

## The Contribution of Personalization to Customers' Loyalty Across the Bank Industry in Sweden

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**Abstract**-Since customer loyalty is one of the main important elements which enhance companies' profit, it is very important to investigate factors which create customer loyalty. Nowadays, companies try to increase their loyal customers by taking advantage of some relationship marketing tactics. One of the most important tactics is personalization. Marketers and managers should try to fulfill each customer's needs based on individual's desires. This can increase their customers' commitment and satisfaction. Therefore, these customers are more likely to remain with the company and become loyal. This study intends to evaluate the impact of personalization on customers' commitment and satisfaction and then determine the impact of customers' satisfaction and commitment on customers' loyalty among bank customers in Sweden. In this regards, a model is provided and empirically tested. Meanwhile, in order to conduct this study, primary data has been collected by a properly designed questionnaire which was distributed among bank customers in 3 different banks in Sweden and the secondary data has been collected through online data base such as Ebsco and Science Direct. Afterwards, SPSS (17.0) tool has been used in order to evaluate the relationship between variables of the model. Accordingly, correlation analysis and regression results determined the relationship between the variables. Based on the results, there are positive significant relationships between personalization as independent variable and customers' satisfaction and commitment as dependent variables. So, high level of personalization increases the customers' satisfaction and commitment. Meanwhile, the results show that there are also positive significant relationships between customers' satisfaction, commitment and customers' loyalty. Consequently, as customers' satisfaction and commitment enhances, the level of customers' loyalty also increases. Finally, personalization increases the customer's loyalty among bank customers in Sweden.

**Key words:** *Personalization; Customer Loyalty; Relationship satisfaction; Commitment; Banking Industry.*

### I. INTRODUCTION

There are many studies that approve the incredible benefit which service companies obtain from their loyal customers [1]. The crucial aim of many successful service companies is to target, gain, and retain beneficial customers. These companies attempt to create more loyal customers. Loyal customers raise profitability for a company over time [25, 19]. Consequently; they try to use some tactics to

encourage their beneficial customers to become loyal customers. One of these tactics is personalization. Personalization is the procedure of collecting some data and information about a customer, which enables the firm to correctly match a service or product with the customer's desires and tastes [22]. According to [6], one of the important factors that help the companies to successfully survive in this challenging market today is to maintain enduring relationships with stakeholders. [24] studied a variety of service provider businesses and evaluated the profit per customer by the amount of years a customer had stayed with the company. Consequently, they realized that customers turn out to be more profitable as they stay any longer with a company in all these industries. So, companies have to plan their marketing strategies in order to provide more value for the customer in a way that enables them to retain the customers and increase their loyalty [14]. It also should be considered that loyal customers may not be satisfied all the time; however, satisfied customers may become more loyal [7]. In order to create successful and valuable customer relationships according to prior studies, it should be considered that a customer-centred approach is mostly required rather than a product-centred approach; therefore, the importance of customers' personal information is undeniable. Companies focus on customers and take advantage of their personal information in order to perform personalization. Consequently, they create more satisfaction in customers and built more customer loyalty. Therefore, this study is important firstly because it describes the relationship between personalization and customer loyalty. Secondly, there is a substantial lack of empirical knowledge regarding this area, especially in banking industry. Therefore, this study intends to determine the impact of personalization on customer's loyalty by evaluating the relationship between personalization and customer's satisfaction and commitment and then examining the relationship between customer's satisfaction and commitment and customer's loyalty in Sweden banks.

### II. CUSTOMER LOYALTY

The importance of customer loyalty is that it is certainly associated with the company's sustained existence and future improvements [7]. Customer Loyalty can be described as the customer's commitment to a firm, or the customer's desire to keep a long-term relationship with the seller [32]. According to [10], the major goal of customer relationship marketing is

to get and keep customers. Based on previous studies, all marketing activities intend to create customer loyalty. Customer loyalty is an intention to retain a valued relationship [18]. It is also defined as a highly deep commitment to keep on purchasing a product or service in the future regardless of the fact that there are situational factors and marketing efforts which have potential to create switching behaviour [31]. Manager and marketers should highly pay attention to Customer loyalty as an important factor that has to be developed if they want to maintain their company and develop its profitability.

### III. PERSONALIZATION

Personalization is the procedure of collecting customers' information which helps the firm to create products and services that perfectly provide the customer's desires and needs [22]. Personalization is a tactic that can maintain a long-term relationship between the company and its customers. It is a personal relationship which a company makes with its customers in order to create more loyal customer. Firms use Personalization tactic and take advantage of customer's information which was previously gathered and based on these information, they determine the most appropriate marketing mix for every individual customer. For instance, Amazon.com personalizes its books and music and recommends them to its customer based on their desires using previously collected data from them [22, 16& 4]. Nowadays, lots of companies take advantage of personalization in order to increase their loyal customers particularly in services industry. They use personalization as a tactic and try to enhance the customers' satisfaction in order to make more profit. Considering that the cost of personalization is mostly high due to expensive software which is necessary for data collection and data mining, the process of personalization needs appropriate plans and arrangements. Accordingly, success depends on an accurate personalization. Marketers and managers should highly consider what they recommend to their customer. They should make sure to offer the right product or services to the right person.

### IV. RELATIONSHIP SATISFACTION

Nowadays customer satisfaction is one of the top management main concerns in businesses [15]. Satisfaction has been thoroughly studied for consumer services [5, 11]. Relationship Satisfaction is the customer's positive feeling that comes from the customer's evaluation of the buyer-seller relationship [9]. Customer's satisfaction with the relationship develops the customer- company relationship [26]. Hence, customer and firm take advantage of the relationship exchanges. Consequently, when the customer is satisfied, the company is able to make more profit through maintaining this relationship since based on the previous studies, the cost of creating new customers is higher than the cost of maintaining them. Therefore, satisfaction with the relationship is essential in developing the relationship performance. However, sometimes maintaining a relationship with some customers is not beneficial since the cost of maintaining them is higher than the profit which they

provide. According to [23], Relationship satisfaction exclusively applies to the customer's satisfaction with the relationship which is different from the customer's satisfaction with the overall exchanges. A satisfied customer is more probable to be loyal to the same company [17]; therefore, fulfillment of both the company and the customer's desires leads to satisfaction with the relationship [3]. Though, customers do not necessarily have satisfaction always and creating satisfaction does not assure maintaining a company's relationship with its customers.

### V. RELATIONSHIP COMMITMENT

[18] refer to Relationship commitment as an ongoing intention to sustain a valuable relationship. Researchers realized relationship commitment as a significant factor in successful supplier-buyer relationships [2]. Consistent with prior studies, relationship commitment between partners in B2C relationships can also generate a great profit for companies [30, 8]. Relationship commitment is the perception of both customer and company of a relationship to be significant enough to assure an utmost attempt to maintain it [20]. Commitment is a proof for a good continuing relationship [20, 27] and explains the relationship performance [26]. According to prior studies, commitment is associated with relationship. It shows the highest phase of relationship [28]. Based on previous studies, the raise in customers' desire to communicate increases the Commitment based on the customer relationship with the company. Commitment is important for the enhancement of continuous relationships [3, 20]. Moreover, Relationship commitment is a multi-dimensional conception. Different studies realized different dimensions for relationship commitment. [13] provided three dimensions of continuance, behaviour and affective commitment. Whereas, [21] suggested three dimensions as instrumental, temporal and affective commitment. Furthermore, [12] indicated another three dimensions as instrumental, affective and normative commitment. [29] also realized another five dimensions as value-based, affective, locked-in, obligation and behavioural commitment. On the basis of prior studies, affective commitment highly impacts the customer's desire to maintain a relationship with the company [26]. According to [8], Studying Commitment is significant in relationship marketing as it is an indication of long-term stability at the conceptual level and provides a measurement of long lasting relationships at the empirical level.

### VI. METHODOLOGY

For the purpose of this study, secondary data has been collected through online database such as Ebsco and Emerald. Secondary sources of data include books, scholarly journal, electronic data basis, conference presentations, theses and research papers in the field of marketing and consumer behaviour. Meanwhile, primary data has been collected by a questionnaire which was properly designed based on the previous studies. The questionnaire was handed over face to face to 100 customers in 3 banks in Sweden. The sampling method is simple random sampling. Among the respondents, 64% are male and 36% are female. The average for the

respondents' age was 35 years old and 18% of them have an income below 2000 SEK, while 54% of them have an income between 2000 to 8000 SEK and 28% of the respondents have an income higher than 8000 SEK. Finally, the validity and the reliability of the questionnaire have been tested. The validity of the questionnaire has been approved by three University professors in the field of consumer behaviour and marketing. The reliability of the questionnaire has been also confirmed and Cronbach's alpha for each variable is illustrated in table1.

TABLE 1. TEST OF RELIABILITY

Variable	Cronbach's alpha
Personalization	0.923
Relationship Satisfaction	0.718
Relationship Commitment	0.727
Customer loyalty	0.813
Total	0.916

### VII. STUDY MODEL

In order to examine the influence of personalization on customer's satisfaction and commitment, and then evaluate the relationship between customer's satisfaction and commitment on the customer's loyalty in Sweden bank, the following model has been presented and empirically tested. This model illustrates the relationship between the variables. These relationships are being tested subsequently.

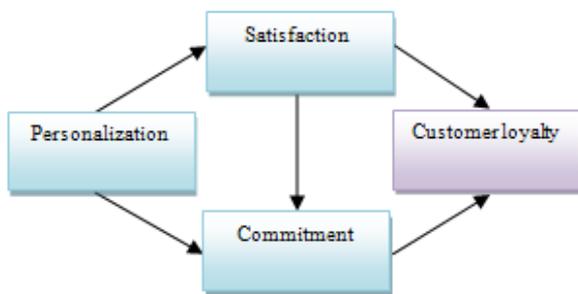


Figure 1. study model

### VIII. DATA ANALYSIS

This study intends to examine the impact of personalization on customer's satisfaction and commitment, and then tests the influence of customer's satisfaction and commitment on the customer's loyalty. In order to conduct the study and evaluate the relationships between the variables, the SPSS (17.0) tool has been used. In this regards, mean and standard deviation for each variable has been calculated. Table

2 shows the descriptive statistics consisting mean and standard deviation for each variable as following:

TABLE 2. DESCRIPTIVE STATISTICS

N=300	Personalization	Satisfaction	Commitment	Customer loyalty
Mean	3.88	3.59	3.17	3.85
Std. Dev.	0.65	0.67	0.72	0.69

Afterwards correlation analysis determines the relationship between variables (table 3&4). Correlation analysis shows positive relationship between personalization as independent variable and relationship commitment and relationship satisfaction as dependent variables. It also shows positive relationships between relationship commitment, relationship satisfaction and customer loyalty. Then, multiple regression analysis is used to examine the significance of relationship between the model variables. The regression analysis results are all illustrated in table5. The results show that there is a significant relationship between all the model variables and the relationship between variables is as following:

- There is a significant relationship between personalization and satisfaction since the p value is (0.05>0.000).
- There is a significant relationship between personalization and commitment since the p value is (0.05>0.000).
- There is a significant relationship between satisfaction and customer loyalty since the p value is (0.05>0.004).
- There is a significant relationship between commitment and customer loyalty since the p value is (0.05>0.000).

TABLE 3. CORRELATION

	Relationship Satisfaction	Relationship Commitment
Personalization	0.437**	0.573**

TABLE 4. CORRELATION

	Relationship Satisfaction	Relationship Commitment
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Customer loyalty	0.814**	0.874**
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TABLE 5. REGRESSION ANALYSIS

	Standardized Coefficients	R Square	Standard Errors	Alpha Value	
Personalization					
Relationship Satisfaction	0.44	0.338	0.9	0.000	supported
Relationship Commitment	0.24	0.230	0.5	0.000	supported
Relationship Satisfaction					
Customer loyalty	0.54	0.284	0.11	0.004	supported
Relationship Commitment					
Customer loyalty	0.18	0.284	0.10	0.000	supported

### IX. CONCLUSION

According to the study results, there is a significant relationship between personalization as independent variable and customer's satisfaction and commitment as dependent variables. Therefore, increase in personalization enhances the customers' relationship satisfaction and relationship commitment. Moreover, there is also a significant relationship between customers' relationship satisfaction and relationship commitment as independent variables and customer's loyalty as dependent variable. Consequently, if customers' relationship satisfaction and relationship commitment increase, customers' loyalty also increases. Therefore, personalization can enhance the customer's loyalty by enhancing the customer's relationship satisfaction and relationship commitment in bank customers in Sweden. The results of this study are consistent with most of the previous study's results, e.g. [17, 2, 30, 8&7], therefore, based on this study marketers and managers should plan appropriate strategies based on customers' desires. Moreover, managers of banks should consider that they can obtain more success if they perform personalization accurately and can generate more profit by making loyal customers.

### X. STUDY CONTRIBUTION

Nowadays, Retailers understand the significance of loyal customers, and attempt to attract and retain more customers through developing an effective seller-buyer relationship. While loyal customers generates a large amount of company's profit, it is important for marketers and managers to plan more effective strategies to increase consumers' loyalty in order to make more profit. The main contribution of this study is to enhance understanding about personalization and its impact on customers' loyalty across the bank industry in Sweden and to provide cutting edge insights and to aid marketers and managers to make better decisions and more successful plans in order to attract more customers and increase customer loyalty.

### XI. STUDY LIMITATIONS

Marketing studies has been always restricted by limitations. Paying attention to these limitations will improve the effectiveness of further studies and will highlight the challenges in directing marketing researches. In this study, cost and time limitations posed authors to collect primary data from a few banks in Sweden which can restrict the generalizability of the study.

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