

The Effect of Demographic Factors on Customer Loyalty in Using the Service of Foreign Currency Exchange Companies

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The objectives of this study was to examine the effect of the customers' demographic factors on their loyalty in using the service of foreign currency companies. The demographic factors of interest in this study included gender, age, education background, career, average income per month, and marital status. The study was undertaken between October 2016 and September 2017. This research employed a quantitative research methodology. Data were drawn from 400 individual who had the experiences in using the foreign currency exchange service. They were selected by simple random sampling. A questionnaire was used as a data collection method. The data were analyzed with descriptive and inferential statistics including frequency, mean, percentage, standard deviation, t-test, and one - way ANOVA. The research results showed that demographic factors that had an effect on customer loyalty included age, career, average income per month, and marital status, with statistical significance of .05. In other words, customers with different age, career, average income per month, and marital status were likely to differ in terms of their loyalty in using the service of the foreign currency exchange companies. On the other hand, it was found that gender and education background of the customers did not have an influence on their loyalty.

Keywords: Demographic factors; Customer loyalty; foreign currency exchange.

Field of research: Marketing

1. Research Background and Significances

At present, the business model of foreign exchange service has been modernized as a result of various factors. With this reason, customers can access to the foreign exchange service much easily than in the past. The success of the foreign exchange service depends on many factors including the vision and characteristics of the administrators of the business, financial stability and effective policies of the business, trust and satisfaction of the customers.

One of the most important factors affecting the operation of foreign exchange service is the foreign exchange market which is a market that buys and sells foreign currencies by using the value of one currency as a standard to calculate other currencies. The comparison of the value of one currency against the other currency is called foreign exchange rate.

Previously the foreign exchange currency business was not widely known and limited to only the banks. This is contrast to the situation of the business at the present time which there is high competition because apart from the banks, there are many private companies that also offer the service of foreign exchange service. With this reason, the foreign exchange companies have to adjust themselves and develop new marketing strategies in order to be successful and survive in this business.

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Customer loyalty is very important marketing strategy for any kinds of businesses including the foreign exchange service business. If the business has a group of loyal customers that are large enough, it can enjoy competitive advantages. It can be said that customer loyalty is an asset to the company. It can help reduce the costs of business, especially the costs of marketing and public relations and the cost of building new customer base. Customer loyalty also helps the company in terms of protecting its marketing share and customers from being stolen from the competitors (Bank of Thailand , 2016).

Customer loyalty is also regarded as one of the business's assets (Srivastava, Shervani, & Fahey, 2000; Aaker, 1991) because it helps the business to reduce its costs of marketing and promotion or the costs of attracting new customers (Aaker, 1991). This is because these loyal customers will play an important role in supporting the company through their positive word of mouths about the company Shoemaker & Lewis (1999) which will in turn help attract new groups of customers. Through maintaining existing loyal customers and attracting new customers, the company can enjoy an increase in sales volumes and higher profits as well as more market share. These are all indicators for the long-term success in the business which are the result of maintaining loyal customers (Oliver, 1997).

Upon realizing the significance of customer loyalty for the success of the business, the researchers conducted this study with the aim to investigate the effect of the customers' demographic factors on their loyalty in using the service of foreign currency company. The demographic factors of interest in this study included gender, age, education background, career, average income per month, and marital status.

2. The Objectives of the Research

This research primarily aimed:

2.1 To study the effect of demographic backgrounds of the customers on their loyalty in using the service of foreign currency company. The demographic factors of interest in this study included gender, age, education background, career, average income per month, and marital status.

2.2 To examine the level of customer loyalty in using the service of foreign currency company.

3. The Research Hypotheses

As this study aimed to study the influence of the customers' demographic factors on their loyalty to the foreign currency company, the following research hypothesis is developed.

H1: Customers with different demographic background in terms of gender, age, education background, occupation, average income per month, and marital status are likely to differ in their loyalty to the foreign currency company.

4. The Scope of Research

Based on the research objectives and research hypothesis, the scope of research is determined as follows:

The research scope in terms of the topics being studied, this study focused on the relationship between the customers' demographic background (i.e. gender, age, education background, occupation, average income per month, and marital status) and their loyalty to the foreign currency company. The customers' demographic background represent independent variables whereas the customers' loyalty is a dependent variable.

In terms of research population, this study studied from customers who had experiences in using the service of Super Rich International Exchange (1965)

As for the duration of the study, the research was undertaken over on year between October 2016 and September 2017.

5. Literature Review

5.1 Concepts and theories on demographic background

Market segmentation based on individuals' demographic factors (i.e. gender, age, marital status, number of family members, educational background, occupation, and average income per month) is normally used as a marketing strategy of the business. It helps the business in determining their target market more effectively. A number of studies on marketing and customer behavior similarly argue that the customers' demographic factors have an effect on the customers' psychological characteristics such as their perceptions, and their feelings. In other words, these studies state that customers with different demographic background are likely to differ in their psychological characteristics. For example, Sereerat & Luksitanonsuporn (1998) states studies the difference of the customers' psychological characteristics by analyzing their demographic factors including: 1) gender; 2) age; 3) education; 4) income; and 5) occupation.

5.2 Concepts and theories on customer loyalty

Customer loyalty refers to the strong intention of the customers to repeat their purchasing behavior and support the brands which they like. These customer loyalty is a result of various factors including customers' previous experiences, their belief, and their attitudes as well as the marketing influences. Customer loyalty can be created and maintained through effective marketing strategies (Sereerat & Luksitanonsuporn, 1998).

Hasoontree (2009) argues that customer loyalty has the power to encourage the customers to pay higher for the products they are loyal to as compare to other similar products. The customers' loyalty consists of three main elements which are: 1) brand trust or the customers' trust toward brand; 2) attitudinal loyalty; 3) behavioral loyalty (Baldinger & Rubinson, 1996). Brand trust refers to the customers' trust towards brands of the products/services. It is one factor that leads the success of brand. Brand trust emerges from the fact that a company operates its business with honesty and reliability and provide services for the community (Michell, Reast, & Lynch, 1998). The Customers' trust on brand can also benefit the company in terms that it helps create good image for the company (Chaudhuri & Holbrook, 2001); (Morgan & Hunt, 1994).

5.3 The measurement of the customers' loyalty

The customers' loyalty can be measured either in terms of the customers' attitudes or emotions or their behavior or both at the same time. Oliver (1997) points out that in measuring the level of customers' loyalty, it is necessary to determine the scope of each

level of the customers' attitudes. The measurement of the customers' loyalty in term of their attitudes consists of three sequential steps which means that the preceding steps will have an influence on the following step. These steps begin with the measurement of the customers' satisfaction on the brands, the measurement of the customers' satisfaction on the product; and the measurement of their intention to buy the products.

The measurement of the customers' loyalty can be considered from four dimensions which are: first, the customers' cognitive which refers to their understanding that the company which they are loyal to have offered better products/ services that meet their needs/wants, as compared to other companies. Second, the customers' affective which refers to the customers' positive feeling towards products/services offered by the company. Third, the customers' conation which refers to their strong intention to purchase the products or use the services repeatedly. It also refers to the fact that the customers do not change their mind to buy products or use services from other companies. Forth, the customers' action which refers to the customers' real action in buying products or use services from the company although they may have to face with some obstacles.

Blare, Armstrong and Murphy (2003) point out that from the marketing perspective, the customers' loyalty can be considered or measured from their emotion and their behavior. As for the emotional loyalty, it refers to the customers' positive attitudes towards a certain brand and their bonding with that brand. The customers' emotional loyalty emerges from three main factors including their confidence, their centrality, and accessibility to the brands information. For the behavioral loyalty, it is a form of loyalty that is used in the research most often because it is easy to observe and measure. This form of customers' loyalty can be measured from the customers' behavior in purchasing the products, for example, the amount of money spent for the products and frequency of their purchases.

5.4 Related research

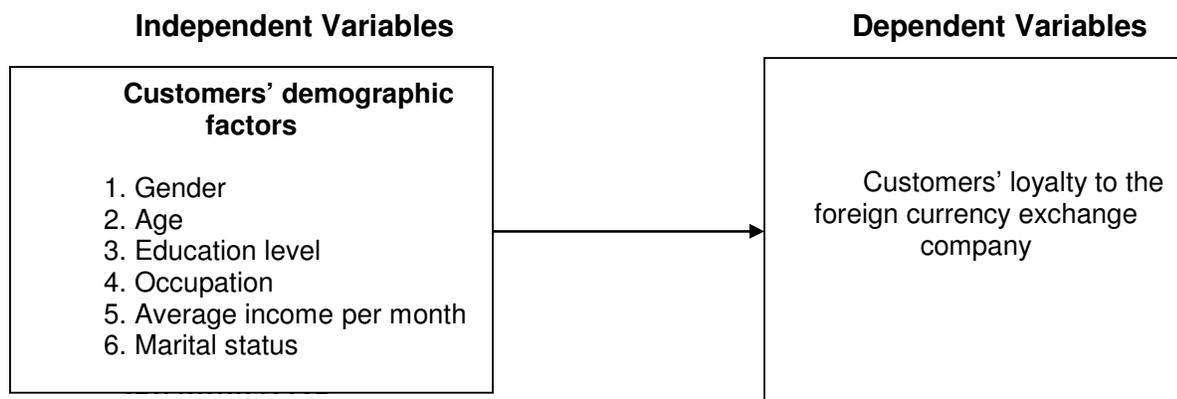
Huanprapai, Phasook, & Thabhiranrak (2015) studied on the effect of marketing mix on the audients' loyalty to Thai premiere league football club and found that the most influential factors leading to the audients' loyalty was the physical attributes, followed by price, promotion, process, personnel, and products respectively. The same study also found that the marketing mix factor had a relationship with the audients' loyalty with a statistics significance of .05.

Yasan (2010) studied on the factors affecting the customers' loyalty in using products and services of the Advanced Info Service Public Company Limited in Pratumthani province, Thailand. The study reported that the majority of the respondents were female, single, graduated with a bachelor's degree and aged between 19-25 years. The overall customers' loyalty was rated at a high level. The most influential factors leading to the customers' loyalty was positive words of mouth.

6. Research Conceptual Framework

The following conceptual framework was developed as a guideline in investigating the influence of the customers' demographic factors on their loyalty to the foreign currency exchange company. This is shown in Figure 1.

Figure 1: The Relationship between the Customers' Demographic Background and their Loyalty to the Foreign Currency Exchange Company



7. Research Methodology

Based on the research objectives stated earlier, this research is quantitative in nature. This is because it aimed to study the casual relationship between factors. In this study, a relationship between the customers' demographic background and their loyalty to the foreign currency company.

Population of the research is all customers who had experiences in using the service of Super Rich International Exchange (1965). The research sample size was calculated by using Taro Yamane formula with a confident level of 95 per cent. As a result, 400 individuals were selected as the research sample in this study. These individuals were selected by simple random sampling.

As for the data collection, the researchers developed a questionnaire as a main data collection tool by consulting from related theories and existing research. The questionnaire was divided into two parts. The first part contains questions on the respondents' demographic background whereas the second part consists of questions about the level of customer loyalty to the company.

The collected data were then analyzed with descriptive and inferential statistics. Descriptive statistics used to analyze the data include: (1) percentage which was used for the analysis of the respondents' demographic details; and (2) mean and standard deviation which was used for the analysis of the respondents' level of their satisfaction and loyalty in using the currency exchange service of the company. As for inferential statistics which were used to test the research hypothesis, they include t-test and one-way analysis of variance or one-way ANOVA.

8. Research Findings

The data analysis of the respondents' demographic background showed that from a total of 400 respondents, the majority of the respondents were female, single, graduated with a bachelor's degree, aged between 31 and 35 years old, had their own business, and had an average income of 20,001 - 30,000 baht per month.

In terms of the respondents' loyalty to the foreign currency company, it was found that their overall loyalty was rated at a high level. When considering each aspect of their loyalty including the company reputation, the customer trust on the company, and the

customers' relationship with the company, it was found that the company reputation was rated the highest ($\bar{x} = 4.57$), followed by the customers' trust on the company ($\bar{x} = 4.25$), and the customers' relationship with the company ($\bar{x} = 3.79$).

The results of the research hypothesis testing showed that some of the customers' demographic factors had an influence on their loyalty to the company whereas some factors had no effect. Specifically, it was found that the customers with different age, occupation, average income per month, and marital status were likely to be differ in the loyalty to the company, with a statistical significance of .05. On the other hand, those with different gender and education level did not differ in their loyalty to the company.

9. Expected Outcomes of the Research

Researchers expected that the findings of the research can provide the followings positive outcomes.

1. It expected to offer a useful insight for entrepreneurs of the foreign exchange companies, not only Super Rich International Exchange (1965), but also other foreign exchange companies, which they can use the research findings as guidelines for determining their business plan, finding solutions to problems of the business, and/or improving their service model in order to maximize the customers' satisfaction.

2. It can represent a useful starting point for future related research on customer loyalty and/or foreign currency businesses.

10. Suggestions

According to the findings of this research, the researchers could offer some suggestions for the entrepreneurs of the foreign currency businesses on how to improve their services in order to meet the needs of their target customers and to build and/or maintain the customer loyalty. These suggestions include:

The entrepreneurs should conduct a survey on their target customers' needs/wants and expectations on an on-going basis. This can help them gain a true understanding of their target customers. Moreover, they should share such knowledge to their personnel, especially those who work at the frontline. This knowledge can help the company tailor their service to meet with needs and expectations of their customers when consequently enables them to retain customers.

They must focus on the quality of their services and the company reputation and image. These factors will help build the customers' trust on the company which in turn developed their loyalty to the company in long term.

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