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## Effect of Business Ethics and Product Offering on Customer Loyalty in The Disruption Age: An Analysis of The Banking Sector in Bangladesh

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### Abstract

**Purpose of the Study:** This study aims to analyze the effect of Business ethics and e-satisfaction toward customer loyalty in the context of the banking sector in Bangladesh.

**Methodology:** The research used an FGD technique to acquire information regarding end-users (bank's client) experiences and feedback.

**Findings:** The competition is fierce in the current market environment and so every company is under pressure to survive and make more margin which is associated with and requires a huge amount of investment too. Strategic tools are used by all organizations in their style to sustain in the local and/or global market. Among others, ethical practices, product offerings, and technological facilities that are provided (i.e. online transactions) are important strategies that need to be considered in this fiercely competitive market. Hence, the paper identified potential factors are business ethics, Product offering, and technology disruption are the priority to the significant benefits of the business environment.

**Implications:** This study investigates the effect of business ethics on customer loyalty due to customer satisfaction with online banking (e-satisfaction) and products offered by the bank which would be beneficial for all stakeholders of the sector.

**Limitations and Future Direction:** Availability of the data was the major challenge to the research as Banks do not want to disclose their information as privacy of their clients as well as business secrecy. Further research may be conducted with empirical data via any of the big data analysis techniques for more accurate direction for customer service delivery improvement or loyalty enhancement in the banking sector of Bangladesh.

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**Business Ethics, Product Offering, E-Satisfaction, Loyalty, Internet Banking**

## 1. Introduction

Technology has been playing vital roles in many aspects of human life on a 24-hours basis. Today's business world has become more complex and overwhelmed with a tremendous of tasks. However, technology supports handling too many tasks in a day even at the same time and makes life easy. Researchers have been working for about the past three decades to link business performance, customer loyalty, and sustainability empirically and anecdotally. (Hasiri & Afghanpour, 2016; Leninkumar, 2017; Ofori et. al., 2017). That is why academicians in the field of marketing and customer relations are investigating the nature and drivers of customer loyalty with increasing attention. (Ofori et al., 2017).

Satisfying every customer is the center of attention for any organization companies including banks. It is of great importance to satisfy customers in the case of a bank more than any other organization as a hundred percent service-provider firm. Hence, acquiring new customers requires five times more time, more money, and more effort than satisfying old customers. And it is about fifty to a hundred times more expensive for winning back the lost customers (Ofori et al., 2017). Usually, satisfied customers are willing to pay more prices for products and services. In addition, they may spread the message through word of mouth which is free of cost. Consequently, understanding customers' needs and meeting their needs can build a strong relationship to hold long-term customer loyalty.

Bilan (2013) stated that consumers do not have time to play games, if they feel that something has gone wrong with products and services, they just leave and choose another supplier. Brush et. al. (2012) declared that the capabilities of banks to increase profit are contingent. Based on maximizing the products sold, new customers get attracted/or selling complementary products to its existing customers. Usually, loyal customers proved a higher level of additional purchases than dissatisfied customers. Customers who are more satisfied tend to be more loyal and recommend the bank to other consumers.

Many researchers have conducted many articles on banking sectors like gaps between expectation and perception, satisfaction level, dimensions of SERVQUAL, trust even loyalty but there is not that much literature on the relation between product offering, Customer Social Responsibilities (CSR), e-satisfaction and loyalty. However, it is very important to know that as customers are being conscious and digitalized, how do they perceive their satisfaction through CSR, offering and eventually becoming loyal. Companies cannot avoid gaining and adopting competitive advantages where markets are highly competitive. Therefore, like others should not limit themselves with internet and mobile banking, ATM & POS but offer something distinguish and continue satisfying customers so they will be loyal.

## 2. Review of Literature

Researchers discuss the nature of the retail banking sectors in Bangladesh, product offering, satisfaction, business ethics, and imperatives for the development of robust customer loyalty schemes by reviewing the extensive literature on customer loyalty.

### 1.1 Customer Loyalty

The banking sectors face fierce competition around the world and that is why now they pay in-depth attention to retaining customers by offering unique services to the customers. (Leninkumarm, 2017). To make customers loyal, any company may utilize its ability to keep winning patronage over the competitors. The banking sectors gain customer loyalty by maintaining their strong commitment to customers. Also, if customers are the patronage to repurchase the products. (Tweneboah-Koduah & Farley, 2015). Satisfying customers' needs are not the end of the process of making customers loyal rather continues repeating the purchase relationship with customers to a particular brand.

Lam et. al. (2004) demonstrated that customer loyalty to a product or service provider and spread it through word of mouth (WOM) as continuity of patronage. Marketers and researchers focus on customer loyalty to bank services because of their ability to attract and retain customers to sustain in the competitive markets

(Keisidou et. al., 2013). Hence, banks need to adapt programs to put the respected customers in loyalty baskets. (Ganiyu et. al., 2012). Customers are encouraged to repeat purchasing when banks build trust by providing quality service delivery that satisfies the banking needs of customers.

Hasiri and Afghani (2016) highlighted extraversion, flexibility, agreeableness, and conscientiousness, as important dimensions of personality characteristics that were revealed in determining the loyalty of bank customers. Inspiring trust and confidence lead to significant factors and drivers of customer loyalty toward satisfaction. Moreover, these are the factors that pioneered the provision of quality service to stimulate satisfaction for customers. Interestingly, Ofori et. al. (2017) agrees with these determinants of trust and satisfaction which ensures loyalty. Lai et. al., (2009) and Hapsari et. al. (2017) also has the same views about perceiving service quality and the corporate image customer of the service provider. It is also found that perceived value has strong and positive relationships with customer loyalty. Stan et. al. (2013) and Ofori et. al. (2018) further explained that organizations have an impact on customer loyalty and trust through the process of formation of customer satisfaction and service quality.

## 2.2 E-Satisfaction

Customers expectation varies from their individual emotion about the satisfaction on online transaction. Phillip Kotler and Armstrong (2008) said generally customers satisfaction depends on their own perception from their service providers. Customers overall feeling about their satisfaction and happiness are the reflection of meeting their wants, expectations, and needs given by the company (Hellier et. Al, 2003).

E-satisfaction doesn't come in a day, rather it's an accumulation of expectation and perception of every purchase made by customers Kim et. al. (2009). Usually, customers get experience about online transactions by the service from the online site (expecting to have purchased products on time), and the online site itself (keep in touch with the online site) (Zeithaml, 2000). Meanwhile, those customers who are not satisfied may change to a different company without even justification and have no desire to build a relationship with the previous company (Anderson & Srinivasan, 2003).

According to Yuen & Thai (2015), when customers exceed their expectation as they perceive, satisfaction creates right there. In other words, satisfaction is the evaluation of consumers' experience after consuming the product (Wardi, Abror, & Trinanda, 2018). To satisfy customers, companies should listen to customers need and get their positive attitude and emotional response (Kaura et. al. (2015).

According to E-satisfaction measures the overall level of customer evaluation of the online purchasing experience (Thuy et. al., 2019). It also found a positive association between satisfaction and loyalty. Nonetheless, the more a company builds in E-trust, the more customers will be loyal.

## 2.3 Business Ethics

Business ethics can be defined in different ways. Vidgen et.al (2019) mentioned that business ethics is called business ethics in English which came from the Dutch name '*bedrijsethiek*' which is company ethics and in German '*Unternehmensethik*'. Goel & Ramanathan, 2014 defined business ethics as applied ethics. Here, businesspeople carry out business ethics as a form of ethical application in their business activities. More importantly, the goal of business ethics is the norm of businesspeople who have economic activities in any organization. An overall understanding of business ethics is conducting any business morally. Entrepreneurs, organizations, society, and consumers heavily depend on business ethics today. Hence, this research coined business ethics as a cause variable of e-satisfaction and loyalty.

## 2.4 CSR and Customer Satisfaction

Garcia-Madariaga and Rodriguez-Rivera (2017) argued that CSR can raise levels of satisfaction. CSR influences the level of satisfaction positively and directly (Ashraf, et. al., 2017). Qamar, et. al. (2016) found a very positive relation between CSR, and customer satisfaction and retention. Therefore, by developing CSR activities, the banking industry can have a more satisfied and long-term customer base. Perez and Rodríguez-del-Bosque

(2015) added the term ‘customer emotion and identification’ as an CSR impact. Moreover, Senthikumar et. al. (2011) concluded that CSR is the most effective factor in promoting customer satisfaction in today’s digital banking age.

## 2.5 Product Offering

Filip and Anghel (2007) stated that acquiring customer loyalty, especially for banking organizations, should be a key intention in adopting a relationship marketing perspective. It also found that a loyal customer who likes product offerings brings other customers followed by exploring the product benefits given by the organization. Sharizal and Norbani, 2008 stated in their article that usually, customers are satisfied based on basic features, attributes and the perceived quality of the products that are offered by the company. Oliver (1999) indicated in the article that the most secret of making customers loyal is the ability to motivate to appraise their satisfaction on the products or services which leads to continue repurchasing. Also, they can recommend family and friends toward the same company. This is why a company can be considered as a mechanism of involving the stakeholders in a long-term relationship and plays a vital role in creating the customers’ loyal. (Shokati, Karkanroodi, Joo, Ashrotaghi & Jan, 2013)

## 3. Materials and Methods

This paper tries to explore and explain customer experience regarding service delivery in the context of e-satisfaction and ethical practice in the banking section in Bangladesh. It was carried out through a focus group study (FGD) among the university teachers (12) in Dhaka. Based on the data, discussion and findings are conducted in a descriptive format. The main point of discourse was regarding banking experience, especially the year of use, switching tendency and scope, the gap between expectation and service received from banks in Bangladesh, and comments or suggestions of e-satisfaction of the sector in this disruption age. Besides, secondary data was also collected through content analysis of the existing literature, i.e. journal articles, working papers, books, business reviews, etc.

## 4. Results and Discussions

From the teaching feedback via a Focus Group Discussion (FGD), a lot of information has been adopted. The main findings from the FGD are as follows-

- a) Teachers are not happy with the service provided by local banks in Bangladesh.
- b) Most of the bank clients have accounts for salary purposes and all are in local banks only.
- c) Nobody made comments about foreign banks providing services in Bangladesh.
- d) There is a huge gap between expectations and service received by the clients.
- e) Most of the local banks charge more than the expectation by the clients.
- f) A very few clients want to refer others to open an account that he belongs to
- g) In the case of salary accounts, employees are forced to open accounts in only a single bank where customer service requirements and expectations are overlooked.
- h) All clients agreed that e-satisfaction and ethics are prerequisites of customer loyalty and mentioned the importance of e-satisfaction in the context of today’s disruption age, but most local banks failed to fulfill them at all.

### 4.1 Discussion of the Findings via Discourse

Most of the bank’s clients comment that banks rule as they want, they just overlook the customer’s needs, expectations or requirements. Banks sometimes violate government rules too. Many clients must maintain accounts only for salary purposes, even if they do not want to continue due to the poor service they receive from the local banks. Based on the finding via an FGD, the effect of business ethics and product offering on customer loyalty in the disruption age is huge in the banking sector in Bangladesh.

#### 4.2 Model Evaluation

Considering the findings, the paper draws an imaginary multi-variable model as follows-

$$L = f(\text{BE}, \text{PO}, \text{e-S}) \pm E$$

Then convert it into a linear model.

$$L = (\text{BE} + \text{PO} + \text{e-satisfaction}) \pm E$$

Where,

L = Loyalty

BE = Business Ethics

PO = Product Offering

e-S = Electronic Satisfaction

E = Error term

In the model, the independent variable (BE, PO, e-S) is a positive effect on loyalty. It highly depended on Business ethics, product offerings, and electronic satisfaction. Business ethics are the standards of conducting business which is morally right or wrong (Corporate Finance Institute, 2022). Indeed, maintaining business ethics spread goodwill among the customers thus companies become branded. Business ethics promote integrity among the stakeholders. It can be considered as a competitive advantage in aspects of a fair transaction, commitment, keeping the customer's information secured, a friendly user of the technological platform, involvement with corporate social responsibilities (CSR) and so on (Birindelli, et. al., 2015). Moreover, knowing and practicing ethical guidelines is a key component of company management for making customers loyal. Romani, et. al., (2013) and Duarte (2010) stated CSR has become an increasingly important policy in business because it explores the company agendas, mission, vision, guides the dialogue among the stakeholders especially between companies and customers to develop a competitive advantage for the organization.

Product offering also plays a vital role in having customer loyalty which is one of the most important indicators used to evaluate the quality of Products or services offered by an organization. Banks may focus on digital-first and prompt customer service by adapting digital or internet facilities to retain customers at higher rates while costs also may go down.

Last but not least, as it is an age of disruption, e-satisfaction is a must for customer satisfaction and loyalty as well. The series of factors in the literature have explored what can lead to customer loyalty, with customer satisfaction being a critical factor. As technology develops, E-satisfaction plays a vital role in customer loyalty more and more because of the dependency on it. Banking transactions through the internet with accuracy bring customer loyalty. The more products or services customers get without trouble the more customers will be satisfied thus, they become loyal.

### 5. Conclusions

Banking sectors were found and shown to be almost homogeneous by offering similar types of products and services. However, this sector can make itself different from each other by providing high-quality service, making all the transactions easily credible, transparent policies, and secure. Banks can focus on the gap between customers' expectations and perceptions and take necessary decisions to reduce the gaps so this would be another unique way to make the customers loyal. Research has already found that keeping old customers cheaper rather than acquiring new ones can be another way to prove or enhance customers' loyalty. In addition, the landscapes of banking sectors have changed the cause of the innovation of internet banking facilities which makes customers stuck with e-satisfaction and loyal as well. This paper has proposed a model for further

justification and criticism based on quantitative methods. However, it just opened a new door for business experts, policy makers and academia as well to discuss and improve the banking section of Bangladesh for a more loyal customers relationship and technological advancement.

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