

ROLE OF TRUST AND PERSONALIZED COMMUNICATION ON CUSTOMER BONDING IN BANKING SECTOR

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Abstract

An attempt is made to study on the role of trust and personalized communication on creating customer bonding in banking sector. The study measures the level of trust, the factors influencing trust, bonding the study also evaluates the degree of satisfaction of customers with respect to personalized communication. The study also focused on understanding the impact of personalized communication in creating trust and bonding among customers. The study proves that trust and personalized communication plays a significant role in influencing customer bonding. Research model was developed to establish the relationship between dependent and independent variables.

Keywords: **TRUST, PERSONALIZED COMMUNICATION, CUSTOMER BONDING, BANKING SECTOR**

Introduction

Banking system in India has undergone significant change in the recent past. There has been a paradigm shift in the concept, percept and outlook and the banking system has become more complex and sophisticated. Banks now have realized that, of all the problems the business can have, the loss of established customers is one of the most serious. Customers' expectations regarding quality, service and value are ever escalating, and hence, a banker can build good relationship with its customers only if it is able to understand their needs and desires. Customer relationship management philosophy, if properly implemented, will enable the banker to develop long-lasting relationship by developing trust and emotional bonding through personalized communication and sharing of values and goals.

Trust is defined as "the willingness to rely on the exchange partner in whom one has confidence" (Moorman, et.al (1993). The need for trust is particularly important in financial services as the perceived risk associated with the purchase of financial products is high to extent that the client is unable to examine the service before its purchase. Communication can play a very great role in the relationship building process. Thus the financial service provider

must concentrate on high quality personalized communication. Personalized communication creates a feeling of recognition from the part of the receiver and the exact piece of information can be communicated. Bonding is defined as the dimension of business relationship that results in two parties acting in a unified manner towards a desired goal. Customer bonding can be referred to both as a state (some kind of affiliation between parties) as well as a process (as there are different levels of bonding that such affiliations may pass through or reach). Cross and Smith (1995) have detailed the process of customer bonding in five hierarchical steps where each step involves a deeper bond between the company and customer.

In this context the researcher conduct a systematic study on the role of trust and personalized communication on customer bonding in banking sector. The study measures the level of trust among customers in the banking sector. The study also evaluates the degree of satisfaction of customers with respect to personalized communication. The study also focused on understanding the impact of personalized communication in creating trust and bonding commitment among customers.

OBJECTIVES OF THE STUDY

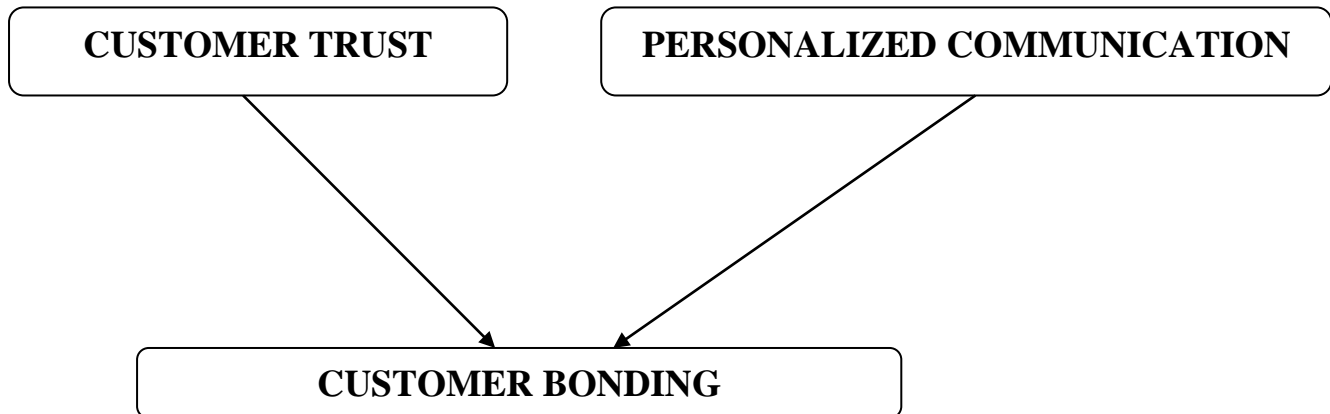
- i. To measure the customer trust, extent of bonding among the customers in banking sector in Kottayam District.
- ii. To identify the factors influence customer trust on a banker, banker customer bonding among customers.
- iii. To identify how trust and personalized communication influences customer bonding

RESEARCH METHODOLOGY

In this study, population includes customers of all age groups, both male and female with different educational qualification and customers of different commercial banks. The banks are classified as SBI, nationalized banks, old generation private sector banks, and new generation banks in Kottayam district. For the purpose of study, 200 customers of commercial banks in Kottayam district were taken as samples based on convenience sampling method. The study consists of both primary and secondary data. However, primary data collected from respondents were used for analysis. Primary data for analysis were collected by administering a detailed questionnaire, from the customers of commercial banks in Kottayam district. Secondary data were collected from Books, Online journals, and websites etc. Five point Likert type scaling techniques ranging from strongly agree to

strongly disagree (5 points to 1 point) is used for measuring respondent's level of trust, commitment, bonding and personalized communication. Statistical test like ANOVA and Regression was used for testing the hypothesis.

RESEARCH MODEL OF THE STUDY



HYPOTHESES OF THE STUDY

H₁: - The level of customer bonding in banking services is not dependent on the customer trust and personalized communication.

LITERATURE REVIEW

Moorman, Deshpande, Zaltman (1993), attempts to study the factors affecting trust in marketing relationships. The study concentrates on individual, interpersonal, organizational, and interdepartmental and project factors affecting trust. The results indicate that interpersonal factors are the most important predictors of trust.

Sirdeshmukh, Singh, Sabol (2002), seeks to understand the behavior and practices of service providers that build or deplete customer trust. The study differentiates trust and trustworthiness and develops a multi-dimensional model of the components of trustworthiness and examines their effect on customer trust. The results of the study support the tripartite view of trustworthiness along with operational competence, operational benevolence and problem solving dimensions. The results illustrates that a negative performance may not deplete customer trust significantly and a positive performance may not build customer trust.

Buttle, Ahmad, Aldlaigan(2002), analyses the customer bonding activities of both intuitive and strategically planned of companies. These strategies are considered on the basis of customer attachment, bonding and commitment. The findings of the study suggest that the

evolution of social and structural bonds creates mutual commitment among customers. The study also shows that structural bonding emerges as a result of strong social bonds

Szmigin, Canning, Reppel(2006), develops a conceptual framework known as customer bonding triangle. The model focuses on three key elements of service mainly value, technical infrastructure and interactivity in creating bonding with customers. The findings suggest that firms must make use of the technical infrastructure in order to understand the role and the nature of customer satisfaction and to develop bonding among customers.

Research Gap

The literatures reviewed above shows the importance of trust and personalized communication. Researchers have conducted studies on the factors influencing trust, identification of the antecedents and consequences of trust, personalization strategies, role of personalization on customer satisfaction etc. But most of the studies have been conducted in business organizations and among employees of the companies and only few studies concentrated on the service sector like banking. Hence we attempt to study the role of trust and personalized communication on customer bonding in banking sector for filling the gap in the existing literatures.

DATA ANALYSIS AND INTERPRETATION

DEMOGRAPHIC CLASSIFICATION OF RESPONDENTS

Majority of respondents are male who constitutes 54.50%, when classified according to gender. In case of age wise distribution, majority 34% belongs to the age group 41-55. Most (54%) of the respondent's primary banker is SBI, 19.5% of the respondents consider nationalized bank as primary bank ,Old generation private sector bank is considered as primary bank by 22% of the respondents. In case of new generation private sector bank, only 4.5% of the respondents consider it as primary bank

Table 1

Factors influenced respondents to continue with the primary bank

Factors	Min.	Max.	Mean	SD	Rank
Convenience	1.00	5.00	4.4150	0.71788	1
Trust	1.00	5.00	4.3700	0.82249	2

Reputation	1.00	5.00	4.2800	0.90315	3
Quick service	2.00	5.00	4.0950	0.83031	4
Friendly behaviour of employees	1.00	5.00	3.8750	1.08872	5
Customer friendly environment	1.00	5.00	3.8400	1.00970	6
Superior quality of service	1.00	5.00	3.8300	1.09411	7
Helping mentality of staff	1.00	5.00	3.8150	1.07543	8
24*7 working ATM	1.00	5.00	3.7900	1.17593	9
Good relations with the staff/manager	1.00	5.00	3.7850	1.12029	10
Simple procedures	1.00	5.00	3.7800	1.05697	11
Good reference by friends and relatives	1.00	5.00	3.6300	1.15750	12
Low cost of service	1.00	5.00	3.5850	0.96302	13
Customer friendly technology	1.00	5.00	3.5650	1.06840	14
Quick handling of complaints	1.00	5.00	3.5450	1.13331	15
Customer feedback services	1.00	5.00	3.4300	1.12759	16
Wide variety of products and services	1.00	5.00	3.2950	1.19378	17
No other good choice	1.00	5.00	1.9000	1.04184	18

Source:-Primary Data

The above table reveals the various factors that influenced the respondents to select the primary banker. Among the factors considered convenience is found to be the most influencing factor for selection of primary bank with mean score of 4.4150 and standard deviation of 0.71788. Since the standard deviation is least among the factors there is limited variability in the opinion of respondents regarding convenience. The second influencing factor is trust mean score of 4.3700 and standard deviation of 0.82249.

Table 2

Measurement of trust, Customer bonding and personalized communication

Sl.No.	Statements	Mean	SD
1.	Me and my banker believe in mutual trust	4.2350	.70160
2.	My bank is committed to keep their promises	4.1950	.70673

3.	Manager and frontline staff in my bank are trustworthy	4.1300	.79135
4.	I have full confidence that my bank will not fail.	4.2950	.76872
5.	I have full confidence in the e-banking facilities of my bank	3.7050	.94469
6.	My banker is truly sincere in its promises	4.1600	.74645
7.	My bank is very much concerned about the security of my transactions	4.2550	.73667
8.	The bank is consistent in providing quality services	4.1500	.73498
9.	I feel pleasure in being a customer of the bank.	4.0950	.84828
10.	I desire to continue using the banks services	4.2550	.77652
	Trust	4.1475	.51216
11	The staff in my bank cares about customers feelings	3.7100	1.03502
12	Me and the bank staff in my bank feel happy when we interact	3.6650	.93657
13	I often talk with my bank staff	3.4500	1.07390
14	I often seek advices of the bank staff regarding investment.	3.5050	1.10275
15	Staff in the bank branch knows me personally and are happy to serve me	3.5150	1.10721
16	People in my bank branch consider me as a trustworthy and valuable customer	3.8550	.87625
	Customer Bonding	3.6167	.78849
17	I often engage in conversation with the bank staff while visiting the bank branch	3.6500	1.07857
18	I always receive personalized email or SMS from the bank after conducting a transaction	4.1950	.97557
19	The bank always keeps me informed about the new products and services through personalized email or SMS	3.9350	1.14338
20	Bank staff offer me advices on conducting banking transactions	3.7150	1.04846
	Personalized Communication	3.8730	.71935

The above table measures the level of trust, customer bonding and personalized communication among the banking customers. The overall average score of trust (4.4175) is very close to 5 with a minimum standard deviation of 0.51216 which indicates that the level of trust of customers in their banks is high. The overall average score of customer bonding and personalized communication is also good.

RELIABILITY ANALYSIS**Table 3 Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.925	.929	20

The **reliability of the** study measures was assessed by computing Cronbach's Alpha Coefficients, which is used to assess the internal consistency or homogeneity among the variable measures. Cronbach's alpha coefficients ranged from 0.920 to 0.927 revealing a high degree of reliability. Since all the reliability results exceeded the 0.6, lower level of acceptability the internal consistency reliability of the measures used was considered to be sufficiently high and to have adequately measured the study's variable.

Role of trust and personalized communication in creating customer bonding

H₀: - The level of customer bonding in banking services is not dependent on the customer trust and personalized communication.

H_a: - The level of customer bonding in banking services is dependent on the customer trust and personalized communication.

Table 4(A)**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750 ^a	.563	.558	.52410

a. Predictors: (Constant), Trust, Personalized Communication

Source:-Primary Data

The model summary table shows, R, R square and Standard error. Since the value of R is (.750), it is clear that these three variables are closely related. R square values show the degree of responsiveness of dependent variable on change in independent variable.

The R value is (.750), R Square is (.563) and the Adjusted R Square is (.558) which indicates that the independent variables jointly account for a variation of about 56.3% of the

dependent variable. That is 56.3% change in the level of customer bonding is explained by the level of customer trust and personalized communication.

Table 4(B)
ANOVA Table Showing the Regression

Model	Sources of variation	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.611	2	34.806	126.715	.000 ^b
	Residual	54.111	197	.275		
	Total	123.722	199			

a. Dependent Variable: Bonding

b. Predictors: (Constant), Trust, Personalized Communication

Source:-Primary Data

The ANOVA table shows the significance of the model proposed by the researcher. The significance value in the ANOVA Table (.000) is not exceeding .05, which indicates that the dependence of customer bonding on customer trust and personalized communication is significant. So it is clear that personalized communication and customer trust is very strongly influencing the customer bonding. Since the significance values in the ANOVA Table is less than the level of significance (.05), level of customer bonding in banking services is dependent on the customer trust and personalized communication

Table 4 (C)
Coefficients – Significance of Independent Variables

Model	Factor	Beta	t	Sig.
1	(Constant)		-2.803	.006
	Personalized Communication	.470	8.511	.000
	Trust	.389	7.042	.000

a. Dependent Variable: Bonding

The Coefficients Table shows the significance of personalized communication and customer trust on the bonding of the customers. The results indicate that the significance

value is less than .05 so the independent variables personalized communication and customer trust has significant influence on the customer bonding.

Also the beta value of trust is (0.389), which is less than beta value (0.470) of personalized communication. It means that personalized communication influences more on customer bonding than trust.

CONCLUSION

The study was conducted to identify the role of trust and personalized communication in customer bonding in banking sector. From the results obtained, I would like to conclude that the customers have reasonably strong relationship with their banks. They feel safe in conducting transactions with their banks. The respondents identified convenience as the most influencing factor to continue with the primary bank .The study also proves that trust and personalized communication plays a significant role in influencing customer bonding. So in order to improve the trust the bank managements should give most serious attention to building relationship with customers. Also banks should create bonding among the customers and focus on personalized communication.

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