase and to repurchase in order to reach a marketing expansion. (Marakanon & Panjakajornsak , 2017)

The management of organization use marketing mix as a business tool to stay in the global competitive environment which has resulted in building a strong firm-customer relationship that can improve the quality sources of marketing and make a better planning for it strategy (Ndubisi, 2007) . Marketing mix refers to the seven major areas of decision-making (7P'S) in the marketing process. It is the set of controllable, tactical marketing tools of product, price, place, promotion, process, people and physical evidence. Many companies desire to obtain a combined result of these elements to enhance the satisfaction and the needs of customers and keep their loyalty. (Ameuret al., 2015)

According to this short introduction, it is important now to shed light on the actual impact of the 7P'S marketing mix elements on customer loyalty and try to answer the research problem, which is formulated as follows:

How can service marketing mix elements impact on customer loyalty in Algerian CPA Bank?

We define two hypotheses as a first response to the research problem as follows:

- The service marketing mix elements has a positive influence on customer loyalty in Algerian CPA Bank
- The service marketing mix elements has a negative influence on customer loyalty in Algerian CPA Bank

We divided this research into five sections; first, we start with the general introduction about service marketing mix elements. Then, we describe the literature review about the customer loyalty, and services marketing mix. After, we give the general definition about the model and the methodology followed in this paper. Next, we analyse our outcomes, and finally, we demonstrate in the conclusion whether we accept the hypothesis or not.

1-Literature review and conceptual framework

1-1-Customer loyalty

We may find many customer loyalty definitions that are based on several elements. Loyalty is an attitude; it refers to positive feelings towards a brand in addition to repurchasing time after time (Yuen & Chan , 2010). (Pritchard et al. 1999)said that customer loyalty is vital for any business, because it supports governments to mature their plans and policies, which it provides later an outstanding products and services for their customers. The customers' attitude in buying one type of product is considered as a necessary manner loyalty, which is totally founded on satisfaction (Verma&Singh, 2017). Customer loyalty is a measure of a customer's likeliness to do repeated business with a company or brand. It is the result of a company experiences, and the overall value of the goods or services customer services from a business. With the reference to the above definition, the authors have widely defined the customer loyalty as occurring when customers repeatedly purchase goods or services over time and hold favourable attitudes towards, and support the company supply with goods or services. Several investigations show that the marketing has a significant connection with sizes of the product price, and customer loyalty, while dimensions of the place and promotion may not have such consequence (Wahab et al., 2016). In addition, few researches state that the product meaningfully contribute customer loyalty, while pricing, personnel and processes have no such influence (Muala &Maje, 2012).

The importance of customer loyalty

Customers are very hard to convince because they do not have an idea about the services or goods offered by businesses. Here some reasons that show why customer loyalty is important:

- Repeat customers spend more than first time customers;
- It boosts profits ;
- Produce higher conversion rate ;
- Loyal Customer shops regularly.

The customer loyalty attraction

Happy customers will be willing to spend more money on business products or services. Here some special ways to do that:

- Encourage customers to give feedback and act on it;
- Segment your clients ;
- Boost customer care a priority for the brand;
- Sent event-based emails.

Customer loyalty plays essential role in business because it helps organizations to develop their strategies and provide excellent products and services. (Pitchard et al. , 1999)

2-Services marketing mix

Borden (1964) is the first researcher who have used the term (Marketing Mix). According to him, it is consisted of important elements or ingredient that make up a marketing program (Ameuret al., 2015). Many scholars like Ameur et al. (2015) explored the dimensions of the marketing mix, and its influence on customers' loyalty. They concluded a positive evidence in terms of customers' loyalty, especially with regard to customer commendation (Wahab et al., 2016). (Booms et al. 1981) added 3PS (participant, physical evidence, and process) to the original 4PS to apply the marketing mix concept to services. (Kushwaha &Agrawal 2015) investigated the 7PS context on services marketing in baking and they reported the significant effect of different factors such as physical evidence, process, place and people on customers' perception. Therefore, they concluded for a significant and direct connection with customers' loyalty for certain brand.

Understanding the service marketing mix (price, place, promotion, process, people and physical evidence) elements, business and organization can influence their existing on the customers and it may carries their business and become loyal customers. We can use also these tools to drag and compel the customers to buy and rebuy services or a package from them and not to their competition (Khan & Shambour , 2018) . These 7PS of marketing mix have been considered to have a significant impact on marketing firms, which are engaged in providing service to customers (Borden, 1984).

In the light of the previous studies such us Bestoon et al. (2019), the research model proposed in this paper suppose that the marketing mix components (variables) (which are product, price, promotion, process, people, distribution and physical evidence) have a significant influence on the customers loyalty (figure 01).

2-1-Product

Kotler's (2011) defines the product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a wants or needs (Kotler, 2011) . The customer should have a good perception on the product with respect of alternatives, such as quality, innovativeness, and unique features to provide him with better choices (Huang & Huddleston, 2009). Product quality is one of the most important alternatives

to attract customer and it considers the product as a service arrangement lowers the financial threshold that customers must meet to acquire expensive equipment, increase customer access to the company. This model presents an opportunity for companies to design the product for single part replacement . Therefore, we can assume the hypothesis mentioned in bellow:

H1a: The Product Service impact positively the customer loyalty.

H1b: The Product Service impact negatively the customer loyalty.

2-2-Price

Prices is an attribute that need to be streamlined to get certain types of services or products (Kushwaha & Agrawal, 2015). Pricing service and pricing products are different, while pricing indicate the proportion of a product in amount to other competitors and this can provide reliable information regarding the different sections of the markets (Pourdehghan, 2015). In addition, decisions on pricing have a significant part in service marketing strategies, where the price should be placed in the connection to other elements as sales targets, Market, and Product life cycle (Ameuret al., 2015). The customer choose and run for getting the best and lower price to get their services even if it is less convenient. To keep their loyalty, companies must take intentionally the consumer values and treat them well (Kotler P. , 2011). Therefore, we propose the following hypothesis:

H2a: The price influence positively the customer loyalty.

H2b: The price influence negatively the customer loyalty.

2-3-Place

Distribution or place represents a set of independent organizations involved in the process of marketing and it provides a product accessibility for use or consumption by customer (Kotler P. , 2011). (Kotler & Armstrong , 2010), defined place or distribution as a series of co-dependent businesses twisting in the process of providing a product to use. (Davis-Sramek , B; Mentzer , J T; Stank, T P, 2008) defined the place as any possibility that the customer can receive a product or receive a service. The place helps to identify the right service at right time. Some literature also note that it is very important to choose the right place to find the right and good services. Good store-image not only attract more attention, but it gets contact and interests from potential customers as well. Hence, we propose the third hypothesis of the study as follow:

H3a: The place contribute positively to increase the customer loyalty.

H3b: The place contribute negatively to increase the customer loyalty.

2-4-Promotion

The promotion represents every vehicle you use to tell people about product or service. Advertising, word-of-mouth, point of sale shows public relations, and are all outdated ways of promoting product/service. The promotion can close the information cavity between would-be-buyers and would-be-sellers (Wahab et al., 2016). (Zeithaml, Berry, & Parasuraman , 1996)described promotion as part of an effort to motivate customers to express others about their services (Owomoyela , S K; Oyenyi, K O; Ola, O S, 2013). Promotion is used as a vehicle to inform and getting people to know about product/service and affect their attitude or behaviour. It also plays an important role in creating loyalty among the customers and telling others about their services (Owomoyela, Oyenyi, & Ola, 2013). In the Mix Service Marketing, it is considered from the aspect of declaration mix, personal selling, direct marketing instrument and public relation used by companies for marketing and advertisement. Therefore, we propose the next hypothesis:

H4a: The promotion service effect positively the customer loyalty.

H4b: The promotion service effect negatively the customer loyalty.

2-5-People

(Judd, 1987)establish People as a new element of the service marketing mix and discovered more by proposing to formalize, institutionalize and manage the power of people like other 4Ps as a distinguishing factor of the market mix. Nowadays, human resources are the backbone of any company, rather than finance, for example, the customer service employees working on bank have a positive and a significant relationship with customers. The personnel working on bank services focus on interpersonal, personal care, politeness and ingress, which it helps to strengthening the customer employee relations (Kushwaha & Agrawal , 2015). (Taiebi Javid , Nazari , & Ghaeli , 2019) said that the element of people has a positive and significant connexion with customer loyalty. According to this, we suggest the subsequent hypothesis:

H5a: People influence positively the customer loyalty.

H5a: People influence negatively the customer loyalty.

2-5-Process

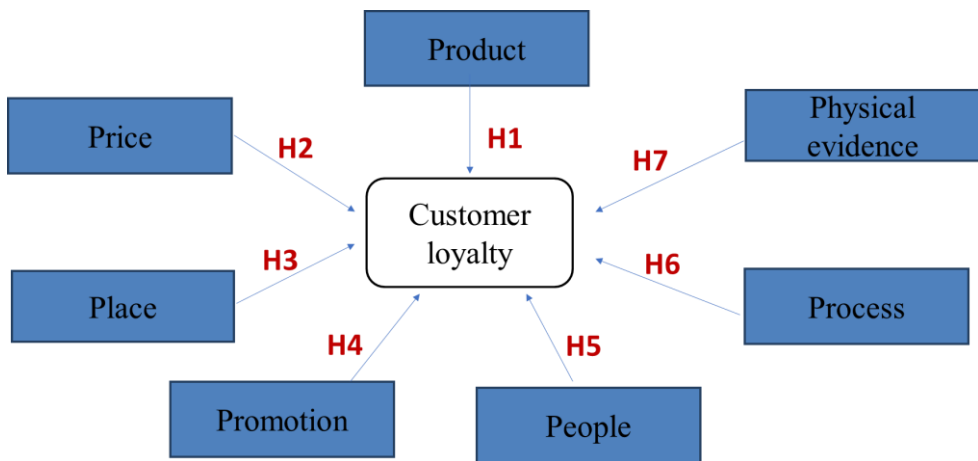
(Hashim & Hamzah, 2014)described the ideas of process and perseverance and stated that are essential in the service marketing mix, as clients can get the first influence on the procedure of delivery and the determination of

sellers. The process is the best practices in delivering services to the customers. It is also a mix of customer wellness procedures and schedules of activities and routine work. It is very important in the marketing mix that the customers know about the persistence and the delivery process by marketers (Ameur et al., 2015). In addition, some authors found that there is a significance and positive influence of process on customer loyalty (Almuhzzi & Alsawafi, 2017). Thus, we propose the following hypothesis:

H6a: Process element has a positive contribution on the customer loyalty.

H6b: Process element has a negative contribution on the customer loyalty.

Figure number (1): Conceptual framework of the study



Source: from the authors

2-6-Physical evidence

Kushwaha & Agrawal, (2015) demonstrate that the consumers use the service environment or physical evidence as a significant proxy for quality. The physical evidence relate to the style and appearance of the physical surroundings and other experiential elements encounter on customers at service delivery sites. Service firms need to carefully manage the physical evidence because they can deeply influence customers' impressions. Physical evidence is more for the seller than for the customer and it

represents the non-profit product place, purpose, people and some objectives relating to the experience. In some services, physical evidence has a great significance with in other service; it needs an improvement through some framework, because there is no particularly studied yet in this domain (Almhrzi & Alsawafi , 2017). Relying to this statement, we can write the next hypothesis:

H7a: Physical evidence contribute positively to the customer loyalty.

H7b: Physical evidence contribute negatively to the customer loyalty.

3-Methodology

We made a questionnaire specifically for 39 employees in Maghnia CPA Bank to collect the relevant data. The quantitative research comprised several analytical questions and we employed a descriptive analysis method with the statistical package SPSS. The items of marketing mix were measured on seven parts, which were discussed on the previous section. We started with Cronbarch's Alpha test to analysis whether the analytical questions are significant and represent perfectly the general model or not and it measures the internal consistency of the questions asked during a test. The second test was Klomogorov-Smirnov Z, this test determine whether the variables or the model follow a normal distribution or not. The third test was R squared which measure of how close the data are to the fitted regression line and it shows if the model is generally acceptable or not. Finally, we made ANOVA that splits an observe data aggregate variability found inside a data set into two parts: systematic factors and random factors. We will try to demonstrate that the seven-mix-marketing element influence the customers' loyalty. The factor of marketing including in the study were product, price, place, promotion, people, process and physical evidence.

4- Data analysis and results

This research includes seven sub-hypotheses, we based our study on studying the impact of the service marketing mix element on customer loyalty.

According to the table 1, the results test of Crombarch's Alpha for each axis separately and the sum of the axes combined show that all of them are greater than 0.60, so we accept the alternative hypothesis and we reject the null hypothesis. Therefore, we accept each axes of this questionnaire and the answer are perfectly fitted for a quantitative analysis.

Furthermore, through the table 2, we can see that Z values for each axis is larger than 0.05. Hence, the questionnaire data are subject to a normal distribution and then parametric tests can be done.

Moreover, and as it is illustrated by the table 3, R Squar was estimated at 61.9%; which means that the independent variables of the proposed model (the elements of the marketing mix) explained a significant part of the algerian banks customers loyalty.

Table number (1): The results of Crombarch's Alpha

Axes	Crombarch's Alpha
Reliability Statistics Axe1(Product)	0.744
Reliability Statistics Axe2(Price)	0.684
Reliability Statistics Axe3(Place)	0.688
Reliability Statistics Axe4 (promotion)	0.658
Reliability Statistics Axe5(People)	0.869
Reliability Statistics Axe6(Process)	0.691
Reliability Statistics Axe7(Physical evidence)	0.602
Reliability Statistics Axe8 (Customer loyalty)	0.843
Reliability Statistics All	0.741

Source: from the authors, SPSS results

Table number (2): Klomogorov-Smirnov Z test

Axes	Klomogorov-Smirnov Z
Axe1: Product	1.135
Axe2: Price	1.233
Axe3: Place	2.544
Axe4: promotion	0.714
Axe5: People	1.212
Axe6: Process	1.292
Axe7: Physical evidence	0.965
Axe8: Customer loyalty	1.067

Source: from the authors, SPSS results

Table number (3): R Squared test

Model	R	R Squared	Adjusted R Square	Std.Error of the Estimate
1	0.787 ^a	0.619	0.536	0.57822

Source: from the authors, SPSS results

Predictors: (constant), axe7, axe3, axe2, axe1, axe5, axe4,axe6.

At the and, the table 4 indicate the approximate strength of the model by means of Fisher’s statistics at the level of 0.05, where the calculated F estimated at 7.435 is greater than 2.27 tabular. Also, the value of statistical significance 0.000 is less than 0.05.

Thus, we accept the alternative hypothesis that there is a statistically significant effect at significant level 0.05 for the service marketing mix elements on customer loyalty in CPA Bank of Algeria.

Table number (3):ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	17.401	7	2.486	7.435	0.000 ^a
Rasidual	10.699	32	0.334		
Total	28.100	39			

Source: from the authors, SPSS results

a.Predictors: (constant), axe7, axe3, axe2, axe1, axe5, axe4,axe6.

b.Dependant : axe8.

Conclusion

This study has demonstrated the impact of the marketing mix elements on customers loyalty. The finding of this research shows that there is a significant positive impact among the seven elements of marketing mix and customer loyalty in CPA Bank. Therefore, it is very important that the business providers of the Bank service have knowledge about marketing needs, and how to attract and keep the customers loyal. The finding of this study is helpful for planners, marketing partitioners and contribute to both practice and theory literature. We concluded that there is a significant impact on customers loyalty towards the seven-marketing mix elements. Future research studies might fruitfully investigate which the most important marketing mix elements has the most impact on the customer loyalty.

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