



Role of Services Marketing Mix and Customer-Company Identification in building Engaged Customers

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Abstract

The research paper is an attempt to evaluate the relationship between the Services Marketing Mix and Customer-Company Identification and its impact on building long term relationship with the customers. Focused on the banking industry in India, this research attempts to identify the impact of Customer-Company Identification on building loyalty, attachment, sense of community and finally building a base of engaged customers. For the purpose of the current research, 166 face to face interviews were conducted in certain major cities in India. Customers of any bank were interviewed and responses were captured for their most preferred bank with regards to their experience. Structural Equation Modelling was conducted to analyse the relationship between all the variables. The research postulated that people associated with the bank and the promotions conducted by the bank are instrumental in generating a strong feeling of Customer-Company Identification. Additionally, the strong sense of identification also leads to building customer loyalty along with a feeling of engagement with the brand. The research posits that the feeling of loyalty leads to a sense of attachment in the minds of the consumer which leads to a feeling of community and finally engagement with the brand. The research is restricted to certain locations in India and may not be representative of the entire country. Also, the research doesn't bring out differences of different categories of banks. Finally, the perspectives of wholesale banking customers are not available in the current research. It is primarily the viewpoint of individual customers of the bank and may not hold true for other segments.

Keywords- Customer-Company Identification, Engagement, Customer Loyalty, Services Marketing Mix, Consumer Based Brand Equity

JEL Classification- M310

Paper Classification: Research Paper

Introduction

Services Marketing thought has evolved from about 1980s when Booms and Bitner developed the services marketing mix extending the traditional marketing mix designed by Jerome McCarthy from four to seven elements. The initial product market mix consisted of Product, Price, Promotion, Place and the services marketing mix consists of additional 3Ps – Process, Physical Evidence and People. Plenitude of research has been conducted to investigate relationship between Services Marketing Mix and Customer Satisfaction. Over the recent years, there is a

shift in businesses end objective of measuring customer loyalty instead of customer satisfaction as the latter is considered a short term objective. Customer-Company Identification (CCI) is also a new concept and is considered as a mediating variable to build long term customer loyalty. Considering the highly regulated banking industry of India, the banking experience can be evaluated in terms of the 7Ps of Services Marketing Mix and its influence on building Customer-Company Identification.

Recent marketing literature indicates stages of building long term relationship with customer by building loyalty with existing customers, followed by attachment, a sense of community and engagement customers. There are several researches establishing the relationship between CCI and Loyalty and CCI and Engagement. This research is an attempt to add some more value to the existing body of literature particularly with respect to Indian banking industry. There have not been many researches contributing to the branding perspective of Indian Banking Industry linking brand performance and long term brand building efforts.

Over the years, Service Marketers have realized that building a strong brand is an alternative to price competition. Considering the standardization in the Indian banking industry with regards to products, pricing, processes, it is imperative to analyze the differentiating element in order to establish a long-term and successful relationship with the customers. It is in this context that it is vital to appreciate the concept of CCI which is an extension of the concept of Organizational Identification i.e. the extent to which members of the organization believe that they share similar attributes when compared to the focal organization. The concept of Organizational Identification has been extensively used by researchers with respect to building Employee Identification. In 2003, Bhattacharya and Sen extended the theory to develop the concept of Customer-Company Identification.

Customer Loyalty as Oliver indicates, is a deep rooted commitment with regards to repurchase or re-usage of the brand consistently in the near future in spite of competitors actions aspiring to induce switching behaviours. Oliver also establishes that loyalty is not only behavioural but also needs to be attitudinal (i.e. spreading positive word of mouth and recommendation) in nature. Both behavioural and attitudinal loyalty forms an integral part of relationship marketing and has been termed as Composite Loyalty. Dick and Basu define Composite Loyalty as a prejudiced behavioural response which is an outcome of a psychological process displayed consistently over a period of time in favour of a particular brand.

Another dimension of loyalty is Cognitive Loyalty which emphasizes on the value of the relationship. Affective dimension can be termed as the emotional bond which leads to irrational behaviour on behalf of the customers as they tend to overlook various rational considerations. The last and the strongest dimension of loyalty is the Conative dimension as proposed by Oliver (1999). This can be defined as attitudinal loyalty with a desire to act. The various aspects of Cognitive-Affective-Conative aspects of loyalty, in the current research is measured by – Attitudinal and Behavioural Loyalty, Attachment, Community and Engagement.

Literature Review

Ahearne, Bhattacharya, Gruen (2005) explored the concept of Customer-Company Identification (CCI) which is an extension of the concept of the organizational identification. The latter has been well researched and can be termed as the extent to which the members of the organization recognize themselves and the focal organizations to share the similar attributes. In this research, the authors investigate about the perceived company characteristics, apparent external image and company's boundary spanning agent and their impact on developing

customer-company identification. The researchers posit that customers identifying with a particular company usually purchase more and recommend the brand and its products more. The findings suggest that Customer-Company Identification fully mediates the impact of perception about company characteristics leading to favourable brand centric behaviours. On the other hand perceived external image of the company has a strong direct impact on customer extra role behaviour but doesn't significantly impact CCI. Similarly, CCI partially mediates the perceived sales person behaviour on product utilization as well as extra role behaviours. Pinar, Girard, Eser (2012) in their research evaluated consumer based brand equity of banking brands in Turkey. The research attempts to investigate difference in CBBE for three major categories of bank in the country – state, private and foreign. The researchers posited that with regards to quality, brand image associations and brand loyalty private banks in Turkey fared much better as compared to state and foreign banks. However, with regards to organizational association, state banks performed the best followed by private and foreign. The findings attempted to highlight to the existing foreign banks operating in the Turkish soil about the branding related challenges vis-à-vis competition. This research is also an attempt to bridge the gap in the theory building of brand equity which has not been sufficiently explored for the banking industry. Krishnamurthi, Mazumdar and Raj (1992) used panel data to explore consumers' price sensitivity to reference price point change with regards to decision pertaining to choice of brands and quantity to be purchased. The research established that consumers who are not loyal to particular brands always promptly react to gains or losses from price changes as compared to loyal customers. However, the researchers posited that loyal customers react differently when faced with a stock out level at home requiring the customer to replenish the brand at the earliest. In such cases, loyal customers are comparatively more responsive to price gain of their preferred brand as opposed to a loss. On contrary, before household inventory becomes out of stock, customers who are loyal are more sensitive to loss than to gain. Taylor, Hunter, Lindberg (2007) in their research used Netmeyer's model to examine CBBE in the setting of financial services in a B2B context particularly with regards to public liability insurance service providers. The findings stipulate that consumers' differentiate brands in their minds and re-establishes the importance of building satisfaction among customers in order to build brand equity. The authors suggested certain modifications to the Netmeyer's model to suit the financial services industry. The theoretical framework incorporates perceptions related to quality, value, satisfaction and consideration which interrelates with brand attitudes and CBBE and can be replicated in different competitive brand setting. While the research supports Netmeyer's model which establishes that brand value, uniqueness and perceived brand quality are core facets in developing CBBE, the extension of the model explains variations in loyalty, reinforces the role of customer satisfaction and additionally weighs customers' attitudes to develop CBBE. Salvador and Maya (2013) in their research investigates the influence of consumers' personality, perception about the company and the relationship with employees of the company and their influence in developing identification with the said company. The researchers establish that for a customer to identify with the company only category attraction is not sufficient and the customer has to identify with a relevant social group. The findings establish that need for affiliation, personal connection and identity attractiveness have significant affirmative effect on building consumer identification with the company. Identity salience impacts need for affiliation and builds identity attractiveness. In addition, the findings also suggest that sales person identification has a moderating impact on personal connection with salesperson and CCI. Sashi (2012) in his research explores the concept of customer engagement particularly with regards to social media as these platforms help consumers to engage with brands which leads to short term relations which gradually transforms to long term relations. Engagement with the customer can be established through traditional offline methods such as sales people or company representatives as well as social media

platforms. Once a connection with the customers' is established, it is easier to stay connected with a satisfied customer and advance towards engagement. Customer Satisfaction is a hygiene element in progressing towards customer engagement. The researcher also investigates the concept of 'Commitment' and its two major dimensions – the calculative and the affective commitment. The former component compels a satisfied customer constrained to continue the relationship because of the costs whereas the latter is emotional in nature and leads to trust and reciprocity in a relationship. Halvorsrud, Kvale, Folstad (2016) highlights the essentiality of providing customer centric services and glitch-free customer experiences in the service economy. Customers' interaction with the company often results in poor interaction and low customer satisfaction. Hence, the authors posited that comprehending the service delivery process from customers' viewpoint is essential for fruitful implementation of services as per customers' requirement. The researchers posited to create Service Blueprint which is a combination of flow charts to depict steps in the service delivery process. The customers' perspective should be an essential element of the service blueprint. Islam and Rahman (2016) defines customer engagement as a fundamental requirement in order to build and develop relationship with customers and to develop long term sustainable competitive advantage. The researchers posited that fully engaged customers of a bank create 37% increase in annual revenue when compared with disengaged customers. The researchers had explored multiple research articles on customer engagement from the period 2005-2015 which were segregated into various themes thus providing an insight into the concept of customer engagement. The researchers summarize customer engagement as a function of cognitive, emotional, behavioural and social aspects. Customer Engagement has its foundation on relationship marketing as well as services marketing. Most of the researches around customer engagement were conducted in the developed nations particularly from 2010 onwards. Min-Hsin et al (2017) researched about Corporate Social Responsibility (CSR) and its importance in building customer-company identification and establishing long term loyalty. Lately, CCI has become an area of corporate focus as customers who identify strongly with companies help the companies to gain financial success. The researchers posit that service quality and CSR are the primary pillars for building CCI. The relationship between the company and the customer is dynamic in nature and therefore while exploring the impact of CCI in the service context, the researchers investigate drivers of CCI and evaluates how service quality influences CCI along with CSR in the long run. The research suggest that investments on building and nurturing strong relationships are more worthwhile in the long run if companies shift their focus from offering high quality service to strengthening the belief of the customers in the firm's dedication of CSR activities.

Extant research establishes the importance of building strong brands that customers' identify with. There are also multiple researches highlighting the importance of service quality that can lead to stronger CCI. As highlighted by Islam and Rahman, with regards to customer engagement most of the research has been conceptualized and conducted in the western countries and engagement is one of the newest area which is being explored by companies and researchers alike. The current research is an attempt to synthesize the basics of services marketing with customer-company identification and different stages of loyalty leading to customer engagement. Customer Loyalty has been an extremely well researched area across the world. While earlier the focus of the companies has been to build loyal customers, now there is a gradual shift to create a base of engaged customers. However, there has not been much research in the area of stages of loyalty i.e. how does a loyal customer become a truly engaged customer. Hence for the purpose of the current research, from Kelvin L Keller's CBBE (Consumer Based Brand Equity) model, the concept of Brand Resonance has been utilized. The peak of the CBBE pyramid is Brand Resonance which is segregated into four major categories – Loyalty, Attachment, Community and Engagement.

India, world's largest democratic nation, is one of the fastest growing as well as a major economic contributor. The economy is poised to grow at a rate of 7% by September 2017. The banking industry of India, one of the major contributors to the GDP of India, has been considered for the purpose of the current research. This industry is centred on the concept of providing efficient services to the customers while at the same time being extremely regulated by the Reserve Bank of India (RBI). The intention to provide superior service along with restrictions of regulator's guidelines makes this industry and extremely interesting area of research.

Building on the extant literature and the gaps noticed in the same, the model for the current research is elaborated through Figure 1. The 7 Ps of Services Marketing leads to customer-company identification which finally leads to different stages of loyalty. Also, the research attempts to affirm the various stages of building long term relationship with the brand and hence evaluates the progress from loyalty to attachment and subsequently from attachment to community and finally engagement.

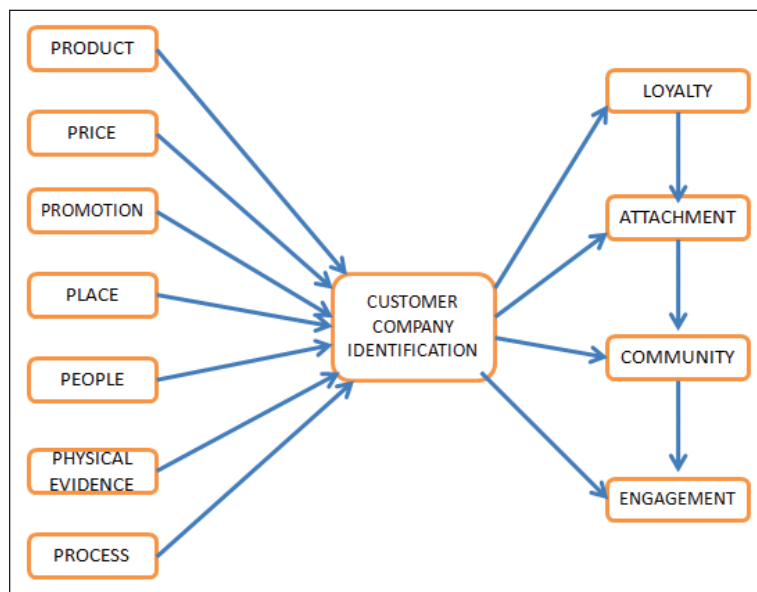


Figure 1: The Proposed Model

Research Hypotheses

On the basis of analysis of the previous literature and the discussion so far on the proposed model, the following hypotheses has been developed to test in the current research:

Hypothesis 1- 7Ps of Services Marketing yields a strong influence in building CCI

Hypothesis 2- CCI leads to a strong sense of loyalty

Hypothesis 3- CCI has a strong impact on building attachment for the banking brand

Hypothesis 4- CCI helps to create a sense of community or bond among the customers of the bank

Hypothesis 5- CCI helps to create a base of engaged customers for the banking brand

Hypothesis 6- Behavioural Loyalty for the brand leads to a strong attachment

Hypothesis 7- Strong Attachment for the brand leads to a sense of community among customers

Hypothesis 8- Sense of Community leads to a base of truly engaged customers

Methodology

Data has been collected for 166 respondents across various locations in the country. For the purpose of the research, interviews were conducted in various locations. Interviewers were briefed with the questionnaire and mock interviews were conducted. The initial interviews were screened by the researcher and feedback was shared with the interviewers. Subsequently, all the questionnaires were scrutinized for errors and missing values.

Most of the questions were measured on a likert scale. To measure CCI, scale designed by Bergami and Bagozzi (2000) on a cognitive representation has been utilized in the study. This scale has been utilized by various researchers to measure CCI. The scale comprises sequence of Venn diagram to indicate the overlap between the personality of the respondent and the focal company. Respondents may own multiple savings accounts with multiple banks, hence the ratings were captured for the bank account which is most preferred by the respondent among all the service providers.

The target group of the current study are regular customers of the bank and can be defined as Male or Female customers in the age group of 25-70 years, working full time or part time either as a Salaried Employee or a Business Man or Self-employed. With regards to decision making of financial investments at home, the respondent has to be a primary decision maker or plays an active role in decision making or a key influencer.

The sample split of the interviews conducted is illustrated below:

Table 1: Sample Covered (Split By City)

Location	Sample Covered
Indore	36
New Delhi	36
Nagpur	22
Jaipur	18
Gwalior	17
Pune	15
Kanpur	9
Bangalore	7
Mumbai	6

SPSS and AMOS Graphics (Version 20) have been used for analyzing the data in this study. To analyze the model, structural equation modelling was used, which is an evolved version of Multiple Regression and allows concurrent analysis of all the variables included which are parts of the model.

Results

The statistical output indicates a good model fit. There are no negative variances or other improprieties. The model fit indices are average. Probably a higher sample size more than 200 would have generated stronger model fit indices. However, considering that there are no latent variables in the study, the model has been run using the available data. Table 2 illustrates the fit of indices:

Table 2: Goodness of Fit Indices

Sr. No	Description	Number of Variables
1	Chi-Square	653.200 ((df 52, p<.001)
2	RMR (Root Mean Square Residual)	0.0279
3	GFI (Goodness of Fit Index)	0.738
4	RMSEA(Root Mean Square Error of Approximation)	.189

The construct reliabilities are sufficiently large, as indicated in the table below:

Table 3: Reliability Statistics

Cronbach's Alpha	N of Items
.848	12

	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Price	.336	.848
Promo	.521	.836
Prod	.683	.827
Proc	.644	.829
Peop	.618	.830
PhysEv	.663	.828
Plac	.590	.832
RLoy	.633	.829
Rattach	.640	.828
REng	.516	.837
RCommu	.352	.848
CCI	.332	.868

'Corrected Item-Total Correlation' in Table 2 is a correlation between a particular item and the sum of the rest of the items. This table establishes that all the parameters are in tandem with other parameters. Since there are no values close to zero, all the parameters can be retained. The second column in the Table 2 estimates the Cronbach's alpha if a particular item is deleted. All the values except CCI (Customer-Company Identification) is higher than the current alpha of the whole scale 0.848, all the parameters can be considered for the analysis. With regards to CCI, the marginal difference can be a resultant of the 8 point cognitive scale as compared to the 5 point likert scale which was used to assess the other variables.

Subsequently, the model was processed as indicated in Figure 1. The following abbreviations of the variables have been used in the study.

Table 4: Abbreviations Used

Name of Variables	Abbreviations Used
Product	Prod
Price	Price
Promotion	Promo
Place	Plac
Physical Evidence	PhysEv
Process	Proc
People	Peop
Customer-Company Identification	CCI
Loyalty	Loy
Attachment	Attach
Community	Commu
Engagement	Eng

The output of the model indicates that there is significant impact of Promotion and People in building CCI for the banking brands. Subsequently, CCI also significantly contributes to building Loyalty and Engagement. On the other hand, the model establishes the different stages in building long term relationship with customers i.e. Loyalty leads to Attachment, subsequently Attachment leads to Community and finally Community leads to Engagement.

Table 5: Regression Weights (Unstandardized)

			Estimate	S.E.	C.R.	P
CCI	<---	Promo	0.266	0.119	2.231	0.026
CCI	<---	Prod	0.275	0.142	1.933	0.053
CCI	<---	PhysEv	0.103	0.137	0.751	0.453
CCI	<---	Proc	0.016	0.132	0.117	0.906
CCI	<---	Price	0.149	0.137	1.089	0.276
CCI	<---	Plac	0.05	0.132	0.382	0.702
CCI	<---	Peop	0.507	0.128	3.974	0.001
RLoy	<---	CCI	0.127	0.044	2.86	0.004
RAttach	<---	CCI	0.013	0.03	0.422	0.673
RAttach	<---	RLoy	0.712	0.051	13.85	0.001
RCommu	<---	CCI	0.008	0.04	0.201	0.84
RCommu	<---	RAttach	0.52	0.071	7.342	0.001
REng	<---	CCI	0.077	0.039	1.958	0.05
REng	<---	RCommu	0.586	0.068	8.614	0.001

Figure 2: illustrates the same table discussed above with standardized regression weights in a graphical format.

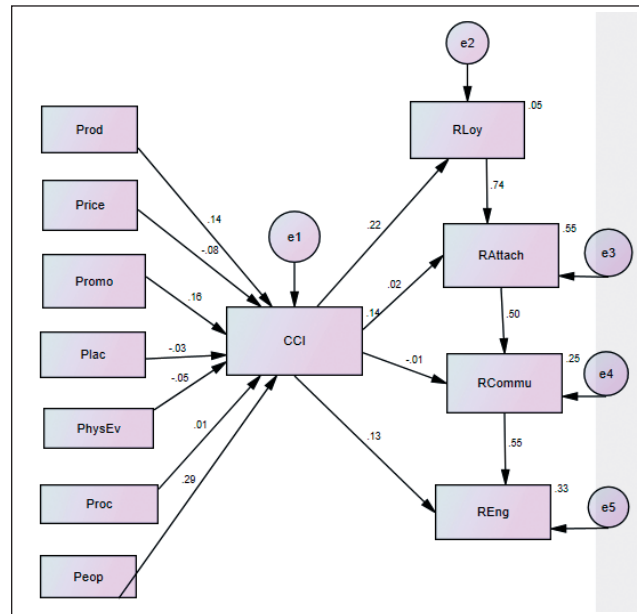


Figure 2: Regression Weights (Standardized)

Discussion

The research establishes that Promotions conducted by the bank and People associated with the bank are essential in creating CCI. Banking being an extremely regulated industry, there is not much scope for unique product development. Pricing in terms of Fees/Charges are almost standardized. Similarly, Processes and Physical Evidence followed by banks are almost standardized and similar across various banks. With regards to intense competition in the banking sector, key banks are present in nearby localities. This holds true considering the data has been collected in some prominent cities in India. Intuitively also consumers are aware that every bank tries to promote themselves differently in order to gain consumer’s attraction. Also, it is the people associated with the banks such as the branch representatives, relationship managers among others who constitute the key touch points and help to create perception about the bank.

The findings of the current research contribute to the extant literature by establishing that CCI leads to Loyalty and Engagement. Additionally, the research also confirms the progression of relationship building from Loyalty –Attachment-Community- Engagement.

Limitations

The sample is restricted to certain locations within the country and may not be representative of the entire nation. Secondly, the analysis does not bring out the difference between public sector, private sector and foreign banks. Thirdly, there is further scope of research in order to understand the factors that lead to attachment from loyalty, community from attachment and engagement from attachment. Fourthly, this study is restricted to retail consumers only and doesn’t reflect the requirements of the business customers.

Conclusion

The current research establishes that Promotions and People are key factors in building CCI for banking brands. Also, CCI has a significant impact on building Loyalty and Engagement. In addition, the research confirms the progression of relationship building from establishing loyalty, to generating attachment, building a sense of community leading to the ultimate stage of building a base of engaged customers.

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Joyee Chatterjee has over 9 years of experience in managing clients and building client relationships. She is currently working with ICFAI Business School, Mumbai, Maharashtra, India and pursuing her Ph.D from ICFAI University (Jaipur) in Management. Post completing her management education from ICFAI Business School (Hyderabad) she has worked with leading research firms and marketing consultancies. Her research interests are primarily in the area of Customer Loyalty, Customer Engagement, Brand Management and Consumer Behaviour. Most of her current researches explore customer loyalty and customer engagement related concepts in BFSI and FMCG sectors in India. She is skilled in Data Analysis and Quantitative Research.
