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University of Dhaka

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E-mail: [marketing@du.ac.bd](mailto:marketing@du.ac.bd)

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## AN ANALYSIS OF THE CUSTOMER ORIENTED SERVICE EMPLOYEES' (COSE) INFLUENCES ON CUSTOMERS' REPURCHASE INTENTION

Arifur Rahman<sup>1</sup>  
Md. Razib Alam<sup>2</sup>  
Shama Biswas Toma<sup>3</sup>

**Abstract:** Research has documented customer orientation as a key factor for the economic success of a service firm. Employee's commitment towards customer orientation leads to higher profitability for a service firm. This research attempted to develop a framework to facilitate customer orientation of service employees (COSE) based on the Hennig-Thurau's, (2004) COSE model where customers repurchase intention was included as an outcome variable. Unlike past researches, this study strived to assess the direct effect of four-dimensional COSE model (employees' technical skills, social skills, motivation, and decision-making authority) on customers repurchase intention. Drawing on past and concurrent literature, a conceptual model was developed and tested through SEM by collecting data from 201 customers of supermarkets. The path analysis results indicated that most of the hypothesized relationships between the exogenous and endogenous variables were statistically significant. Theoretical contributions to the COSE model and important marketing implications of the key findings for the service firms and supermarkets were detailed.

**Keywords:** Customer Orientation of Service Employees (COSE), Customers' Repurchase Intention, Customer Satisfaction, Words of Mouth and Referral

### 1. INTRODUCTION

Customer Orientation (CO) concept has been considered a base point of relationship marketing (Kotler, Armstrong and Opresnik, 2018). Businesses are able to increase their bottom-line performances by engaging in activities that

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<sup>1</sup> Associate Professor, Department of Marketing, Faculty of Business Studies, University of Dhaka

<sup>2</sup> Associate Professor, Department of Marketing, Faculty of Business Studies, University of Dhaka

<sup>3</sup> Senior Officer, Rupali Bank Limited

match customers' needs and expectations (Huang, You and Tsai, 2012). Grizzle, Zablah, Brown, Mowen & Lee concluded that the more customer-oriented services are provided by a firm, the higher the profitability will be for that business.

As services are intangible in nature, customer orientation of employees is expected to play significant role in economic success of a firm. Customer oriented firms perform activities way better than those firms that do not focus their marketing strategies and action programs based on having insights about customers' expectations, likings and preferences (Donavan, Brown and Mowen, 2004). Service employees are the people with whom customers typically interact frequently and provide feedback about the firm's products and services. Therefore, service employees are regarded as mediator between the firm and the customers. Service employees often act as the primary source of valuable information (Brenngman, Willems and Joye, 2012) for the customers as well as for the service firm. A customer oriented firm often depends on service employees' willingness of practicing customer orientation at service. In the context of service quality, service employees' interactive behavior influences customers' perception of service (Fan and Ku, 2009).

Saxe and Weitz (1982) measured CO (customer orientation) at individual level in their studies in the context of personal selling. The motive of their study was to see how adoption of CO by a salesperson enhances customers' satisfaction and therefore, helps to build long term relationship with the clients. Hennig-Thurau & Thurau (2003) and Hennig-Thurau (2004) attempted to conceptualize and empirically tested the application of COSE (customer orientation of service employee) in the contexts of service and retailing. Hennig-Thurau (2004) defined COSE as "the extent toward which employees' interact with customers and meet needs of customers" (p.462). Kelly (1992) defined customer orientation as "the importance a service employee places on customers' needs and expectations regarding service offerings and the extent to which the employees is willing to put forth time and effort to satisfy customers" (P.27).

Service quality and satisfaction of customers are often determined by how well employees interact with customers. In the retail stores, customers' repurchase intention is influenced not only by product quality but also by employees' service quality or customer orientation (Kumar, 2012). COSE is considered one of the important determinants of firm's success. Bove & Johnson (2000) concluded that firms' service performance is significantly influenced by COSE model through developing long term relationships between employees and customers. However, there seems to be dearth of literature focusing on measuring the impact of customer oriented employees on both the firms' economic success and customers' experience about overall service. This study aims to assess the influence of employees' skills, motivation, and decision-making authority (COSE dimensions) on customer satisfaction, words of mouth & referral and repurchase intention.

This study has been drawn upon the conceptual model of COSE that was developed and empirically tested by Hennig-Thurau & Thurau (2004). Kim (2009) also adopted COSE model in his study and extended this model by adding confidence benefits, social benefits, special treatment benefits, favorable benefits as observed variables. In the following year, Kim and Ok (2010) further extended COSE model by including rapport as outcome variable to test COSE model in the hospitality and tourism context. Both Kim (2009) and Kim & Ok (2010) showed constructs such as satisfaction, rapport etc. worked well as mediator variables between COSE and customers' repurchase intention. It appears that COSE dimensions' direct effect on customers' repurchase intention has never been studied before. By addressing this gap, present study has added customers' repurchase intention in COSE model to test whether any direct effect of COSE dimensions' is existed on customers' repurchase intention. The empirical results of the present study can potentially augment the field of customer oriented service research.

## **2. LITERATURE REVIEW**

Often firm's success depends not only on its product quality but also on its service quality that customers experience from the service providers. Services are both interactive and intangible in nature. Customers often have the opportunity to appreciate services in the presence of front line employees. The service evaluation process is likely to be affected by how well service employees' interact with their client customers. The interaction quality of service employees has a significant influence on customers overall satisfaction (Gazzoli, Hancer and Kim, 2013).

### ***Customer orientation of service employees (COSE)***

COSE is characterized by having interest on identifying and understanding the customers' needs as well as employees' attempt to satisfy those needs (Popli and Rizvi, 2017). Customer oriented employees focus on a deep understanding of the customers' perspective in order to optimize the long term relationship between the customer and the firm (Bove and Johnson, 2000). Having long-term relationship between employees and customer would nurture a positive customers' attitude towards employees which in turn results into getting more customers and maximizing firm's profit. Besides, employees' with better understanding of customers need would be in a better position to suggest customization requirements of products for meeting the expectations of customers.

COSE has been defined as "individual's tendency or predisposition to meet customer needs in an on the job context and conceptualize it as two dimensional: a need dimension which covers the employee's belief that he or she can fulfill customers' wishes, and an enjoyment dimension which represents the extent to which the employee enjoys interactions with customers" (Brown, Mowen,

Donavan and Licata, 2002; p.111). Brown *et al.* (2002) argued that COSE included five dimensions: “*need to pamper, need to read customer, need for personal relationship, need to deliver, need to communicate*” (Hennig-Thurau, 2004; p.3). In their study, it was found that the dimension of “need to communicate” loadings was not strong enough when confirmatory factor analysis was conducted. These dimensions were yielded from qualitative data along with insufficient depth information.

Finally, Hennig-Thurau and Thurau (2003) attempted to define COSE as “the behavior of service employees when serving the needs and wishes of existing and potential customers” (p. 27). They suggested three dimensions of COSE comprised of employees’ motivation, skills, and self-perceived decision making authority. Their approach was based on requirements which employees should meet through satisfying needs of customers during interaction between customers and employees.

In the following year, Hennig-Thurau (2004), figured out four dimensions of COSE that was composed of employees’ motivation, technical skills, social skills and self-perceived decision making authority. Employees, who desire to behave as customer oriented, are encouraged to acquire these four dimensional skills for serving customers.

*Technical skills* of employees comprise knowledge, capability, proficiency required with a view to accomplishing the customers’ needs during interaction between service employees and customers (Mast, 2010). Employees with high technical skills would instantly be able to respond to customers’ needs. In the context of supermarket, technical skills are comprised of organizing the assortment of products, describing the product benefits and features to the customers in response to their queries etc.

*Social skills* of employees refer to the ability to understand the customers’ perspectives (Flavell, 1975). Customers are not always able to communicate what they need, perceive and feel. Customer oriented employees are thought to be able to understand customers’ thoughts, feelings, and perceptions. Proper understanding of customers’ perspectives is a pre-requisite for understanding their needs as well as satisfying those needs (Mead, 1934). However, employees who are enriched with social skills might lack wisdom which is also a pre-requisite for behaving in a customer oriented way.

*Motivation* of employees includes three elements: valence and consequences of customer oriented behavior, likeliness and ability of employees to behave in such manner, and expectation of employees to accomplish desired outcome managing such behavior (Hennig-Thurau, 2004; p.463). Motivation is a requisite for constructing both technical and social skills. Furthermore, it is considered to be a requirement for the employees to behave as customer oriented service personnel.

Employees' self-perceived decision-making authority is considered as subjective concept which differs from empowerment (Parsons, 1995). Empowerment is objective oriented or formal authority which is provided by organization. Employees' self-perceived decision-making authority provide authorization to consider the customers' issues relating to needs as well as customers' interests (Carter, 2009). It motivates employees to enhance their skills and to serve customers with confidence and in a friendly manner.

### **COSE Model and Its Effects**

#### *COSE and customer satisfaction*

Customer satisfaction is stated as "overall evaluation of firm's products or services" (Anderson, Fornell and Rust, 1997; p.130). Often, the motive of interaction between employees and customers is to maximize customer satisfaction by providing satisfactory services (Lin and Lin, 2011). COSE dimensions encourage employees to provide best services to enhance customer satisfaction. When services fall below customers' expectation, negative disconfirmation occurs which leads to customer dissatisfaction. On the contrary, customers are delighted when employees' services go beyond the customers' expectation (Fan and Ku, 2009; Piercy, 1995).

Drawing on the discussion, this study proposes the following hypothesis:

**H1:** COSE has positive direct influence on customer satisfaction.

#### *COSE and customers' words of mouth & referral*

Word of mouth is defined as "informal communications directed at other consumers about ownership, usage or characteristics of particular goods and services or their sellers" (Westbrook, 1987; p.261). Positive or negative words of mouth (WOM) are speeded when customers' perceived service experience fall below or above than what is expected. Customer oriented service employees' skills along with motivation to provide best service results in spreading WOM among customers (Wien and Olsen, 2012). When positive words of mouth about customer oriented service employees widely spread, there is a chance to get referral. Social media plays a vital role in spreading words of mouth (eWOM) (Oyewole, 2018). Therefore, word of mouth and referral are effective ways to get more customers at a lower or zero cost. Therefore, this study proposes that:

**H2:** COSE has positive direct influence on customers' words of mouth & referral.

#### *COSE and customers repurchase intention*

Repeat purchase intention is described as customers' willingness to purchase from the same retailer or firm overtime. First purchase interaction is, therefore, important as it determines the future purchase intention. Customers will be

induced to repurchase if customer oriented service employees able to form positive impression in the customers' mind through their skills. Personal relationship with customers is typically form through frequent purchase interactions. Therefore customer oriented service employees are required to provide seemingly consistent services to customers in order to build and maintain the relationship with their customers (Yi and La, 2004). Personal relationship often leads to loyalty towards services and such loyalty along with trust towards customer oriented employees, turns into intention to repurchase (BaniIsmoyo, 2017). Grounded on the discussion, this study proposes following hypothesis:

**H3:** COSE has positive direct influence on customers repurchase intention.

*Customer satisfaction and customers' words of mouth & referral*

It is observed that positive relationship exists between customer satisfaction and customers' word of mouth & referral (Hsu, 2018). Satisfied customers spread more positive words of mouth regarding firms' products and services than any other form of advertising methods. Satisfied customers tend to positively recommend the service provider to other customers resulting into the acquisition of new customers. However, it is considered less biased than traditional marketing activities; many customers trust what other customers share about their experiences (File and Prince, 1992). Therefore, this study proposes the following hypothesis:

**H4:** Customer satisfaction has positive influence on customers' words of mouth & referral.

*Customers' satisfaction and customers' repurchase intention*

Oliver (1980) described the relationship between customers' satisfaction and repurchase intentions by expectancy disconfirmation theory. Favorable relationship between customer oriented employees and customers often translate into customer satisfaction (Kim and Ok, 2010). Satisfied customers are apparently feel motivated to become loyal toward customer oriented service firm. Furthermore, customer loyalty leads to repeat purchase from the same firm or retail store overtime and often involved in spreading positive words of mouth by the customers to their family, friends and peers (Zeithamal et al, 2009). Customers' intention to repurchase continues as long as their level of satisfaction is maintained by the customer oriented employees and firms (Liang and Zhang, 2012). This argument leads to propose the following hypothesis:

**H5:** Customer satisfaction has positive influence on customer repurchase intention.

*Customers' words of mouth & referral and customers' repurchase intention*

Customers' satisfactory post purchase experience often lead to either positive words of mouth or repurchase intention (HO and Wang, 2015). Repurchase

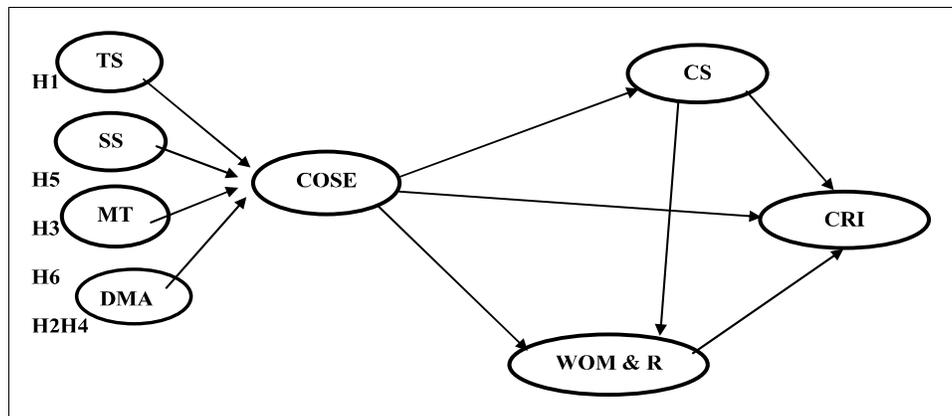
intention of customers represents repeated purchase of products or services from the same store. Acquisition of new customers is costlier than retaining existing ones. Furthermore, it is considered that 80 percent profit comes from 20 percent loyal committed customers. Loyal customers intend to purchase over the period and more likely to spread positive words of mouth in communities that often help to generate new customers (Molinari, Abratt and Dion, 2008). Moreover, positive words of mouth cause the first time purchaser to feel motivated to purchase from the same store in order to get the same positive experience received by their friends and peers (Nam, Lee and Kim, 2017). Therefore, this research proposes the following hypothesis:

**H6:** Customers' words of mouth & referral have positive influence on customers' repurchase intention.

### 3. CONCEPTUAL FRAMEWORK

Based on the previous discussion, the following conceptual model has been developed for this study (see Figure 1). The proposed conceptual framework includes four constructs of the COSE model and indicates the hypothesized relationships between COSE dimensions and other outcome variables. The proposed conceptual model, COSE dimensions have been adapted from the study of Hennig-Thurau, (2004). This model suggests that COSE dimensions have influence on customer satisfaction, customers' words of mouth & referral and customers' repurchase intention. The model also proposes that customers' repurchase intention is influenced by both customer satisfaction and customers' words of mouth & referral (see Figure 1).

**Figure 1: Conceptual Framework**



Note: TS: Technical skills, SS: Social skills, MT: Motivation, DMA: Decision-making authority, COSE: Customer orientation of service employees, CS: Customer satisfaction, CRI: Customers' repurchase intention, WOM & R: Word of mouth & referral.

#### **4. OBJECTIVES OF THE STUDY**

The primary aim of this study to identify the influence of customer orientated service employees (COSE) on customers' repurchase intention. Besides this, the study specifically aims

1. to identify the influence of customer orientated service employees (COSE) on customers' satisfaction and customers' words of mouth & referral,
2. to explore the influence of customers' satisfaction on customers' words of mouth & referral and customers' repurchase intention,
3. to test the influence of customers' words of mouth & referral on customers' repurchase intention.

#### **5. METHODOLOGY**

##### ***Research instrument***

This study was descriptive in nature and therefore quantitative approach was employed for analyzing the data. Data was collected using a structured questionnaire that contains 21 items under four variables of COSE model adapted from Hennig-Thurau (2004). COSE dimensions such as technical skills, social skills, motivation and self-perceived decision making authority have been selected and adapted from the same study of Hennig-Thurau, as this model proved to bring better outcome. COSE dimensions' impact on customer satisfaction has also been derived from the same study. However, unlike others, this study attempted to extend the COSE model and looked at the direct effect of COSE dimensions on customers' words of mouth, referrals, and repurchase intentions using a self-administered structured questionnaire. This study also attempted to assess the effect of customer satisfaction and words of mouth & referral on repurchase intention that has been adapted (and then modified) from the study of Thusyanthy and Tharanikaran (2017); Kim and Ok (2010); Molinari, Abratt and Dion (2008); and Kim and Ryoo (2018).

##### ***Measures***

In this research, COSE dimensions have been measured with twelve items previously employed by Hennig-Thurau (2004). Four items were drawn from the study of Hennig-Thurau (2004) to measure customer satisfaction. Customers' words of mouth & referral was measured utilizing three items that have been adapted from Leonnard, Comm and Thung (2017) and Ho and Wang (2015). Customers' repurchase intention has been measured with two items adapting from Leonnard, Comm and Thung (2017), Ho and Wang (2015), as these scales have proved to produce more reliable results.

Following past studies (Leonnard, Comm and Thung, 2017; Richard Chinomona & Dorah Dubihlela, 2014), items of all four constructs (COSE dimensions) have

been measured on five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). A sample of 30 students of the faculty of business studies (who often visit different super markets) of Dhaka University participated in a pilot study to pretest the initial questionnaire. Required revisions have been made in the questionnaire prior to embark on final data collection. Cronbach's alpha has been considered to assess the measurement's reliability.

### ***Data collection and procedure***

A survey was conducted in order to understand what particular features or benefits or conveniences that employees provide to customers in the supermarket enhances customer satisfaction, repurchase intentions as well as words of mouth & referral. Convenience sampling method has been used to select respondents for the purpose of this study.

A total of 201 respondents participated in the survey. Of them 70.6% were female (n = 142) and 29.4% were male (n = 59). They were from different age brackets: 20 to 30 years (40.8%, largest age group) 40 to 50 years (37.8%), followed by 30 to 40 years (21.4%) with the smallest fraction. Regarding occupation, 62.7% of them were service holders and 33.8% were students. Only 0.5% were found to be housewives. 54.7% respondents' income range was BDT 20,000 to 60,000, 41.8% respondents' income range was less than 20,000 and the smallest segment of income groups was in the income range of BDT 60,000 to 1,00,000 (3.5%).

Questionnaires were distributed to customers who usually do shopping from supermarkets. Respondents were given short description of the purpose of the study and asked to provide their consent to participate in the study. Data was collected from both offline and online sources. Survey questionnaire was posted on Facebook groups such as "Meye Network", "FBS Sisterhood: Girls Digital Common Room" to collect online data. Printed questionnaires have also been distributed among students of the 'University of Dhaka' and households who typically visit supermarkets at least once in a month and regular customers who visit these supermarkets (Agora, Swapno, etc.) more than once in a week.

## **6. RESULTS**

### ***Measurement model***

Three metrics: Cronbach's Alpha, Composite Reliability (CR), Average Variance Extracted (AVE) were used to test convergent validity of the proposed model.

At first, reliability as well as convergent validity have been assessed as shown in Table 1 and Table 2 (See Appendix). Cronbach's alpha in table 2 shows that values of all constructs are above 0.8 except the customers' words of mouth & referral which had slightly lower value than recommended value (Fornell and Lacker, 1981; Anderson and Gerbing, 1988; Martynova, West and Liu, 2017). A

lower alpha “is not likely to point to a validity issue” (Hamari et al, 2015, p.07). Therefore, reliability of the measures seemed to be satisfactory (Bagozzi and Yi 2011; Matthews and Sarstedt, 2017).

Factor loadings for satisfaction, words of mouth & referral and repurchase intention are greater than the acceptable level of 0.7 (see Table 1, appendix). On the contrary, except few, factor loadings of COSE dimensions were close to 0.7 or above; therefore, those values are considered marginally acceptable. Table 2 (See appendix) indicates that composite reliability (CR) for all four constructs have exceeded 0.7 and therefore acceptable (Monecke and Leisch, 2012; Glaser, 2000).

All constructs' AVE values should be greater than 0.5 in order to be accepted (Martynova, West and Liu, 2017; Schubring, Lorscheid, Meyer, and Ringle, 2016). Table 2 shows that COSE had AVE of 0.498 or (0.5) which was marginally acceptable (See Table 2, appendix).

Furthermore, AVE of repurchase intention, satisfaction, words of mouth & referral's values were greater than 0.5 indicating acceptable values. Values of CR and AVE were matched with Gaski and Navin's proposed criteria and it indicated convergent validity of the proposed model (Gaski and Nevin, 1985).

Discriminant validity was evaluated to reconfirm the validity of the model following the proposed methods of Anderson and Gerbing (1988). Fornell and Lacker (1981) proposed that square root of AVE should be higher than correlations between the corresponding construct and other constructs. Table 3 exhibits that each construct's square roots of the average variance extracted were higher than correlation coefficients which indicates discriminant validity of the model (See Table 3, Appendix).

### ***Structural model***

The structural model was developed in order to test hypothesized relationships between constructs of the model. The empirical results showed that endogenous construct of customers repurchase intention was significantly influenced by all three exogenous constructs. The results are summarized in table 4 (see Appendix) and figure 2.

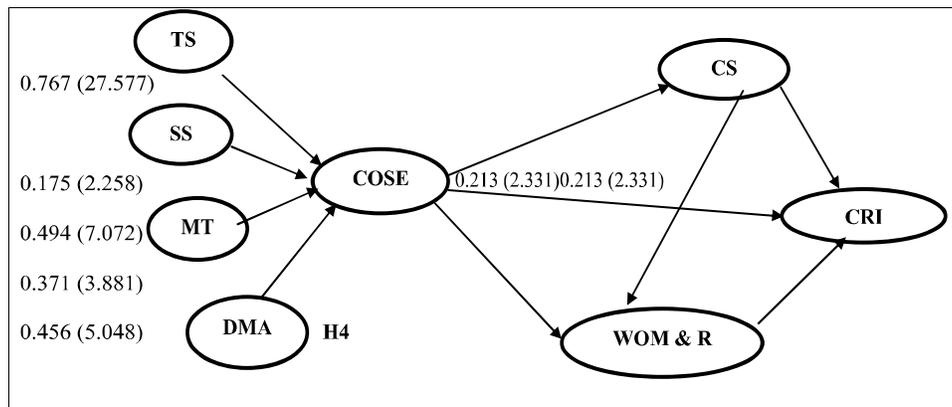
The relationships between COSE and satisfaction (H1,  $\beta = 0.767$ ,  $p < 0.05$ ) as well as COSE and words of mouth and referral (H2,  $\beta = 0.456$ ,  $p < 0.05$ ) both are found to be significant (See Table 4, appendix); therefore COSE has a positive influence on satisfaction, words of mouth and referral.

The results indicated a statistically significant effect of COSE on repurchase intention (H3,  $\beta = 0.175$ ,  $p < 0.05$ ) (See Table 4, appendix) and therefore, COSE was appeared having a significant influence on customers repurchase intention. Furthermore, a positive relationship was found between satisfaction and words of mouth and referral (H4,  $\beta = 0.371$ ,  $p < 0.05$ ). Satisfaction also shared a significant

relation with customers repurchase intention (H5,  $\beta=0.213$ ,  $p < 0.05$ ). Therefore, customers' satisfaction found to be positively influencing the words of mouth and referral as well as customers' repurchase intention.

The results also showed a statistically significant relationship between words of mouth & referral and customers' repurchase intention (H6,  $\beta=0.494$ ,  $p < 0.05$ ); and thus, words of mouth and referral found to be positively influencing customers' repurchase intention (See Table 4, appendix).

**Figure 2: Test results of proposed model**



Furthermore, in order to analyze the total effects of distinct COSE dimensions on endogenous and other exogenous variables, four discrete structural equation models were led by replacing COSE with each dimension. Table 5 reported the standardized total effect of COSE (see appendix).

The results indicated that the decision making authority had the greatest effect on customer repurchase intention and other exogenous variables (customer satisfaction, words of mouth and referral), followed by technical skills and social skills. The analysis identified that decision making authority, technical skills and social skills played important roles in predicting outcome variables (customer satisfaction, words of mouth and referral, repurchase intention). However, motivation of employees was found to be least important in influencing customer satisfaction, words of mouth and referral, repurchase intention.

**7. DISCUSSION**

*Summary findings*

In this study, it has been appeared that customer orientation of service employees' dimensions has marginally significant but direct influence on customer satisfaction. This result is consistent with the studies of Hennig-Thurau (2004), Kim and Ok (2010), Wismantoro and Pratiwi (2017), Nazanin Jarideh

(2016), Reema Farooghi (2016). Their study revealed that customer orientation of service employees' dimensions significantly influence customers' satisfaction. Therefore, H1 has been supported. This might be because customer satisfaction is related with employees genuine interest to serve customers with all their skills as well as motivation to maintain long term relationship.

The results of the study supported that customer orientation of service employees has positive influence on customers' words of mouth & referral. Morales Mediano and Ruiz-Alba (2018) indicated that COSE stimulates words of mouth communication. The studies of Yavas, Benkenstein and Stuhldreier (2004), Athanassopoulos, Gounaris and Stathakopoulos (2001) indicated that employee competence has impact on words of mouth. Molinari, Abratt and Dion, (2008) indicated in their study that not only satisfaction but also other factors such as quality and value might affect words of mouth. In this study, it has been revealed that COSE dimensions of decision-making authority and motivation of employees significantly influence customers' words of mouth & referral. Possible explanations of this empirical result might be that dimensions of COSE such as technical skills, social skills, motivation, decision making authority seemed to be visible to the customers and therefore, it might motivate customers' to spread positive words of mouth and enhance likelihood to recommend to their peers.

This study also unfolded that customer orientation of service employees significantly influences customers repurchase intention. The studies of Kim and Ok (2010) identified that COSE dimensions, while acting as the mediator variable, have indirect impact on repurchase intention and satisfaction. In this study, it was found that decision making authority and social skills (two individual COSE constructs) have significant impact on customers' repurchase intentions. This might be that customer oriented service employees are highly motivated to serve customers and build long term relationships through their personal interactive qualities. Employees would also attempt to ensure service excellence to keep customers visiting the store or patron the same store overtime.

Furthermore, the results indicated that customers' satisfaction has strong impact on customers' words of mouth & referral. Similar results have been shown in the studies of Thusyanthy and Tharanikaran, (2017), Wien and Olsen, (2012), Gotlieb, Grewal and Brown, (1994) where they concluded that customer satisfaction has correlation with words of mouth and referral. According to Söderlund (1998), positive words of mouth is more likely to spread through satisfied customers; on the contrary, negative words of mouth is more likely to spread by dissatisfied customers. Therefore, H4 has been supported. A possible explanation of this result might be that satisfied customers are likely to share experiences with peer groups and others which consequently affect others' purchase intention. The growing popularity of social media does the job of WOM by a click only.

This study also echoed that customer satisfaction is significantly influencing customer re-purchase intention. Walsh, Evanschitzky and Wunderlich, (2008) and HuyTuu and Ottar Olsen (2012) concluded the same. Therefore H5 is supported. The study of Kuo, Hu and Yang, (2013) also supported that positive relationship between customers' satisfaction and repurchase intention. Therefore, it can be concluded that enhancement of satisfaction positively affects the repurchase intentions of customers. This is may be because that satisfied customers tend to remain loyal leading those to make repeat purchase intention.

Customers' words of mouth & referral has also found to be positively influencing customers' repurchase intention. This result is consistent with the studies of Liu and Lee, (2016), Kim, Kim and Kim, (2009), Serra Cantallops and Salvi, (2014). Their study indicated that customers' words of mouth & referral are correlated with storerevisit intentions. Positive words of mouth are not only create favorable impression among potential customers but also lead to repurchase intention among the visited customers. One of the possible explanations of this results might be that positive words of mouth are produced when customers' expectations are fulfilled and they are likely to share their experiences with their peers. Such sharing initiatives often turn them into loyal customers for the firm and membership benefits for the customers.

It is evident that customers are more likely to visit retail store if they are personally connected with employees. Therefore, it appears that employees' customer orientation is vital to ensure customer satisfaction and repurchase behavior particularly in service sectors. However, service firms cannot fully shun service errors even with customer orientation of employees. In case of service error situations, decision making authority of service employees play vital role to handle service failure situations. Therefore, retail stores should develop internal marketing strategies to keep employees motivated to act as customer oriented.

## **8. IMPLICATIONS**

### ***Theoretical implications***

The results of this research revealed that that customers' repurchase intention is affected by COSE dimensions, customer satisfaction and words of mouth & referral. Though COSE model has been used to analyze the (indirect) impact on customer satisfaction, commitment and retention in many previous studies (Wismantoro and Pratiwi, 2017; Bramulya, Primiana, Febrian, & Sari, 2016; Hanzae and Mirvaisi, 2011; Kim and Ok, 2010; Hennig-Thurau, 2004), it appears that no previous studies, except the present study, have elicited that COSE dimensions have direct influence on customers' repurchase intention. Therefore, this study can be considered as an attempt to the extension of COSE model and customers' behavioral intention research can be extended by integrating the findings of this study.

The model of this study has indicated that customer oriented service employees' dimensions significantly contribute to both customer satisfaction and words of mouth & referral as well as customers' repurchase intention whereas previous studies suggested that COSE has direct influence only on satisfaction. It is notable that empirical result in this study has elicited that both customer satisfaction and words of mouth communication positively influence customers repurchase intention and therefore generate referrals.

### ***Managerial implications***

Several managerial implications have been found in this study. The findings have potential practical significance for internal marketing strategies to the advantage of the retail stores. For instance, customer orientation concept should be included in employee selection procedure.

Management should encourage employees to create interactive working place in the organizations. They can train and develop employees to be creative, open minded and determined while interacting and delivering services to their customers. Management including HR should ensure that every employee understand the firm's culture and are committed to the core values of customer orientation. Further, budget should also be carefully estimated to improve internal marketing in order to remain customer oriented.

Furthermore, employees' strengths as well as weaknesses should be assessed systematically and regularly to choose strategies that will comply with optimizing customer oriented service. Customer oriented service employees should get necessary training and motivation and empowered to match customers' expectation along with building and maintaining relationship with customers. Therefore, performance appraisal and reward systems should be integrated to keep employees motivated in order to behave in a customer oriented way.

As COSE significantly contributes to customer satisfaction, managers should concentrate on how many customers are satisfied with the service, turn into loyal and committed and are likely to generate referrals rather than transactions. Therefore, managers should be concerned about knowing service experiences that customer's receives from employees' so that business strategies can be designed to satisfy customers' need.

As empirical result of this study has found that words of mouth & referral significantly influence repurchase intention, marketers should be very careful about words of mouth that is spread through customers either online or offline. Social media platforms have become common places for customers to express their experiences and opinions. Therefore, marketers should assess the reviews of those online communities on a regular basis in order to get proper feedback.

Marketers should also carefully identify the customers who share positive reviews to the online communities. Then they might provide membership benefits on words of mouth and referral for the customers to keep them loyal and stimulated for repurchase intention as well as use them as spokesperson to get more referrals.

## **9. LIMITATIONS AND SCOPE OF FUTURE RESEARCH**

This research has few limitations; however, efforts have been devoted to minimize the limitations

All data, necessary for the study, have been collected from customers. However, a survey would also be conducted among employees to understand the extent to which customers perceive COSE dimensions and are motivated to act as customer oriented. It is recommended that data should be collected not only from customers but also from employees for a better justification of the findings.

Customer satisfaction and revisit or repurchase intention in supermarket are also influenced by the quality of products that supermarkets offer for their customers. Therefore, future research can include quality of products as a moderator to predict the outcomes. In this study, employees' non-verbal aspects have been ignored, though non-verbal behavior of employees certainly influence customers' reaction on service encounter. Therefore, non-verbal behaviors might be incorporated into COSE model for a better understanding of the effect of COSE dimensions on outcome variables.

Furthermore, COSE dimensions' effect on service failure circumstances might be different from what have been found in this study. Therefore, further research can also be conducted to assess COSE dimension's distinctive effect in service failure circumstances.

The findings of this research confirmed that customer oriented service employees has direct impact on customer repurchase intentions, especially in the retail buying context; however, this research can only be considered a primary initiative, therefore, further research is recommended on the same topic but in different fields for the generalizability of the findings of this study.

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## Appendix

**Table 1: Measures used in Structural Equation Modeling (SEM) and Factor loadings**

Construct	Scale Items	Loadings
<b>COSE</b> Technical skills:  Social skills:  Motivation:  Self-perceived decision making authority	The employees have a high level of technical knowledge,	0.557
	are experts in their job,	0.611
	are highly competent to respond toward customers' query.	0.671
	The employees have extensive social skills,	0.544
	are able to consider their customers' perspective, know how to treat a customer well.	0.834
	The employees show strong commitment to their job,	0.761
	do their best to fulfill their customers' needs, are always highly motivated.	0.491
	The employees are allowed to decide autonomously in customer matters,	0.800
	have appropriate room for maneuver in solving customer problems,	0.627
	In the case of customer requests, employees do not need to ask their superior for permission.	0.718
<b>Satisfaction</b>	I am fully satisfied with the employees' service.	0.726
	It always fulfills my expectations.	0.475
	It has never disappointed me so far.	0.854
	My experiences with that store are excellent.	0.912
<b>Words of mouth &amp; Referral</b>	I feel committed to the store,always refer that store to others,	0.856
	enjoy talking about experiences about that store in social media.	0.584
		0.903
<b>Repurchase intention</b>	I intend to rebuy from that store in future.	0.877
	This store is my first choice when I go for any supermarket.	0.926

Source: Adapted from Hennig-Thurau, (2004) and Leonnard, Comm and Thung, (2017) and Ho and Wang, (2015)

**Table 2: Construct Reliability and Validity.**

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Customers' repurchase Intention	0.839	0.926	0.861
Customers' satisfaction	0.822	0.883	0.659
COSE	0.880	0.900	0.498
Customers' words of mouth & Referral	0.703	0.833	0.633

**Table 3: Correlation matrix**

Construct	COSE	Customers' repurchase Intention	Customers' satisfaction	Customers' words of mouth & Referral
COSE	0.661			
Customers' repurchase Intention	0.705	0.928		
Customers' satisfaction	0.767	0.704	0.812	
Customers' words of mouth & Referral	0.741	0.778	0.721	0.796

**Note:** Diagonal elements are the square roots of the average variance extracted while the other entities represent correlations.

**Table 4: Results of structural equation modeling**

Effects of	On	Path coefficients	t value	P value	Hypothesizes	Result
COSE	Satisfaction	0.767	27.577	0.000	H1	Significant & supported
COSE	WOM & Referral	0.456	5.048	0.000	H2	Significant & supported
COSE	Repurchase intention	0.175	2.258	0.024	H3	Significant & supported
Satisfaction	WOM & Referral	0.371	3.881	0.000	H4	Significant & supported

Effects of	On	Path coefficients	t value	P value	Hypothesizes	Result
Satisfaction	Repurchase intention	0.213	2.331	0.020	H5	Significant & supported
WOM & Referral	Repurchase intention	0.494	7.072	0.000	H6	Significant & supported

**Table 5: Total effects of each COSE dimensions on Customer satisfaction, Word of mouth & referral and Repurchase intention**

Effects of	Satisfaction	Words of mouth & referral	Repurchase intention
Technical skills	.338	.199	.116
Social skills	.157	.085	.230
Motivation	.080	.260	.050
Decision-making authority	.355	.339	.446

## NON - NESTED MODEL COMPARISON APPROACH TO PREDICT CONSUMERS' BEHAVIOURAL INTENTION IN A SERVICE ENVIRONMENT FROM THE EMERGING MARKET PERSPECTIVES

Shehely Parvin<sup>1</sup>

**Abstract:** Due to the substantial advancement in the services sector globally in recent times, the primary objective of this study was to examine two alternate models for explaining consumers' behavioural intention in a service environment, specifically from the emerging market perspective. For that purpose, this study has been adopted two alternate models from two different classic studies and structural equation modelling with AMOS was chosen as a major data analysis tool. Finally, this study unveiled Alternate Model 2 as a better model in predicting consumers' behavioural intention in services marketing that was originally tested in information systems. Moreover, findings from the restaurant setting will provide important insights for the advancement of the growing tourism and hospitality industry in Bangladesh.

**Keywords:** Expectation-Confirmation Theory, Non-nested Model Comparison, Service Environment, Emerging Market

### RESEARCH BACKGROUND

Whilst the continuous development of knowledge in services marketing literature is expanding due to the explosive global growth of the services sector in recent decades, there is paucity of research comparing alternate models in the services marketing literature, especially from the emerging market perspectives. On the other hand, comparing alternate models are very common in the context of information system and proven a quite useful tool of prediction in this literature arena. In addition, the widely held body of works on comparison models on consumer behaviour in services sector has been focused on Western countries. As a consequence, the emerging country phenomenon has been left unaddressed in this field. Therefore, the overarching aim of this study was to compare two prior classic models for the purpose of advancing the knowledge of behavioural intention determinants from the consumer perspective in a service environment from the emerging market perspectives. As a consequence, this current research adopted the first alternate model from a classic study by Cronin et al. (2000) who had examined a research model to conceptualize the effects of value, quality and

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<sup>1</sup> Professor, Department of Marketing, University of Dhaka

satisfaction on consumers' behavioural intentions across multiple service industries. The second alternate model under investigation in this research was originally proposed and examined by Lin et al. (2012) to explore the behaviour of continuance intention towards internet protocol television (IPTV) along with identifying the role of net value in this context. Fundamentally, they proposed a theoretical integrated value-based model (VAM) with Expectation–Confirmation Theory (ECT) ECT features in which they attempted to replace the construct of 'perceived usefulness' from ECT with 'perceived value'. These two models have been chosen because they represent the two most leading, inclusive and up-to-date models in the marketing and information systems disciplines, respectively.

## **THEORETICAL BACKGROUND**

### ***Alternate Model 1***

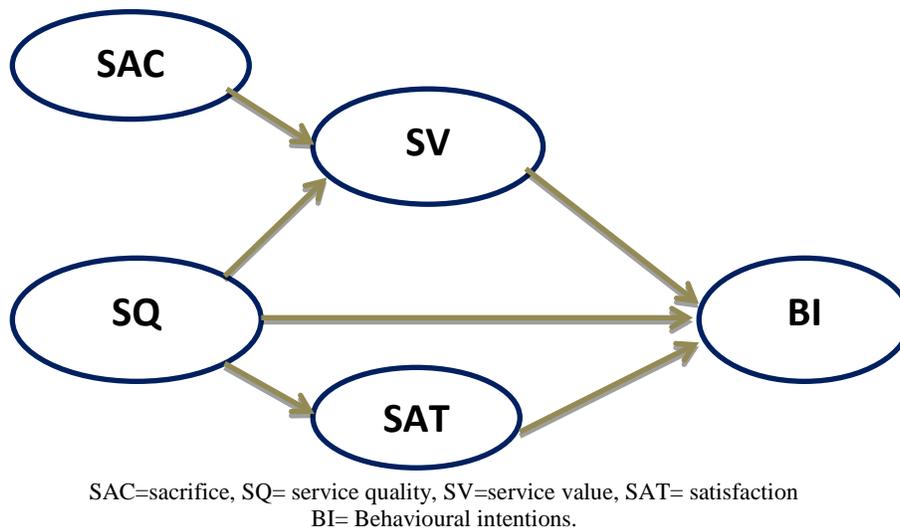
This current research adopted the first alternate model from a classic study by Cronin et al. (2000) who had examined a research model to conceptualize the effects of value, quality and satisfaction on consumers' behavioural intentions across multiple service industries. Cronin et al. (2000) pointed out that their efforts enabled them to detect differences among these variables but that all these variables were interrelated to each other and have direct impacts on behavioural intention if they were investigated simultaneously.

However, although there seems to be convergence among the constructs of value, quality and satisfaction in prior studies, there is ambiguity about the consequences of these constructs (Rust & Oliver, 1994). The extant studies have linked relationships between value, quality and satisfaction and have confirmed numerous consequences such as loyalty, word of mouth, price premiums or repurchase intention. However, Cronin et al. (2000) argued that there was little consistency regarding which of the three constructs (value, quality and satisfaction) or of their combinations directly impacted on the consequences of these constructs. They suggested that model structure generally differs according to the nature of the study.

Cronin et al. (2000) pointed out that the above studies may mislead service managers in setting their goals as the studies are limited in scope in terms of research objectives and time periods. They also pointed out that a significant number of studies identified bivariate relationships between all three constructs and behavioural intentions. Secondly, they confirmed that service quality is a significant influencer of behavioural intentions, although the precise relationship between these two constructs remains vague. Finally, they noted that few research studies have examined the multiple direct associations between quality, value and satisfaction, and whether any or all of these constructs directly impact on behavioural intentions when the effects of all three are measured together. Therefore, Cronin et al. (2000) postulated that limited investigations of the simple bivariate relationships between any of the variables and behavioural

intentions may disguise or exaggerate their real association due to the variables ignored in the measurement model. Consequently, to fill this gap, Cronin et al. (2000) proposed a more comprehensive and collective model to determine a more rational picture of the underlying associations occurring among these constructs. Unlike the findings of previous studies, they suggested that these three constructs simultaneously and directly had effects on favourable behavioural intentions. Moreover, they proposed investigating whether service quality indirectly influences behavioural intentions through value and customer satisfaction. Similarly, in their research model, they suggested another indirect relationship between service value evaluation and behavioural intentions through the effect of customer satisfaction.

**Figure 1: Alternate Model 1**  
(Adopted from Cronin et al. 2000)



In fact, Cronin et al. (2000) compared their proposed model with three alternate models from prior studies across six service industries considering the different characteristics of service encounters and using different samples. These four models were tested with structural equation modelling (SEM) and the findings confirmed that the research model was a better fit with the data and outperformed the three alternate competing models drawn from previous studies. Through empirical confirmation, the authors reported that service quality; service value and customer satisfaction might all be directly linked to behavioural intention when all of these constructs are considered simultaneously. Their findings further found indirect effects of service quality and value on behavioural intentions. In summary, service quality has positive impacts on satisfaction through value and value has impacts on behavioural intentions through customer satisfaction. In

addition, they pointed out that service consumers have placed greater importance on service quality than on sacrifice in evaluating their consumption. Their findings indicated that the value of any service is largely dependent on the perceptions of service quality that further act as an important determinant of customer satisfaction.

Above all, Cronin et al. (2000) in their research sought to establish a clear relationship among the constructs, quality, value, satisfaction and behavioural intentions. They stated that the consumer decision-making process is complex to understand. Consequently, to understand this complex process, they proposed an integrated decision-making model that incorporates both direct and indirect effects of quality, value and satisfaction on behavioural intentions. Finally, Cronin et al. (2000) confirmed that their study is worth the effort of pursuit both theoretically and empirically in service marketing literature.

### ***Alternate Model 2***

The second alternate model under investigation in this research was originally proposed and examined by Lin et al. (2012) to explore the behaviour of continuance intention towards internet protocol television (IPTV) along with identifying the role of net value in this context. Internet protocol television (IPTV) has newly emerged as one of the major applications of broadband technology that delivers numerous digitized television programs and a number of value-added services such as games features, digital frames through internet and asynchronous transfer mode (ATM) features (Lin et al. 2012). They used Expectation–Confirmation Theory (ECT) as a theoretical framework to justify consumers' post-purchase behaviour such as satisfaction and repurchase intention and also extended the existing ECT by replacing the popular concept of 'perceived usefulness' in terms of perceived performance. Fundamentally, they proposed a theoretical integrated value-based model (VAM) with ECT features in which they attempted to replace the construct of 'perceived usefulness' from ECT with 'perceived value'.

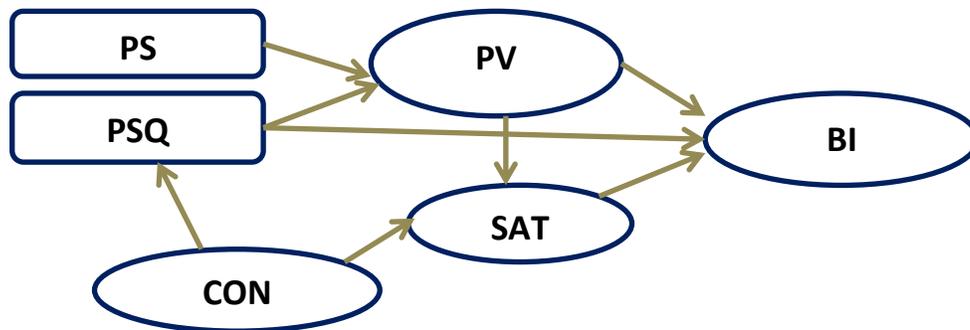
Bhattacharjee (2001) applied a slightly changed ECT model by using only the construct of 'confirmation' and by excluding the 'expectation' construct in his model with proper theoretical justification. He focused on using the construct of 'perceived usefulness' from the Technology Acceptance Model (TAM) (Davis et al., 1989) in the context of information systems (IS). In brief, Bhattacharjee (2001) suggested that 'confirmation of expectation' and 'perceived usefulness' are both key determinants of user satisfaction in the IS context.

On the other hand, Lin et al. (2012) proposed in their research that the construct of perceived usefulness adopted from the TAM gives an inadequate explanation of consumers' intentions in information systems by treating people as only 'technology users' not as 'service consumers'. In fact, the TAM was developed to recognize the initial adoption intent for new technologies in the work

situations of an organization. Therefore, the cost of adoption and usage of a technology are usually carried out by the organization, not by the users. Here, users only use the technology. Unlike users, consumers need to take on the monetary and non-monetary cost and risks themselves. Consumers are always estimating the perceived value of each alternative by considering all the relevant benefits and sacrifices in making final decisions (Kim, Chan, & Gupta, 2007). Therefore, Lin et al. (2012) contended that using the construct of 'perceived value' is more appropriate than 'perceived usefulness' if the model is analysing from the consumer perspective. Hence, service managers should focus on the understanding of the concept of 'perceived value' and 'confirmation of expectation' to satisfy consumers (Lin et al. 2012).

In addition, they also argued that consumers' sacrifices should be taken into consideration as 'perceived usefulness' from the TAM only represent the benefits of perceived value (Kim et al., 2007). Finally, drawing on the importance of the feature of consumers' cost/benefit calculation, Lin et al. (2012) replaced 'perceived usefulness' with 'perceived net value' for the purpose of gaining an enhanced understanding of the determinants of users' continuous use of internet protocol television (IPTV). Although most of the prior literature on value mainly concentrated on quality-oriented benefits and monetary-based sacrifices (Brady & Robertson, 1999; Chang & Wildt, 1994; Dodds et al., 1991; Grewal et al., 1998; Voss, Parasuraman, & Grewal, 1998), Lin et al. (2012) defined 'perceived benefits' and 'sacrifices' in a more complex manner. Their definition was based on prior studies and interviews with several IPTV users to properly measure the 'perceived value' concept in the IPTV context. For instance, they included 'time flexibility', 'personalization', 'high quality', 'content richness' and 'value-added services' as 'perceived benefits', and 'perceived fee', 'technicality', 'knowledge of alternatives' and 'change of viewing habits' as 'perceived sacrifice' which were very relevant and justifiable in articulating these two important factors to IPTV users.

**Figure 2: Alternate Model 2**  
(Adopted from Lin et al., 2012)



PS=Perceived sacrifice, PSQ= Perceived service quality, PV= Perceived value, CON= Confirmation, SAT= Satisfaction, BI= Behavioural Intention.

The model presented in Figure 2 was tested with the partial least squares (PLS) method and findings indicated that 'perceived value' and a combination of 'sacrifices' and 'benefits' were significant indicators of satisfaction and continuance intention. Their study argued that the impact of perceived sacrifices was stronger on perceived value than that of perceived benefits. The possible logic behind this was that 'fee increases' or 'operating difficulty' have significant impact on users' perception that could decrease the value of the IPTV service for customers (Lin et al. 2012). Besides this, the relationship between 'perceived benefits' and 'continuance intention' was not significant as this study considered a broader construct 'perceived value' unlike other studies. In addition, a significant relationship between 'confirmation' and 'perceived value' was confirmed in their study although 'perceived value' beat the impact of 'confirmation' and was strongly linked to determining satisfaction level in the IPTV context.

#### *Comparison between Alternate Model 1 and 2*

To summarize, both models have emphasized that service quality can be an antecedent of service value and that value has positive impact on customer satisfaction and behavioural intention. Moreover, both models indicate that quality, value and satisfaction positively and directly influence behavioural intention when considering the impact of these variables simultaneously in a model. Both models have conceptualized the construct of service value from the uni-dimensional perspective grounded in economic theory and cognitive psychology. Furthermore, both models have been used to explain the relationship of antecedent variables in predicting behavioural intentions in their respective fields.

Alternate Model 2 has been investigated in the IS context based on ECT to find out the association among the variables of value, satisfaction and behavioural intentions, whereas Alternate Model 1 has integrated the constructs of quality, value and satisfaction to understand behavioural intentions across numerous consumers of six different service industries. In addition, Cronin et al. (2000) found that perception of quality was a key determinant of service value in Model 1 while Lin et al. (2012) argued that perception of perceived sacrifices has a stronger impact on perceived value than on perceived benefits in Model 2. Although both models have been investigated in a particular context, to the best of our knowledge, no study has attempted to test empirically the two models from the emerging market perspectives.

#### **RESEARCH CONTEXT**

In recent times, a growing services sector is considered as an important indicator of a country's economic progress. Particularly, services sector, over recent decades, has become a contributory sector GDP in the Asian countries. Mostly, the economy of Bangladesh is currently dominating by the services sector and

almost 56.5% (2017 est.) in GDP contribution comes from the services industry (CIA World Factbook, 2018).

With this growing economic trend, Asia's emerging middle class is large enough to become one of the main drivers of the global economy, especially in Bangladesh. The middle class of Bangladesh is emerging as one with strong purchasing power obviously opens up new opportunities for business (BCG, 2015). Mostly, the disposable income of middle class people has great impact on country's growth of tourism and hospitality industry. No doubt, tourism is one of the most promising sectors for Bangladesh and optimistic ideas says that the hospitality industry in Bangladesh will flourish further in the coming days as the country's economy is growing fast with the increased flow of tourists and businessmen to the country. Consistent with this growing trend in the economic structure, the restaurant services sector is one of the fastest growing industries and having an increasing impact on the development of the society in a service-based economy. Along with this economic importance, the restaurant is an ideal research setting in which to investigate the value concept from the consumers' perspective as it represents both tangible and intangible features of consumer value. Therefore, this study has chosen the 'Bangladesh restaurant context' to examine these two non-nested alternate models to advance the understanding of existing knowledge of consumers' behavioural intention.

### **RESEARCH OBJECTIVES**

Therefore, drawings on the importance of the above discussed issues, this paper attempts to address two key objectives:

- First, it compares and evaluates the two established non-nested models in a service environment to advance the knowledge of behavioural intention determinants from the consumer perspective.
- Second, it identifies a research model that is best suited to the research context of the Bangladesh restaurant industry.

### **RESEARCH METHODOLOGY**

The current study has embraced survey method to the middle income grouped respondents whose age are 30+ , who have their own income above 30,000TK, have competency to judge price-utility/tangible-intangible consistencies and have dined in a restaurant within the last 30 days. Regarding the instrument construction, the measurement items used to operationalize the constructs of each investigated variable were mainly adopted from relevant previous studies, with wording changes as necessary.

A convenience sample of 40 respondents whose income was above TK 30,000 (BDT) was then invited to participate in the pilot test. Finally, the results of the Exploratory Factor Analysis (EFA) value of .5 or above and Cronbach's alpha

value of .7 or above test showed acceptable reliability and validity. The Final survey employed both self-completion and interviewer-filled techniques for collecting data. Both methods were used to help sample elements (i.e., the respondents) to ensure a higher response rate by avoiding missing values or mistakes and, in addition, to maintain the face-to-face culture in the Bangladesh context. Finally, the survey collected 350 responses using both data collection techniques.

Prior to analysis, the data were checked for accurateness such as missing data, zero variance and the assumptions underlying the general linear model. The raw research data were carefully scrutinised to identify a total of 26 completed questionnaires with some missing values. This could have been the result of survey fatigue or boredom in completing the responses which is usual for long questionnaires (Malhotra, 2004). Owing to low standardised deviation and zero variance, 20 additional responses have been deleted from the data set. In relation to outliers, the tests for multivariate outliers found six significant cases (the Mahalanobis distance [D] (55) > 93.14,  $p < 0.001$ ). These extreme cases were removed from further analyses. Finally, from the total responses from 350 respondents, the final sample consisted of 299 valid responses, resulting in a response rate of 85.4%.

Furthermore, the study followed the two-step procedure suggested by Anderson and Gerbing (1988) to examine the alternate models with AMOS software. Firstly, the measurement model was used to check the goodness of fit of the model and to analyse the construct reliability and validity, including convergent and discriminant validity. Structural models for each alternate model were then examined to explore the strength and direction of the causal relationships between the constructs.

## **RESEARCH FINDINGS**

### ***Sample Characteristics***

While the overall demographic characteristics of the sample are not the main focus for this study, it can be more informative for restaurant practitioners and academics to have an understanding of the gender, age, education, job and income of the respondents. Of the 299 respondents, the sample was consistently divided between males (52.5%) and females (47.5%). Approximately 34.8% of respondents were aged from 35–39, 25.4% were aged from 40–44 and only 2.7% were aged from 55–59. The largest group of respondents (51.8%) had university postgraduate degrees whereas 32.1% had university graduate degrees. In terms of their profession, approximately 21.4% of respondents were government officers, 20.4% were teachers while 16.1% were bankers. They varied in their income level. Interestingly, almost 37.1% of respondents had an income of +80,000 BDT while 18.4% of respondents had an income of +50,000 BDT.

### ***Confirmatory Factor Analysis (CFA) of Alternate Models 1 and 2***

To analyse the measurement model, confirmatory factor analysis (CFA) of the Maximum Likelihood (ML) estimation method for the prior classic alternate models was conducted in the initial stage of data analysis. In terms of the two prior models, Alternate Model 2 was an all-inclusive model including all measurement constructs from Alternate Model 1; therefore, only the measurement model of Alternate Model 2 was examined (Huh, Kim & Law, 2009).

The first measurement model was run with a total of 25 measurement items but the results did not fit the data well ( $\chi^2 = 1846.415$ ;  $df = 260$ ;  $\chi^2/df = 7.102$ ; CFI = 0.815; TLI = 0.786; RMSEA = 0.143). However, a scrutiny of the modification indices (MIs) and standardised residuals and a specification search provided the possibility of a better model fit. According to the rule of thumb, large modification indices (MIs) argue the case for the presence of factor cross-loadings and error covariance (Byrne, 2009), and standardised residuals that are greater than the benchmark range of 2.5–4.0 indicate a problem with one of the measures. Therefore, after examining the covariance of the standardised residuals and the modification indices (MIs), a few items were removed due to their significantly higher value associated with another item. Basically, when two correlated measurement items reflect the same meaning for measuring two different constructs, item deletion is theoretically justifiable. After re-specification, the second measurement model also did not fit well to the data. After additional items were deleted, finally the final measurement model (with 16 items) was meaningfully improved ( $\chi^2 = 300.171$ ;  $df = 89$ ;  $\chi^2/df = 3.373$ ; CFI = 0.957; TLI = 0.941; RMSEA = 0.089). Table 1 below presents the summaries of the initial, second and final Confirmatory Factor Analyses (CFA) based on the model fit measures

**Table 1: Confirmatory Factor Analysis (CFA)  
Results of Alternate Models 1 and 2**

Fit Indices	Initial Model	Second Model	Final Model	Recommended Values
CMIN ( $\chi^2$ ) ( Chi-square)	1846.415	1317.014	300.171	Low $\chi^2$ relative to degrees of
df (Degrees of Freedom)	260	194	89	freedom with an insignificant p
p-value ( Probability Level)	0.000	0.000	0.000	value ( $p > 0.05$ ) (Hooper et. al. 2008)
CFI (Comparative fit index)	0.815	0.856	0.957	$\geq 0.90$ (Hair et al., 2010)
TLI (Tucker- Lewis index)	0.786	0.828	0.941	$\geq 0.90$ (Hair et al., 2010)
RMSEA (Root mean square error of approximation)	0.143	0.139	0.089	$\leq 0.08$ or $< .1$ (MacCallum et al, 1996; Hooper et. al. 2008)
CMIN/df (Normed chi-square)	7.102	6.789	3.373	$< 3.00$ or $< 5.00$ (Wheaton et al, 1977; Hooper et. al. 2008)
GFI (Goodness of fit index)	0.699	0.727	0.892	$> 0.90$ or $< 0.80$ (Hooper et. al. 2008)
AGFI (Adjusted goodness of fit index)	0.624	0.645	0.835	$\geq 0.80$ (Hooper et. al. 2008)
NFI (Normed fit index)	0.792	0.835	0.940	$\geq 0.90$ (Hooper et. al. 2008)
RMR (Root mean square residual)	0.173	0.15	0.098	$\leq 0.08$ or $<.1$ (Hooper et. al. 2008)

### ***Scale Reliability and Validity of Measurement Models 1 and 2***

Regarding reliability, the Cronbach's alpha value of each construct exceeded the threshold value of 0.7 (Nunnally, 1978). Therefore, as shown in Table 2, every construct is reliable. With regard to validity, Fornell and Larcker (1981) listed three standards for assessing convergent validity:

- (1) All standardised factor loadings must exceed 0.5;
- (2) Composite Reliability (CR) must exceed 0.8;
- (3) The Average Variance Extracted (AVE) must exceed 0.5.

This study has used Confirmatory Factor Analysis (CFA) to measure the convergent validity of each construct. The analytical results show that all standardised factor loadings exceeded 0.7 ( $p < 0.05$ ), the CR of each construct exceeded 0.8 and the AVE of each construct exceeded 0.5, as shown in Table 2. Therefore, every construct in both alternate models has good convergent validity. Fornell and Larcker (1981) indicated that when the square root of the AVE for each construct exceeds the construct correlations, definite discriminant validity must exist, with these results shown in Table 3.

**Table 2: Validity of Constructs for Alternate Model 1 and 2**

Constructs	Item Code	Item description	Standardized Loadings	CR	AVE	Cronbach's Alpha
Service Quality	SQ6	Employees make the effort to understand my needs.	0.783	0.891	0.671	0.931
	SQ4	Employees are courteous and polite.	0.799			
	SQ2	Employess provide quick service.	0.854			
	SQ1	Employess serve exactly the same food that I have ordered.	0.839			
Service Value	SV2	Compared to other restaurants, this restaurant is worth for me to sacrifice my time and efforts.	0.853	0.880	0.786	0.872
	SV1	It is a good deal to dine at this restaurant as compared to other restaurants.	0.919			
Sacrifice	SAC3	When considering the monetary value, I think foods are considered to be a very good buy.	0.883	0.906	0.828	0.865
	SAC2	The effort that I make to dine in this restaurant is worth the money I pay for.	0.936			
Confirmation	CON3	Overall, most of my expectations of dining are confirmed at this restaurant.	0.891	0.888	0.799	0.921
	CON1	My experience of dining is better than what I expected.	0.897			
Satisfaction	SAT5	Overall, this restaurant puts me in a satisfactory mood.	0.893	0.869	0.691	0.83
	SAT4	I think that I did the right thing when I purchase the service.	0.733			
	SAT1	I am very satisfied with the dining experience at this restaurant.	0.859			
Behavior Intention	BI5	For future dining out, the probability of considering this restaurant as my first choice is--	0.875	0.916	0.784	0.906
	BI3	The chances of recommending this restaurant to others is--	0.853			
	BI2	The likeliness of spreading positive words about this restaurant to others is--	0.926			

**Table 3: Discriminant Validity for Alternate Model 1 and 2**

	satisfaction	service quality	service value	sacrifice	confirmation	Behavior intention
satisfaction	<b>0.831</b>					
service quality	0.794	<b>0.819</b>				
service value	0.759	0.799	<b>0.887</b>			
sacrifice	0.822	0.694	0.800	<b>0.909</b>		
confirmation	0.828	0.708	0.807	0.836	<b>0.893</b>	
Behavior intention	0.739	0.690	0.812	0.776	0.862	<b>0.885</b>

***Common method bias***

Common method bias refers to a bias in the dataset caused by something external to the measures but which may have influence on the given response (Bagozzi and Yi, 1988). As the next step, a comparison between the regression weights with the Common Latent factor (CLF) and without the Common Latent Factor (CLF) revealed no significant problems, thus confirming that common method bias did not pose a serious threat to explaining the measurement model for Alternate model 1 and 2.

***Analysis of Structural Models***

With satisfactory results for the required assessment of reliability and validity in the measurement models, the subsequent process of identifying the structural model that best fits the data can be detailed as follows:

***Alternate Model 1***

In the structural model result, as shown in Table 4, for Alternate Model 1 (adopted from Cronin et al. [2000]), the overall model fit indices showed that Alternate Model 1 indicated a good fit to the data ( $\chi^2 = 430.425$ ;  $df = 94$ ;  $p < 0.001$ ;  $\chi^2/df = 4.57$ ; CFI = 0.931; TLI = 0.912; RMSEA = 0.11).

***Alternate Model 2***

Structural equation modelling (SEM) revealed, as shown in Table 4, that Alternate Model 2 (adopted from Lin et al. [2012]) also fits the data reasonably well ( $\chi^2 = 245.673$ ;  $df = 70$ ;  $p < 0.001$ ;  $\chi^2/df = 3.51$ ; CFI = 0.955; TLI = 0.942; RMSEA = 0.092).

***Comparison of Alternate Model 1 and Alternate Model 2***

This study performed a non-nested model comparison between two competing theoretical models that explain consumers' behavioural intentions in a services environment. In terms of the overall model fit criteria, all models provided comparable fit to the data. To understand which model/s explained a better fit to the data, the model fit indices shown in Table 4 were used to compare the models. According to Rust, Lee and Valente (1995), when an examination of alternate models reveals a reasonable fit to the data and describes equivalent target behaviour, other measures besides the chi-square must be evaluated to

isolate the best model. Moreover, in this study, each examined model was not nested within the others; thus, the chi-square difference test was not an accurate criterion to determine which model performed better of the three models (Anderson, & Gerbing, 1988). For model comparison, the most appropriate and most common statistical test is normed chi-square (Rust et al., 1995). As presented in Table 4, the normed chi-square value is 4.57 for Alternate Model 1 and for Alternate Model 2, the value is 3.51. A lower value for this measure exhibits a better fit to the data: this finding, thus, signposted a preference for the model 2 over the model 1. In addition, the Parsimony Normed Fit Index (PNFI), using parsimony fit criteria, compared one model to another with the highest PNFI value indicating a better model fit (Hair et al., 2010). Following the logic above, with the highest PNFI value (0.820), the alternate model 2 for the study indicated once again that it was a better fit to the data.

**Table 4: Structural Model Fit Indices of Alternate Model 1 & 2**

	<b>Alternate model 1</b>	<b>Alternate model 2</b>
<b>Structural Model fit measures</b>		
<b>Absolute fit measures</b>		
chi-sqaure	430.425	245.673
df	94	70
p value	0.000	0.000
<b>Normed chi-quare</b>	<b>4.579</b>	<b>3.510</b>
GFI	0.859	0.900
RMSEA	0.11	0.092
RMR	0.141	0.101
<b>Incremental fit measures</b>		
NFI	0.914	0.939
TLI	0.912	0.942
CFI	0.931	0.955
<b>Parsimony fit measures</b>		
AGFI	0.797	0.849
<b>PNFI</b>	<b>0.716</b>	<b>0.722</b>

## DISCUSSION AND CONCLUSIONS

Non-nested structural model comparison within a service environment was the first objective of the paper. By showing a rigorous comparison of two non-nested structural models of consumer behavioural intentions in the restaurant industry, this study makes a unique methodological contribution to the marketing discipline. In line with the previous studies of model comparison, this study has embraced reasonable model fit indices and predictive power to examine the three

alternate models to identify the better model. Whilst the examined models was not nested to within each other, chi-square difference test is not appropriate to determine which one of these structures performed better than the other (Anderson & Gerbing, 1988). In accordance with Rust et al. (1995), a normed chi-square has been chosen as an appropriate statistical measure to isolate the better fitting model. In addition, parsimony fit indices, was also used in comparing the alternate models. The empirical findings confirmed alternate model 2 for the study as a better model in predicting consumers' behavioural intention compared to other model. In this regard, Parvin, Wang & Uddin (2017) also claimed the superiority of the alternate mode 2 in the Australian services environment that was originally proposed by Lin et al. (2012). As a consequence, examining Lin et. al's model (2012) both in developed and emerging market perspectives, this study fosters the importance of integrating the values-based features and the expectancy–confirmation theory (ECT) framework in a model to understand consumers' behavioural intention in the services environment whereas it has been already proves in the information systems (IS) context.

The next objective of the paper was to identify a research model that is best suited to the research context of the Bangladesh restaurant industry. Based on the two criteria of normed chi-square and PNFI, this study has found Alternate Model 2 adapted from Lin et al. (2012) to be a better fitting model than Alternate Model 1 derived from Cronin et al. (2000). In addressing this research objective, this study makes a managerial contribution by assisting service managers to develop more effective marketing strategies to attain sustainable competitive advantage considering from the emerging market perspectives.

Finally, this study is expected to have significant managerial and empirical implications as well. Practically, comparing the alternative models in the restaurant environment will provides important and interesting insights to the restaurant managers that will help restaurant marketers to explore what customers search in their dining experiences and therefore, will be able to develop more effective segmentation strategies from the customer's perspective considering the characteristics of the emerging markets.

## **FUTURE RESEARCH**

This study has some shortcomings that are associated with future research directions. The main focus of this study was to examine the alternate models; this study did not develop any path-by-path hypotheses: thus, future research on these issues can broaden the scope of generalizability of the initial findings of the current study. Moreover, the study confined its investigation within a single service industry in a single country that may limit the generalizability of the findings to other sectors. Therefore, future research is needed in multiple locations across different service sectors to increase external validity of the outcomes. In contrast to the Expectation–Disconfirmation Theory originally

proposed by Oliver (1980), this study embraced the revised model proposed by Bhattacharjee (2001). Consequently, this study did not include the construct of expectation. Future study should consider the inclusion of expectation in this type of study to examine the impact of expectation on the behavioural intention model. In addition, findings from the study should be interpreted with caution because it did not consider different segments of the restaurant industry; therefore, future research on examining alternate models in different restaurant segments would be insightful for academics and practitioners. Moreover, socio-demographic characteristics of consumers such as gender, age, education, household income or customer type could act as a moderator variable among the constructs of perceived value, satisfaction and behavioural intention in restaurant dining, which was another limitation of this study. As a consequence, future studies may include these socio-demographic characteristics as a moderator variable to provide further insight.

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## VIDEO-ON-DEMAND: A SHIFT OF SMALL SCREEN VIDEO CONSUMPTION TO DIGITAL PLATFORM

Imrana Yasmin<sup>1</sup>  
Jannat E Jahan<sup>2</sup>

**Abstract:** *With the increasing availability of internet and smart devices in Bangladesh, internet-based services are experiencing rapid demand. This study identifies viewers of small-screen videos, specifically millennials having a fast lifestyle and an urge for trendy content, are shifting their consumption demand to digital platforms. Data collected from 150 randomly selected samples on Video-on-Demand services determined that consumers are enjoying flexibility, freedom of choice, and high-quality programs which traditional television experience is failing to provide. The findings suggest that easier payment mechanisms, cheaper internet availability in remote areas can strengthen the VOD market in Bangladesh.*

**Keywords:** *Video-On-Demand, Digital Entertainment Services, Small Screen Video Consumption, Internet-Based Services, Video Entertainment Industry of Bangladesh*

### INTRODUCTION

A decade ago in Bangladesh, members of families would gather around the television set and would enjoy programs broadcasted on special occasions or festivals (Nekmahmud and Rahman, 2016). This scene represented the traditional video entertainment consumption practices of people of Bangladesh and how they were delighted to watch local television channel programs with their loved ones. But at this age of digital transformation, this scenario is hardly found among the families, especially in cities. The video consumption pattern of people has changed radically, not only for Bangladesh, rather for every video entertainment consumers in world. Global entertainment industry is going through great changes and developments. Now entertainment is ensuring globalization process through inter-language and inter-cultural exchange of contents. Digital domination has put audience in the control seat and has given them a sense of true freedom of choice.

This article has focused on analyzing the influential factors that determined the shift of millennial users from traditional television media to digital video-on-demand platforms for video entertainment consumption. Such small-screen shift

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<sup>1</sup> Professor, Department of Marketing, University of Dhaka, Bangladesh

<sup>2</sup> Independent Author

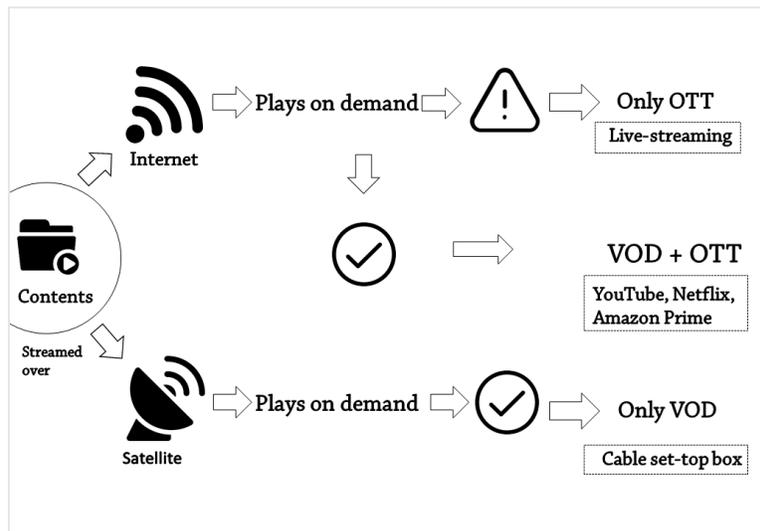
is not only backed by service mechanism, rather the entire business ecosystem has supported this shift which is also discussed. Lastly, the future of VOD services in Bangladesh is discussed along with the primary data collected through a survey to establish millennials' perspective of demand.

## LITERATURE REVIEW

### *What Is OTT and VOD: A Technical Insight*

Today's viewers are frequent visitors on platforms like YouTube, Netflix, Amazon Prime Video, etc. Two terms are related to these services considering functionality of the system: OTT and VOD. Before focusing on the effects of actual services, understanding the mechanism behind it is beneficial.

**Figure 1: VOD and OTT Mechanism**



Source: Developed by Authors

OTT, the acronym for Over-the-Top, is the basic layer of technology working behind these services. OTT is the system of delivering content over internet platforms. However, the delivering process is linear and concentrated in live-streaming of contents, either audio or video. A great example of OTT usage in daily lives is live-streaming of any sports where viewers can only watch the content online, cannot pause, resume or download. While OTT platforms had the lack of involving viewers with service, VOD entered the scenario for upgrading viewers' experience to next level. Video-on-demand is a system where viewers can watch any content whenever they want and gives them exactly the opposite experience of traditional TV watching experience. It extended the abilities of OTT by adding features such as (Yu et al., 2006):

- Online streaming
- Pre-recording
- Downloading

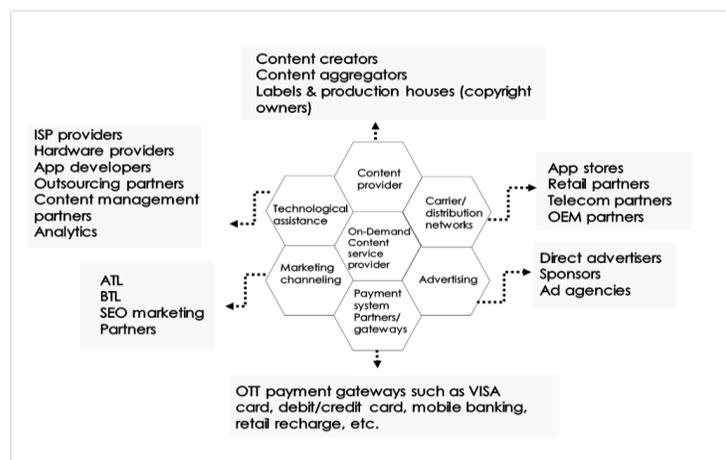
Thus, with the blend of OTT and VOD, now viewers are able to watch, playback, resume, or even download their preferred content from a pool of different contents as their wish. If an OTT platform only shows videos without any playback or downloading option (specifically watching without viewers' convenience of time), it is a pure OTT platform. When an OTT platform serves the purpose of viewing whenever and wherever they want, downloading, playback, etc., it becomes OTT + VOD service. Globally the OTT + VOD service is now the most popular and booming entertainment industry with operations like YouTube, Netflix, Hulu, Amazon Prime Videos, etc.

These above-mentioned services are mixing the two technologies together which can be classified into three sub-categories(Deloitte Insights, 2018):

1. **Advertising-based video-on-demand (AVOD):** Viewers can access content without paying any charges and contents are monetized through advertisements (for example, YouTube).
2. **Subscription-based video-on-demand (SVOD):** Viewers pay subscription charges to avail contents (for example, Netflix).
3. **Transactional-based video-on-demand (TVOD):** Viewers pay charges per-content and avail a particular content (for example Amazon Instant Video).

The mechanism of OTT technology can be identified with the collaboration of six parties maintaining a standard video streaming platform experience.

**Figure 2: Video-on-Demand Service Ecosystem**



Source: Adopted from Deloitte (2014)

1. The *content provider support* consists of creative content creators and production houses, along with content aggregators, to arrange and keep the flow of new contents publishing in service platforms.
2. Ready contents are generally delivered to customers over different platforms like apps, websites or in different retail allies' setups which is conducted under the label of *distribution carriers*.
3. On-demand video streaming services make a profit with either subscription charges or *advertisement* showcase or sponsorship contracts. Even in subscription-based platforms, sponsorship or product placement is possible for marketers. SEO marketing and social media influences on consumer choices have certainly alleviated the promotional presence of VOD platforms to mass market.
4. To provide a trouble-free streaming experience to viewers, technical assistance is provided by internet service providers, app/website developers, hardware support parties, content managers, research and analytical partners, outsourced technology supports, etc.
5. Lastly, payment mechanism for availing such service is another layer of the ecosystem that ensures that subscribers feel at ease while paying for account renewal. If *payment gateways* are easy, comfortable and hassle-free, consumers are comparatively more loyal to a certain OTT platform. Generally, service providers are using gateways like international transaction services such as VISA/Debit/Credit/Master card, mobile financial system, internet banking, recharge system partnering with telecom, etc.

### ***Monetization System Used By VOD Streaming Service Providers***

Since on-demand streaming service is comparatively new in the business, the market players are experimenting with different monetization models to evaluate which one works better (Aragues et al., 2012). However, the most used methods by global marketers are two: subscription-based and advertisement based model.

#### **1. Subscription-based model**

Largely, VOD platforms are collecting profit from the market through subscription payment. There are many payment gateways to choose from and viewers get options to pay daily, weekly, monthly, or even for longer periods. Subscription-based models are generally trying to provide reasonable pricing to attract television viewers or home-entertainment customers to open an account or even shift from cable television to VOD platforms. Biggest global brands in VOD market such as Netflix, Amazon Prime Videos, Hulu, etc. are operating with subscription-based models.

## 2. Advertisement-based model

Ad-supported on-demand platforms gain profit from advertisement showcasing. As search engines and social media platforms give great support of data analytics and search engine optimization tools, VOD platforms can gather information on consumer interest and other relevant data regarding advertisement and can use those in showing targeted advertisement. An example of ad-based monetization model is YouTube.

**Figure 3: Different Factors Shaping Monetization Models**

Dimensions	Key levers					
Revenue Source	Subscription			Advertisement		
Subscription consideration	Lever A	Term	Daily	Weekly	Monthly	
	Lever B	Type	Including data	Excluding data	Limited use	Unlimited use
	Lever C	Culture	Niche content	Limited content	Diversified content in one platform	
Pricing	Average revenue per user (ARPU)			Revenue per hour		
Usage	Charge-free usage			Subscription paid usage		
Renewal rate	Segment of the subscribers who renew the service					
Ecosystem	Leverage data analysis	Partnership alliances	Sponsorship	Related services		

Source: Adopted from Deloitte (2015)

## 3. Hybrid or modified models of Video on Demand services

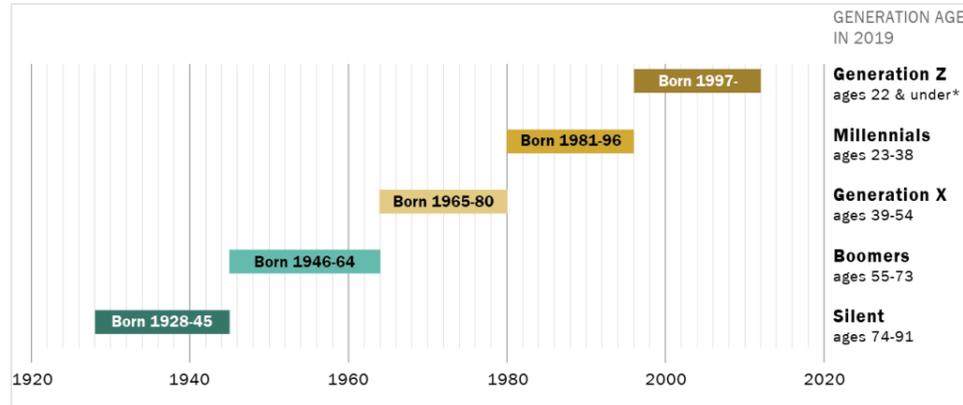
Often platforms can merge both subscription-based and advertisement-based models according to their policy. Initially, service providers can offer subscription-free video-streaming in return of displaying advertisement and after viewer shows a continued interest to watch in the platform, they offer subscription-based ad-free streaming experience. Some also make a hybrid system by categorizing some contents exclusively, tagging them as premium/exclusive/original, and give access to some contents free of charge. Such mixing of the models is very useful when a service provider is using a market penetration strategy in a new market. iflix is using this method for the local market of Bangladesh. It is providing free-access for a limited amount of

videos and suggests the viewers open paid accounts in order to continue watching any contents on the platform. Similarly, another local venture 'Bioscope' is modifying the monetization model by offering premium contents under the 'Bioscope Original' banner. Viewers can watch any video without the 'original' tag anytime, anywhere without any chargers. However, if they want to get access to premium or exclusive contents, they have to pay as per policy (Future Startup, 2017).

### ***Who Are Spending On VOD: The Future Market Regulators***

Unanimously, global researchers have predicted one scenario for the OTT content providers of today. They argued how today's millennials are participating in digital entertainment platforms with open arms, and also predicted that this age group would be a major consumer group dominating the future of this industry (Jenner, 2017). Millennials are referred to the age group of 23 to 38 who are born in between 1981-1996. They are considered the most tech-savvy generation as they were born and brought up with the newest technological inventions and been blessed to have them inclined to their lifestyle (Nielsen, 2016). Thus, any industry trying to grow and pushing itself in diversified markets try hard to manipulate the consumption decision of millennials (Babin and Harris, 2016).

**Figure 4: Different Generations by Age**



Source: Pew Research Center (2019)

However, considering the market of Bangladesh, people above the age of 45 are less likely to shift their entertainment consumption entirely over internet platforms and youths under the age 20 have lesser control in their entertainment consumption choices as they mostly depend on family trends. Millennials are the generation who are not fixed on any sole media service platform. They tend to spend more time outside the home and socializing rather than at-home activities. Thus, their entertainment consumption also requires higher quality experience, mobility, and ease of access (Hossin and Mohiuddin, 2015).

### **Bangladesh in VOD Era: Trends and Scopes**

Surprisingly, the local video-on-demand market in Bangladesh is an anticipating business for the entertainment industry now. Directors, writers, producers, production houses, actors-actresses even other stakeholders such as advertising houses and sponsoring partners are hyping this change of business and are investing more money predicting future profit return (The Financial Express, 2019). Initiators like 3rdbell, Bioscope, iflix, BongoBD, etc. have been pioneer in initiating local VOD industry (Future Startup, 2017). International platforms such as Netflix, Amazon Prime Videos, iflix, etc. can be subscribed from Bangladesh as many of the global platforms have been targeting Asia-pacific region for future expansion which gave Bangladeshi viewers permission to legally access these platforms (The Daily Star, 2016). In addition, the business environment backed VOD services to establish in local context as an outcome of two influential factors: upsurge of middle and affluent class percentage and increasing amount of mobile internet data usage (The Boston Consulting Group, 2015).

Mobile data upsurge continued with a rate of 134.38% rise since 2013 when 3G launched in Bangladesh with a higher promotional effort from government and telecom operators. Considering the spread of internet over the years, here is the number of users in the year 2012 and 2018 to demonstrate the rapid transition in the number of internet users:

**Table 1: Number of Internet Users in Bangladesh in 2012 and 2018**

Year	Mobile internet subscriber	ISP+PSTN	WiMAX	Total users of the internet
2012	28799.419	1212.50	467.652	30479.571
2018	87.310 Million	0.061 Million	5.731 Million	93.102 Million

Source: Bangladesh Telecommunication Regulatory Commission (BTRC, 2019)

### **OBJECTIVE OF THE STUDY**

The target audience of video-on-demand services is majorly concentrated among millennials which are confirmed by many international research and consulting firms. The fact that millennials are today's workforce and they would be the policymakers of tomorrow has kept them in key concerns of every durable product brand in world. Thus, any industry trying to grow and pushing itself in diversified markets try hard to manipulate the consumption decision of millennials. This study has targeted to analyze attitude of this age group for understanding the potential scenario of VOD in Bangladeshi market and try to understand their perception about the service.

Considering the referred work-based discussion, the dedicated objective of this study is *to analyze the drivers acting as change factors behind the shifting of consumers to digital platforms for small screen entertainment consumption.*

## METHODOLOGY

This research has been conducted as exploratory research with a descriptive format. Information is based on both secondary and primary sources. Being an early stage of the industry, there are very few works in this industry that limit the paper to compare from a global overview. However, local respondents provided some impactful insights in the paper. Information is collected by conducting an online survey approached towards the users of any VOD platform in Dhaka city.

### *Population*

VOD service users belonging to the age group 23 to 34 who are considered as millennials living in the capital city of Bangladesh, Dhaka, are considered as population of the study. However, the survey aimed the university students, early careerists, and professionals for getting the insight directly from the users.

### *Sampling Frame*

Primary data collection is done with the purpose of understanding the user behavior of VOD platforms in Bangladesh. As exploratory research, the sample size is small and concentrated in Dhaka only.

### *Sample Size*

As the population is unknown, an estimation of population from the Bureau of Statistics is used to define the sample size with Cochran's sampling formula:  $n_0 = z^2 pq / e^2$

Where  $e$  = Confidence interval or margin of error,  $p$  = Estimated portion of the population which has the attribute in the question,  $q = 1-p$ . Thus  $n_0 = (1.96)^2 (0.50)(0.50) / (0.08)^2$  or 150.0625. For calculating the round figure, 150 persons who have been using VOD services located at Dhaka are considered as the sample size.

**Table 2: Number of Respondents Based on Occupation and Age group**

Occupational background	Number of respondents	Age groups	Number of respondents
Student	97	15-20	10
Service holder	39	21-34	130
Entrepreneur	7	35-49	7
Other	4	50+	0
Not answered	3	Not answered	3
<b>Total</b>	<b>150</b>	<b>Total</b>	<b>150</b>

### ***Questionnaire Design and Pretesting***

A questionnaire survey has been observed among the millennial members of Dhaka which hold has the most internet speed access and is center of educational institutions and business organizations. The questionnaire was made with the help of Google form and been provided on online platforms. The language used for the questionnaire is in English.

### ***Research Analysis***

Being an entry-level industry in Bangladesh, VOD service consumers have not been studied in an ample manner. This study is focused on evaluating the driving factors of such service user's experience on any on-demand digital platforms. This study has followed a descriptive method to analyze and interpret data with help of basics quantitative tools.

In order to collect secondary data, different sources such as websites of relevant services, academic journal articles from publishing websites (for instance, Google Scholar), newspaper articles, television news, etc. were used.

## **RESULTS AND FINDINGS**

### ***Insights Of Local VOD Culture: Is The Market Ready To Compete?***

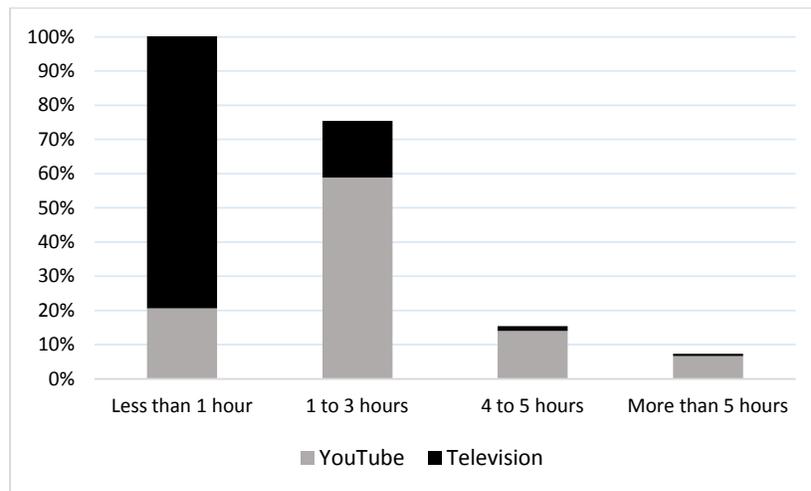
VOD platforms are on rising in the entertainment market of Bangladesh. The concept for local, as well as international VOD platforms, which they are trying to infuse in their consumers is how much value is offered compared to the traditional video-consumption services. The business ecosystem of VOD platforms is in its primary stage and it will take time to be considered as mainstream video entertainment business for these services. However, it can be said that Bangladesh has joined this global entertainment service trend at the right time and will continue to grow if guided right.

In Bangladesh, YouTube has changed the habit of consuming small screen video entertainment over internet. Today, most of the television channels have their own YouTube channel and continuously upload programs of TV channels right after broadcasting on the television. Dramas, telefilms, short films, news programs, talk shows, etc. uploaded by production house's channels or TV channels on YouTube are getting millions of views and earning a significant amount of profit.

For instance, one of the mainstream popular entertainment label 'Laser Vision' has eight individual channels on YouTube for different genres of works from the same company. Another music label 'G-Series' has more than 27 lakh subscribers on their YouTube channel and gets millions of views for popular music videos. A comparatively new label 'Eagle Music' has over 33 lakhs of subscribers and became a huge hit among local people in the past few years. These are not just numbers ensuring views for the uploaded contents over

YouTube, rather are examples of how local viewers have changed their habit of entertainment consumption and turned to YouTube. As a result, more consumers are getting interested in spending time on this platform cutting their television watching time. 80% of the survey respondents have expressed to spend less than one hour in front of TV set while spending 60% of the watch time on YouTube for one to two hours daily (figure 5).

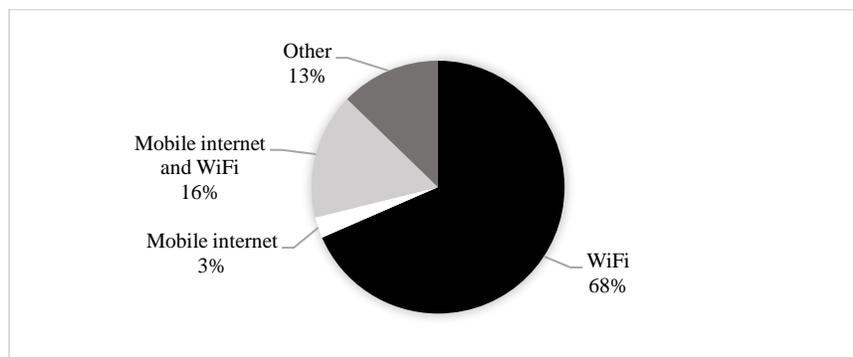
**Figure 5: YouTube Vs Television Watch Time per Day**



Source: Survey Data (2019)

Survey respondents shed light on the fact (figure 6) that they consume Wi-Fi internet data mostly for their video consumption which is highly available in the city areas of Bangladesh. Unless mobile internet data packages get cheaper or broadband internet gets penetrated in remote areas, spread of VOD services other than YouTube is less likely to be successful at a wider spectrum.

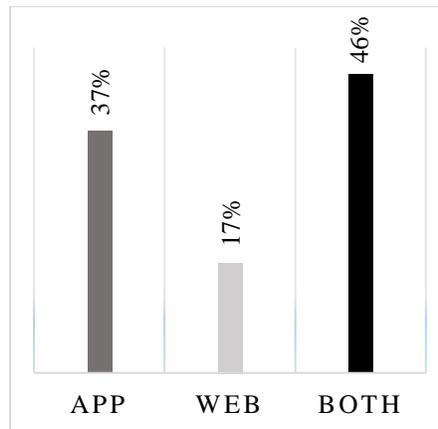
**Figure 6: Internet Services Used For Video Consumption**



Source: Survey Data (2019)

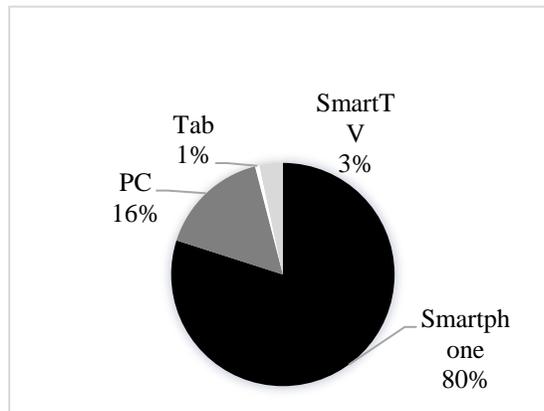
Most millennials are comfortable using apps as platforms of using such services considering that Netflix, iflix, Bioscope, etc. have a strong service support system in both website and application platforms (figure 7). Also, smartphone penetration has an impact to let the consumers have comfortable service experiences from these providers. 80% of respondents have been using smartphones to watch videos (figure 8), even though the platforms used for consumption is a blend of both apps and websites for 46% of the users (figure 7).

**Figure 7: Platform Used For Consumption**



Source: Survey Data (2019)

**Figure 8: Devices Used For Video Consumption**



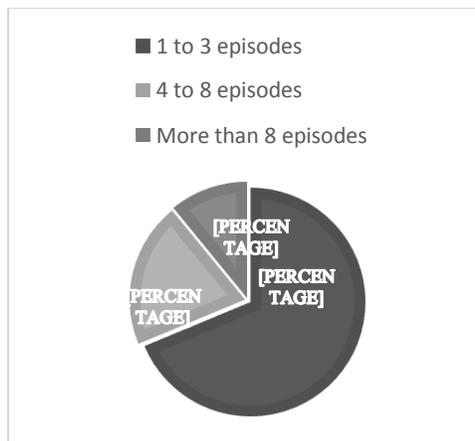
Source: Survey Data (2019)

With the availability of internet nationwide, citizens are incorporating internet-related services in their lives at a larger amount. Such services have been gaining popularity among users which allowed VOD platforms set a supportive

ecosystem of business in local industry. The basic requirements of internet and supporting devices were already in use. So, the population has started using VOD services more promptly than expected.

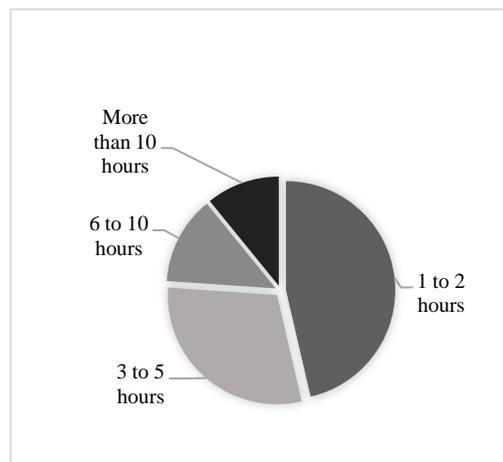
Among the respondents, 69% of the participants watch 1 to 3 episodes of a series or drama at one sitting while it can be more than 8 episodes watch time at stretch (termed as binge-watching) for 11% (figure 9). 46% of the participants spend at least one hour of their week on VOD platforms while 30% spend at least three hours (Figure 10). The general tendency of time spent on VOD platforms are quite similar to television watching time as millennials are incorporating digital video consumption in their daily lives as regularly.

**Figure 9: Binge-Watching Behavior of Viewers**



Source: Survey Data (2019)

**Figure 10: Hours Spend On VOD Platforms per Week**



Source: Survey Data (2019)

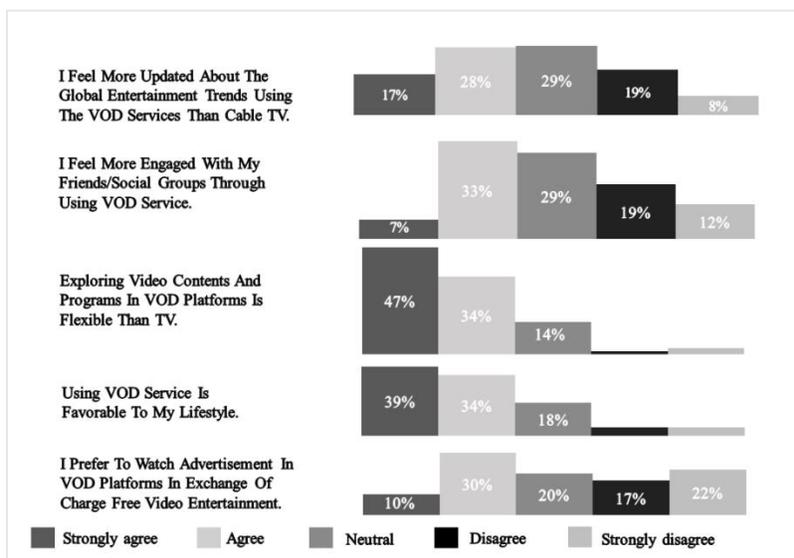
### ***Quality Over Quantity: Did Television Fail At Serving Quality?***

As of now, there are almost 28 satellite television channels operating in Bangladesh (BTRC, 2019). Still, if locals are satisfied with the programs delivered from this flamboyant amount of channels is a burning question. Quality of programs has been an issue for the past few years in Bangladesh which led locals to turn to television channels from neighboring countries for their daily entertainment needs (Razu et al., 2018). But young generation who are updated with global entertainment trends and standards are exposed to contents of global standards and greatest quality.

Another issue bothering the everyday TV audience is excessive advertisement interruption on programs. For millennials, time is precious considering the opportunity cost they have while watching TV. Thus, this unsatisfied pool of audience turned to internet tremendously for their unmet needs of entertainment. The respondents of the survey provided insight regarding their attitude towards television consumption nowadays. They are considering VOD as more close to global ties. They consider the money spent on VOD subscription is giving them flexibility, freedom from time constraints, and complementing their everyday lives. Two factors are critical here as they consider (figure 11):

- The money spent on VOD is worthy for the value received
- Even watching advertisements on VOD platforms is not as bothersome compared to TV advertisement breaks.

**Figure 7: Customers' Attitude after VOD Service Consumption**

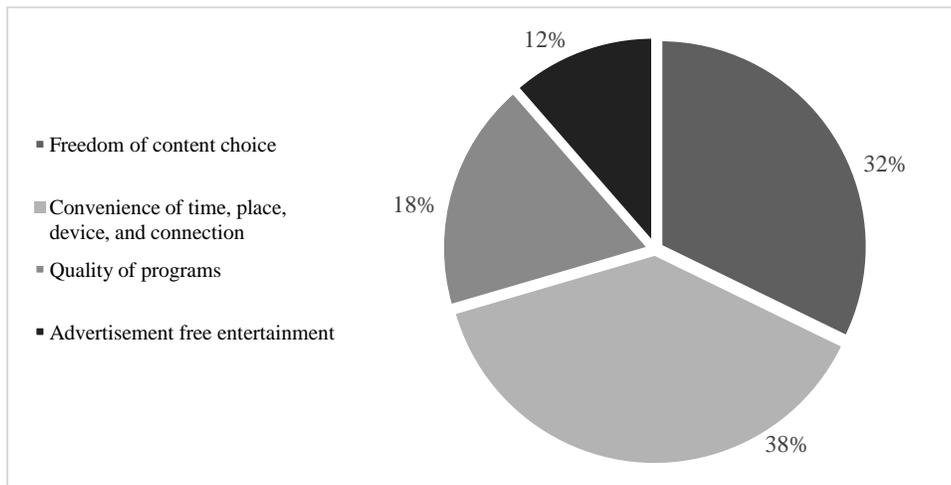


Source: Survey Data (2019)

Responses from the millennials of Dhaka is relatable to the global respondents. Nielsen's global report on 'Video on Demand: How worldwide viewing habits are changing in the evolving media landscape'(2016) also showed that global users consider convenience as a crucial factor that changed their consumption practice towards VOD. In Asia, 76% of consumers prefer VOD's time convenience feature compared to other entertainment sources, and this rate is more than 80% in Europe, Latin, and North America.

Survey respondents mention factors such as social media engagement, being updated with global entertainment trends, flexibility, complementing their lifestyle and considers advertisements less annoying as a result of the package of benefits they get (figure 12).

**Figure 8: Most Attractive Feature of VOD by Survey Respondents**



Source: Survey Data (2019)

Today millennials have lesser time to spend on pre-purchase research of any durable goods which has an impact on VOD subscription decisions too. They consider a simple value equation from their perspective and make a decision. As discussed previously, they find VOD subscriptions worthy of their money in exchange for the entertainment value they achieve.

***The Future Lies Ahead: Success Is Still To Come For Local VOD Platforms***

VOD industry might be on rising, but even from a global perspective, television industry would not experience abolition any sooner. Rather, researchers are predicting an ecosystem of balance between TV industry and digital video service platforms to create a harmony of service. Similarly, in Bangladesh, it is not possible to transform the full demand for video entertainment over internet platforms. Rural parts of the country are yet to be served by full force internet

service which gives limited room to grow for both local and international service providers. To set the entire nation ready for such service consumption would take time.

Another concern for any VOD platforms working in Bangladesh is the payment mechanism. International platforms require international transaction methods to pay for subscribed accounts. However, for local viewers, such international payment mechanism is complex and not all of them avail such banking services even if they have bank accounts. For local services, payment is mostly done through telecom partnership and recharge system. To reach audience at large, VOD platforms need to include local transaction systems especially mobile financial services in their mechanism. Bkash, Rocket, etc. services have gained great acceptance from every corner of the country. Thus, payment through such services would make potential audiences more attracted to the platforms.

## CONCLUSION

The discussion is based on secondary and primary data in an attempt to give shape to VOD industry trends in the context of Bangladesh has given an indication towards one common thing, the more relatable use of internet will be in daily lives of people, more acceptance these services will get in their lives. Supporting tools such as spread of internet-enabled devices, availability of internet with high speed and lesser cost in more locations, spread of internet banking or transaction, etc. will fuel consumption of such services in Bangladesh. However, one common obstruct in its way of growth is the payment method of subscription-based services. Mostly, international services require international transaction-based card payment or internet banking system which is yet not popular or available to every social class. Relevantly, if the payment method can be modified in simpler forms, even emerging and established middle-class members of the society would be encouraged to consume such services. For local platforms, there are many scopes to grow and they are showing great prosper. They need to study and understand the behavior of local consumers in order to serve the market better.

Similarly, television industry of Bangladesh should watch this market and understand signs on preparing for improvement in quality and comfort for viewers. They are the most threatened party in this ecosystem due to the growth of VOD services. If they maintain to provide poor content and overlook audience's expectation, millennials of today will not hesitate to cut cord giving value to their money.

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# INVESTIGATING ONLINE REAL ESTATE BUSINESS AND IT'S OPPORTUNITIES IN BANGLADESH

Rafiuddin Ahmed<sup>1</sup>  
Maria Sultana<sup>2</sup>

**Abstract:** *The study considers the perspectives of the people of Bangladesh specially the potential target group for this type of business and shows their opinions towards different factors related to online real estate business in Bangladesh. Before this study was undertaken, no study was conducted on the online real estate business in Bangladesh. It is hoped that the study would shed light on some issues i.e. opportunities and would be of some use to the practitioners, entrepreneurs who want to work on online real estate business as well as the traditional real estate companies.*

*Following the trend of performing daily activities through the internet, it is observed that there is a latent demand for online real estate business in Bangladesh. Due to the involvement of huge amounts of monetary transactions, people are showing more concern about the transparency and security issues which have to be ensured by the companies. All the qualitative analysis shows that proper segmentation and promotional activities to reach the target customer group can make this business idea successful in Bangladesh. Proper planning, management and control are must to be successful in this venture. Another fact is the traditional real estate companies can easily come in this new era's competition by making online presence along with their existing offline activities. As they already have the brand image, going online will add their multi presence which can help them to reach more customers. Finally, it is seen that online real estate business can fulfill the growing expectations of busy and technologically advanced people of Bangladesh who desire to have a swift and easy solution for renting house or office space, buying and selling properties by spending less time and effort.*

**Keywords:** *Online real estate business, Disruptive technology, Changing trends, Thematic analysis, Narrative analysis.*

## 1. INTRODUCTION

In today's fast evolving economy, everything is getting too simple and swift with the help of technological changes. Disruptive technological innovation is the prior thought of the people working for change. People are more comfortable

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<sup>1</sup> Associate Professor, Department of Marketing, Dhaka University, E: rafi.mkt@du.ac.bd

<sup>2</sup> Independent researcher and Graduate student, Dhaka University, E: mariasumim@gmail.com

now to do their work through online platforms. As a result, all the businesses are accepting the trend and trying to shift their business presence in online or staying both in online and offline. Following this trend, the real estate business is also getting a floor to go online. But going online is much more difficult for real estate businesses than the other businesses. Because real estate business procedure is little bit complex than the other businesses as it needs a huge amount of financial transaction as well as it's related with land and properties which usually has a lot of legal issues. On top of that, security issue is the top concern for both the businessman and the clients. So, there is a need for proper research regarding the requirements of introducing this new idea of online real estate business.

### **1.1 What is Online Real Estate Business?**

Usually online real estate business means buying, selling, renting or exchanging the property using the internet. Just like people nowadays can buy stuff online through "online shopping sites" they can also buy and sell property online. The sites that allow people to do such things are called real estate sites. These sites allow people to post requirements of their desired property and they can find people who are willing to buy their properties. Other than buying and selling there is also a concept used as "Real estate Agent". It is a way of performing duties that property dealers do. Besides being affiliated by a company, a person can register on property sites and can use the portal as a real estate agent and sometimes do affiliate marketing for that company. He can help buyers to get a property and help sellers to sell their property. He does work same as property dealers but staying online.

### **1.2 Background**

These types of business ideas are already expanding in various countries. Even in India, the neighboring country of Bangladesh, online real estate business has got proper acceptance of the clients as it is swift and saves their valuable time. So, following the global trend it can be assumed that in Bangladesh there is also a huge opportunity to establish online real estate business. But it is very new and highly disruptive in manner. For this reason, without knowing the perception of the Bangladeshi customers regarding online real estate business nothing can be said with assurance.

### **1.3 Problem Statement**

This research is done to know the *customers' opinion* about the online real estate business concept. This study tries to know their feelings towards online business, their concerns regarding safety and security and also their general opinions for completing *customer satisfaction* criteria to get the target customer base in Bangladesh which can be highly helpful for the future online real estate companies of Bangladesh.

#### **1.4 Research Question**

From the above problem statement, it can be said that this study tried to find out the answer of a question through conducting a research. That question can be stated as: “Is online real estate business emerging as the upcoming future of real estate industry of Bangladesh?”

#### **1.5 Purpose/ Objective/rationale of this research**

Bangladesh is a densely populated country and day by day the population is increasing very rapidly. As a result, people are facing housing problems. That's the reason why real estate business is getting popular here. People are taking help from different real estate companies for buying, selling and renting properties. But in the past, this target market was handled only by our traditional real estate business industry. But as now the trend is changing in all types of business activities where they are either transforming to online platforms or keeping multichannel which is a combination of both online and offline. As a result, there is emerging a change in customers' mindset regarding the online business concepts and their benefits or lacking. Depending on this they are also keeping any positive or negative attitudes for such kind of business trends.

The above things go for the customer acceptance for the new business idea of Online Real Estate Business idea. By keeping such scenarios in mind this research is conducted mainly to know the perception of the people of the new generation who are the probable target market of online real estate business companies. Here the study will try to explore the customers' outlook to the online real estate concept as well as opportunities of online real estate business in Bangladesh.

## **2. LITERATURE REVIEW**

Numerous studies have been conducted on the Real Estate sector all over the world. Many research papers have been published regarding the real estate business of Bangladesh and the neighboring countries of Bangladesh and customers' perception regarding this industry. Although enormous studies have been undertaken till now in Bangladesh, unfortunately almost all of the studies are conducted on characteristics of the Real Estate sector, problems and prospects, challenges and Real Estate financing. Most of the studies were conducted on *secondary data*. Most pivotal parts of any industry are the customers and the changing trend. So as the whole world is accepting online platforms for every type of business and getting a positive response from the customers, it is obvious that any industry like real estate business will also go through such type of changing trends. Already the concept of online real estate business has been introduced in many countries. But in Bangladesh still there is no adequate research on the perception of the people of Bangladesh about the concept of online real estate business and its benefits from their point of view. So, there is a scope of conducting research on the online real estate business and its opportunities in Bangladesh.

Extraordinary studies have been conducted on location and size preferences (Labib, et al., 2013); customer perception and expectation (Khaled, et al., 2012) and the dimensions of customer satisfactions and services (Preko, Agbanu and Feglo, 2014; Khaled, et al., 2012; Zadkarim and Emari, 2011a; Zadkarim, et al., 2011b; Leiser and Ghor, 2011; Lee, Chen, Huang, Chang and Udomjarumane, 2009). The studies on trends of the Real Estate sector in Bangladesh brought into some causes that act as catalysts for the booming of the Real Estate sector. The grounds for flourishing and dramatic changes in the Real Estate sector are urbanization, rising house rent, scarcity of land, high price of land, increasing the price of land, lack of public supports (Labib, et al., 2013) act as catalyst for real estate boom previously, hazards in land purchasing, high cost of land registration, re-structuring of households to single family units, and high price of building materials that have been occurred in the Real Estate industry and changed the attitudes of the people of Bangladesh (Bony and Rahman, 2014; Labib, et al., 2013; Khaled, et al., 2012; Dewri, et al., 2012; Leiser and Ghor, 2011). The researchers also showed now people of Bangladesh are interested to buy a ready apartment from the developers rather than purchase land for building their own houses (Khaled, et al., 2012; Mohiuddin, 2014). Mohiuddin (2014) carried out an outstanding study on the Real Estate business in Dhaka city: growth and contribution to the economy of Bangladesh. This study showed the current scenario of Real Estate business in Bangladesh, trends, contribution of this sector to GDP, urbanization growth rate and finally reasons for changing the attitude of Real Estate buyers. Bony and Rahman (2014) have performed a research on practice of Real Estate business in Bangladesh: prospects and problems of high-rise building. This paper identified some recent trends of the Real Estate sector like increasing the population growth and urbanization, increasing the number of city dwellers that has been influencing the growth of the Real Estate sector more rapidly. They showed these market factors have been changing the attitude of the Real Estate buyers and creating the opportunities for the industry. The study of Labib, Bhuiya and Rahaman (2013) has shown the Real Estate buyers' preferences for location and factors considering for buying an apartment. Secondly the study tried finding out the existing market conditions. This survey explored that the Real Estate sector is growing now. Due to urbanization, high population growth, the scarcity of open and vacant land, hazards in land purchasing, increasing the price of land (20 to 50 times in the last 15 years) lack of public support act as a catalyst for the Real Estate boom previously.

Khaled, Sultana, Biswas and Karan (2012) conducted surveys on customer perception and expectation. In this study they tried to identify the dimensions of customer perception and expectations and with the help of those dimensions they measured the customer perception about apartments in the Chittagong regions. Dewri, Amin, Sen and Faridi (2012) carried out a comprehensive study that covered a broad area of the Real Estate sector of Bangladesh. They have found the reasons for the increasing tendency of buying Real Estate apartments in

Dhaka city. Rapid increase in the population of the city, scarcity of unoccupied lands in important parts of the city, very high prices of land, hazards involving purchase of lands, profit motives of the land owners, increase of remittance inflows in that finance many purchases, restructuring of households to single family units are the recent changes in Real Estate industry that has been creating the sector more profitable. Barua, Mridha and Khan (2010) conducted a study on “Housing Real Estate sector in Bangladesh present status and policies implications”. In this paper they tried to depict the current picture and economic contribution of the Real Estate sector, growth rate, market structure, financing condition and future potentiality of the Real Estate sector in Bangladesh. Islam, M. T. (2009) conducted a thesis on “Real Estate market in Bangladesh: Development and current practice”. In this paper he tried to find out the comprehensive picture of the Real Estate market in Bangladesh. He showed the recent trends and the reasons for the booming of the Real Estate business in Dhaka (why did it happen?). Land scarcity, hazards in purchasing the land, population growth, urbanization and Migration, rent variation, hazards in construction building, lack of social security, public sector failure, increased population, complementary services, decrease in the bank interest rate etc. are act as a catalyst for booming the Real Estate industry in Bangladesh. Thus, all of these studies demonstrate the general situations of the traditional real estate business industry and some related other issues of traditional real estate business. But still no one has tried to find the customers’ perception towards the online real estate business in Bangladesh. So, there is a research gap regarding the opportunities of real estate businesses to go to the online platforms.

That’s why this current research attempts to find out the “Opportunities of online real estate business in Bangladesh.” This will give an insight towards the future of the real estate industry of Bangladesh as well as whether customers are ready for more companies like bproperty.com (an online real estate company of Bangladesh) or not.

### **3. RESEARCH DESIGN**

#### **3.1 Introduction**

Research methods can be classified in various ways. However, between the two types of research, there is a common distinction seen between qualitative and quantitative research methods. Quantitative research methods were originally developed in the natural sciences to study natural phenomena. Examples of quantitative methods now well accepted in the social sciences include survey methods, laboratory experiments, formal methods (e.g. econometrics) and numerical methods such as mathematical modeling. Qualitative research methods were developed in the social sciences to enable researchers to study market characteristics, social, cultural phenomena. Examples of qualitative methods are action research, case study research and Ethnography. Qualitative data sources include observation and participant observation (fieldwork), interviews and

questionnaires, documents and texts, and the researcher's impressions and reactions. For this study we adopted *qualitative research* and the motivation for doing qualitative research, as opposed to quantitative research, comes from the observation that, if there is one thing which distinguishes humans from the natural world, it is our ability to talk. It is argued that the goal of understanding a phenomenon from the point of view of the participants and its particular social and institutional context is largely lost when textual data are quantified. Although most researchers do either quantitative or qualitative research work, some researchers have suggested combining one or more research methods in the one study – which can be termed as triangulation.

### **3.2 Choice of research method**

The choice of research method grows out of and is matched to the aims and focus of the research project. If a research project is set to measure a wide range of phenomena, patterns or behavior, the appropriate method is quantitative; while if it is set to explore and investigate in depth a phenomenon, behavior or area, the appropriate research method is qualitative. Qualitative research involves the collection and interpretation of data that are not easily reduced to numbers. Quantitative research on the contrary concerns data that can be reduced to and expressed in numbers.

Qualitative research is suited to exploratory projects, is concerned with individualized *experiences* and gives priority to depth of *investigation*, while quantitative research is suited to measuring phenomena, is interested in noting frequencies or distribution of patterns and gives priority to breadth of investigation. The choice between methods is thus determined by a discovery versus measurement distinction in the aim of the research projects and a depth versus breadth selection in their priorities, for qualitative and quantitative research respectively.

The aim of this research project is to find out the perception of the people of Bangladesh towards the concept of online real estate business. As this concept is very new to us that's why qualitative research is used to explore the thoughts, knowledge and attitude of Bangladeshi people. In this study all the ideas are loosely defined to get insight about the acceptance, rejection or confusion to use this platform which will provide primary as well as necessary information for further research purpose.

### **3.3 Choice of method of data collection**

Qualitative data sources include observation and participant observation (fieldwork), interviews and questionnaires, documents and texts, and the researcher's impressions and reactions.

Among these different types two basic types of sources were used for data collection. They are Questionnaires and Personal interviews.

**3.3 (a) Survey method:** To make questionnaires both close and open-ended questions were used. Because it is known that only open-ended questions may have some lacking to extract more specific information in a short period of time. For example- If respondents are not adequately literate, or if they don't find writing or typing a comfortable way of expressing themselves, the answers may be very minimal and may not give the necessary or expected insight. Considering these types of concern all the questions were not kept as open ended. Though the questions were close ended the answer section included all the probable answers that the respondents can give.

So, the scope of flexibility was not restricted at all. Rather it helped the respondents to answer the exact answer more swiftly and they were able to keep going to respond without any hesitation or boredom. It was very easy and fun to them so they could fill up the survey form with spontaneity. Two forms of close ended questions which were identified by the researchers: Specific Closed Ended Questions, where respondents are offered choice answers, and Implicit Closed Ended Questions, which include assumptions about the answers that can be provided by respondents. Among these two, implicit close ended questions seemed appropriate to gather the insight about respondents' perception about such a new and emerging industry. So, a questionnaire having 15 questions was designed to get the opinions of the target customers of an online real estate business to do the survey. The questionnaire contained 13 close ended questions and 2 open ended questions. Close ended questions had all the possible options that were the probable answers of the respondents and the open-ended questions were used to know their workplace and their personal comments in regard to the opportunities of online real estate business in Bangladesh.

**3.3 (b) Personal interviews:** The research interview is a purposeful conversation between two or more people, requiring the interviewer to establish rapport, to ask concise and unambiguous questions, to which the interviewee is willing to respond and listen attentively. There are 3 types of research interviews. They are structured interviews, semi-structured interviews, and unstructured interviews. Structured interviews use questionnaires based on a predetermined and standardized identical set of questions. In semi-structured interviews the researcher will have a list of themes and possibly some key questions to be covered. In unstructured interviews are informal conversations about a particular topic. As this research is exploratory in nature which is trying to explore such a new phenomenon like the online real estate industry that's why both semi-structured and unstructured interviews are applicable. The purpose of this research is to find out the opportunities of online real estate business that's why some semi-structured research interviews were taken to get target markets' insight.

### **3.4 Size and selection of sample**

Convenience and judgmental sampling methods were used. This study was designed to find out the perceptions of the students who are going to graduate soon because people of this age are the main target group for online real estate business in Bangladesh. So, the main respondents for the research were the students who are from different well-known public and private universities of Bangladesh. There were some professionals also who are the current target markets for traditional real estate business and tried to find out what they expect in future. Data were also collected from personnel having social media connections with the author representing the target age group who are considered to be clients of the online real estate business in Bangladesh.

A total of 300 respondents were contacted by email and 2 social media sites (LinkedIn, Facebook) where some of the respondents didn't participate in the survey. There were 66.1% male respondents and 33.9% female respondents. 15 responses were obtained directly. Hence, a total of 224 responses were obtained out of 315 questionnaires, with an effective return rate of 71.11%.

## **4. METHODOLOGY**

Data that were collected through a survey questionnaire will be presented and discussed through graphical presentation. Through this broad discussion where data will be presented in percentage and it can give ideas about 3 aspects. Those are:

1. Customers' perception towards existing online business in Bangladesh,
2. Their knowledge about online real estate,
3. Their preferred service from online real estate business companies.

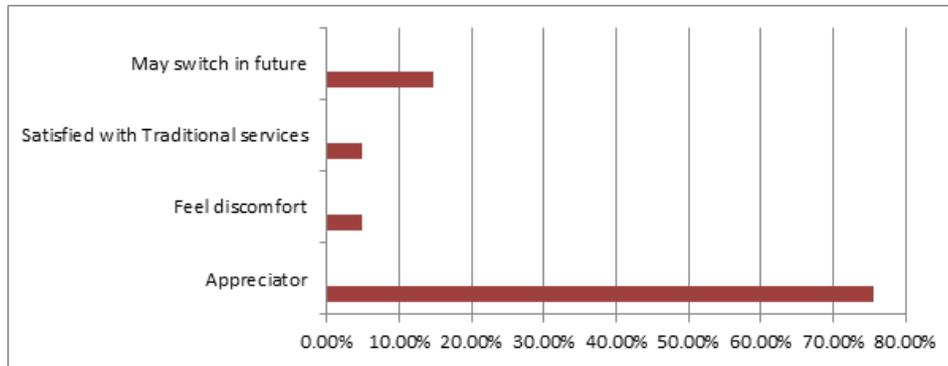
There was an open-ended question regarding customers' personal opinion which will go through thematic content analysis to find out the common theme or codes. Then the interviews will be analyzed using the narrative analysis.

## **5. RESULTS AND FINDINGS**

### **5.1 Customers' perception towards existing online Business in Bangladesh**

To know their perception 2 questions were asked. The first question was related to the concept of whether the internet has made their life easy and comfortable or not. Among 224 responses 30.2% respondents strongly agreed that yes the internet has made their life easy and comfortable, 56.9% agreed, 6.7% were neutral in this statement, 0.9% disagreed and 5.6% strongly disagreed.

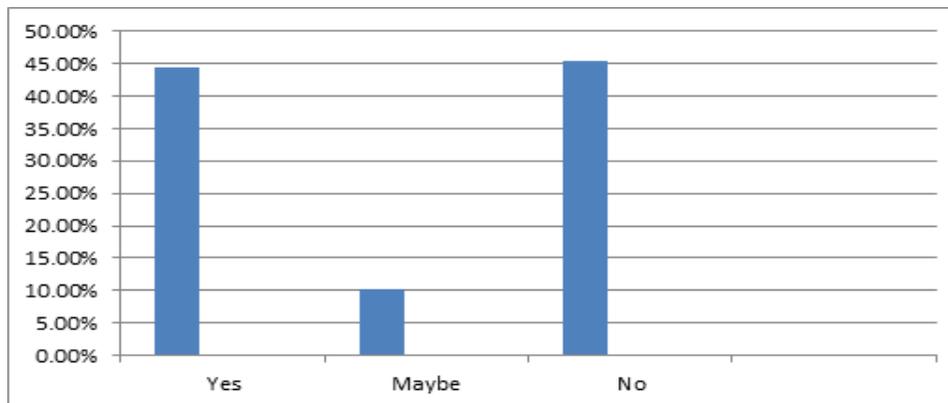
The second question was made to know what they think about different existing online businesses like Uber, Pathao, Food panda, Daraz which are very popular online businesses in Bangladesh now.

**Figure 1: Thought about different existing online businesses**

From the chart that we have got from the survey, the majority (75.6%) of the total sample highly appreciate different types of online business ideas. There is a good portion who is considering to switch from offline to online in near future. There is a small portion who are actually satisfied with the traditional service or they feel discomfort to shift in online platforms. Overall, we can see that majority of our target group appreciates online business ideas.

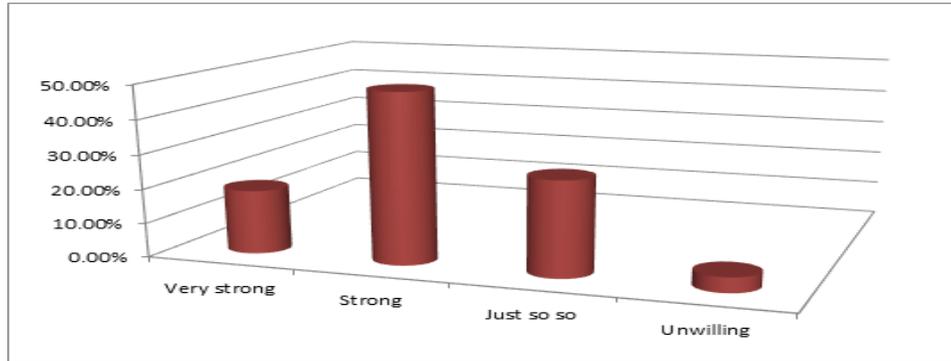
### 5.2 Familiarity with online real estate business concepts

For understanding whether the customers are familiar with the new real estate business concepts or not, we tried to visualize their familiarity and willingness about online real estate business.

**Figure 2: Familiarity with online real estate business**

When the respondents were asked if they were familiar with the online real estate business concept, there were 54.5% people who were clear that they have heard about such concepts or bit confused that they heard something like this. The other 45.5% said that they never heard of such business concept. So, it seems like there is a huge segment that is still unfamiliar with this concept.

**Figure 3: Willingness to get services from online real estate companies in future**

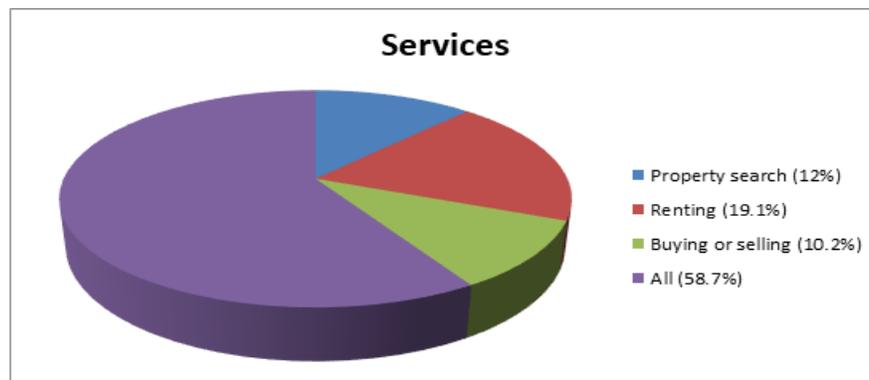


Another question of the survey showed that, though there is still a huge amount of people who are still unfamiliar with online real estate business idea and existence in Bangladesh, most of the respondents have a strong willingness to get such kind of services in future. We can address this as a positive attitude towards the online real estate business concept.

### 5.3 Preferences in getting services from online real estate business

We wanted to find out which service is most important for the customers among the 3 main services of online real estate businesses (property search, renting, buying or selling property).

**Figure 4: Preferred services of the customers**

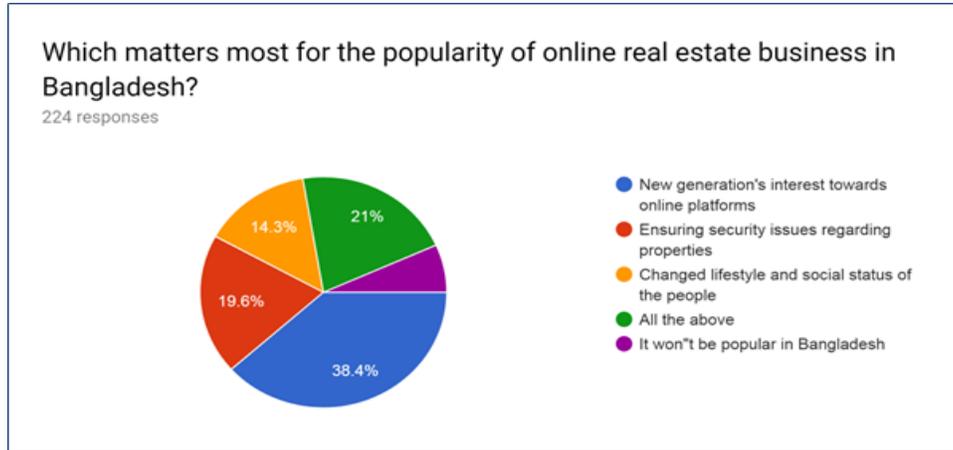


It is noticed that the majority of the respondents want to take all the 3 services but more specifically the renting service for house or office space.

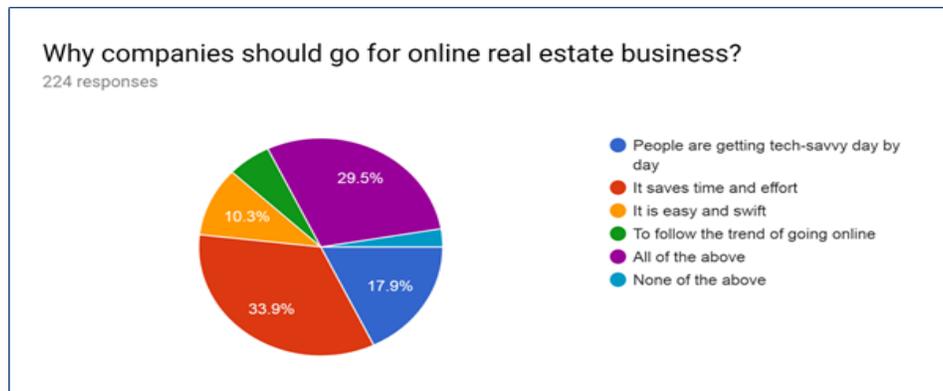
### 5.4 Opportunities and barriers related to the Online Real Estate Business in Bangladesh

The below graphical representations clear the aspects related to opportunities and barriers to this new business concept.

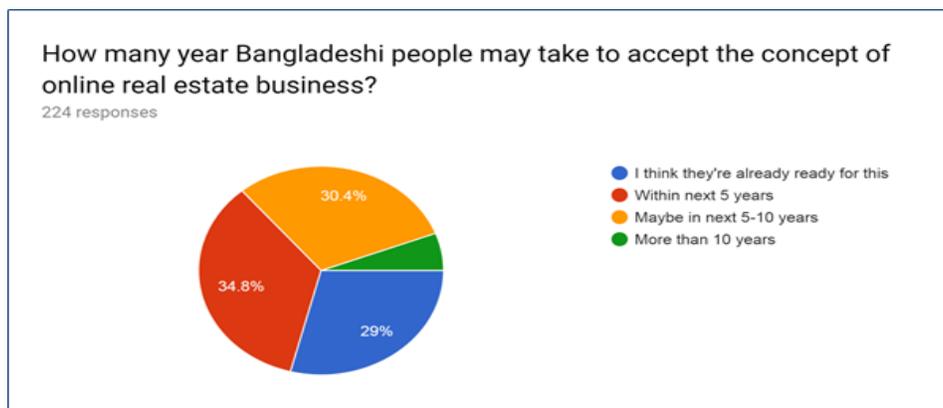
**Figure 5: Factors helping the concepts of online real estate business**



**Figure 6: Reasons why traditional companies should go online**



**Figure 7: Time assumption for successful online real estate industry**



So, it can be derived by observing the percentage of respondents' opinion that new generation's interest towards online platforms will drive them to take services from online real estate business and the main influencer for this will be the ability of saving time and effort by taking services from such new emerging companies. Another opinion was very insightful that they were predicting that the business will be very well known within the next 5 years as most of the people have a latent demand for such types of services.

### 5.5 Findings of Thematic analysis

Thematic analysis is usually applied to a set of texts. The researcher closely examines the data to identify common themes- topics, ideas, and patterns of meaning that come up repeatedly. That's why this analysis was used to analyze the opinion of the respondents about the idea of online real estate business in Bangladesh which was taken through an open-ended question of the survey questionnaire.

The themes were generated through a 6 steps process which includes:

1. Familiarization,
2. Coding,
3. Generating themes,
4. Reviewing themes,
5. Defining and naming themes and at last
6. Writing up

By following the procedure, after the 5<sup>th</sup> step which is defining and naming themes, 15 common themes were found among all the respondents' opinion. They are listed in the below table:

Themes	Percentage
1. Can save time and make life easy	20.87%
2. Challenging idea	3.29%
3. Proper handling of security and property related issues	12.08%
4. Will flourish in near future	7.69%
5. Good business idea	19.78%
6. People of Bangladesh are not fully ready	2.19%
7. The concept needs time to spread here	4.39%
8. Matches with new generations' preference	7.69%
9. Fraudulent activities may occur	6.59%
10. Should have both offline and online existence	1.09%
11. Good for property related information searching	2.19%
12. There may be a gap in information flow and transparency	5.49%

Themes	Percentage
13. Seems expensive	1.09%
14. Should take steps to make the people familiar through advertisement	2.19%
15. Entrepreneurs of this sector can follow India and other developed countries	3.29%

So, from this percentage and themes it can be clearly said that 5 common themes are

1. Online real estate business can save our time and can make our life easy.
2. Security and authentication of the property is the major concern for them.
3. They are expecting that such types of business will flourish in the near future.
4. They have a positive attitude towards this business idea.
5. They think such business concepts match with new generations' interest or preference as this is a digital age.

### 5.6 Findings of Narrative analysis

Narrative analysis is often defined as content analysis. Narrative data may come in various forms and from various sources. So, it refers to a cluster of analytic methods for interpreting texts. This analysis was used after doing interview transcription to analyze the interviews which were taken to have insight about different areas of online real estate business opportunities in Bangladesh. The interview was a semi structured research interview that's why 6 online real estate business-related open-ended questions were discussed with the interviewee and their opinions were documented for conducting narrative analysis.

**Interviewee 1:** The first interviewee was a female. She totally agreed that the Internet has an indispensable effect on our both personal and professional life. She added that in today's world we cannot even consider a single day without using the internet. From morning to night, we are taking facilities from the internet. Such as using google maps, calling uber or communicating with office staff through mail. In this way the internet has different varieties of usage in her life.

In reply to the questions related to the feelings as a customer towards online businesses, she said that nowadays online business is a growing business sector. Though she is not fond of it, this sector is enhancing their activities day by day. She insisted to the point that online business policy should be trustworthy and customer friendly. Customers need to feel satisfied when they buy products from online. She asserted on the point that as online platforms save time so definitely this sector will enjoy positive opportunities in future.

After this discussion she confirmed that she already heard about a few of online real estate companies' names that are working as third parties or agents and have a good image. She likes these types of companies as they are playing an important role to choose the best property on behalf of their customers. People can easily contact them and they offer so many options. So, they make it easy for everyone to choose the suitable one.

She also said that she would love to take their service to save her time as she is a working woman and has to perform a lot of tasks every day. As they have multiple services so she can take her desired service to save her time.

When she was asked what can be the probable reason for shifting from traditional to online platforms of the existing traditional industry, she mentioned our changing behavior and interest may influence the traditional business owner to do business online and grab more customers.

At the end of the discussion she mentioned fraudulent activities as barriers. She said people can be cheated by fraud people as it seems difficult to verify the authentication of any property. She showed a great concern for the high price also because she thinks there will be high involvement of agent people.

**Interviewee 2:** The second interviewee said the internet provides him useful data, information and knowledge for personal, social and economic development and it enables him to utilize his time on it in a productive manner.

He added that when he thinks about online business as a customer his mindset goes into more of a skeptical mode where convincing himself about the validity of the offer, product quality and financial transaction related factors becomes very sensitive criteria in his overall evaluation but there is also the convenience and save of efforts and energy plays a persuasive role.

Through discussing more, it was derived that he heard about online real estate business but yet to have a clear understanding how it works as it's still not that much popular in Bangladesh. He holds a mixed perspective as in one way it will save time and effort but on the other side of stick, when it comes to dealing with so much money he won't want to rely on online transactions (financial & functional) that much.

After that he said the reason for gaining popularity of such business can be its ability to save energy, time and effort as today most of the people with that caliber to take such service might have to maintain a strict schedule so time is money for them and such business provides the absolute solution for them. To expand their potential market and consumer reach, the traditional real estate business should adopt an online platform. He added nowadays people want to deal with simple solutions of some random queries to complex and expensive purchase decisions on the basis of and in online so it's logical to expand or transform their business here for more consumer exposure.

On the discussion of the barriers he expressed that intangibility, nature of the product, amount of the money it deals with will create uncertainty in the minds of the consumers and the traditional practice will also take time to be replaced with it.

**Interviewee 3:** He said without internet he can't even think of a single day so internet is very much helpful to him. He feels good about buying from different online business and new types of online business concepts have a good future. Then he said he has heard about online real estate business but don't have proper idea about it. He added that mass people are yet to know about the idea. He predicts that if online real estate companies are coming in future, the traditional real estate companies should also take steps to match with the new competitors.

At the end he mentioned unfamiliarity of mass people with such business will pose problems to reach the potential market.

**Interviewee 4:** At the starting part of the discussion he said internet is helping him in many ways like- communication, sharing document for office. Showing concern for different online business activities he said that online business doesn't have policy presently. So, it must have policy, government registration and license. While talking about online real estate business in Bangladesh he said the idea is appreciable provided it has license and proper visibility. He will take services from these companies if have clear policy and government approval.

Though he has a lot of doubt about their proper service and commitment he predicted that this business has a good future if they are loyal, honest and committed. Here the main barriers he considers the inability of providing all the information, site visiting and keeping good communication with the customers.

From the views of the customers the results can be summarized in 3 main aspects.

**Firstly,** such type of new companies can save time of the customers as now people don't have much time to go to search for a home to buy or hire on rent, for them these property portals and listing sites are a boon. They can simply login to these portals and search for properties as per their needs.

**Secondly,** it is considered as a faster means of searching a property. Within few minutes one can have a look at countless properties and also the deals are quicker. These companies will give the customers wider reach also. They can gather information about properties in any part of Bangladesh just by sitting on their PC or scrolling their smart phone's screen.

**Thirdly,** Simultaneous online and offline presence and service seems more credible to the customers.

## **6. CONCLUSION & RECOMMENDATION**

### **6.1 Conclusion**

The Internet has massively changed the lifestyle of the people of Bangladesh. So, we are always looking forward to different online platforms which can make our work swift and effective. Following this trend, it is observed that there is a latent demand for online real estate business in Bangladesh. As the transaction amount of money will be more than the existing online businesses here so people are showing more concern about the transparency and security issues.

Proper segmentation and promotional activities to reach the target customer group can make this business idea successful in this country. Proper planning, management and control are must to be successful in this venture. Another fact is the traditional real estate companies can easily come in this new era's competition by making online presence along with their existing offline activities. As they already have the brand image, going online will add their multi presence which can help them to reach more customers.

### **6.2 Recommendation**

On the basis of present study some recommendations for future entrepreneurs in online real estate sector are drawn as follow:

- They should maintain both online and offline presence.
- Security and property related issues should be handled properly.
- Companies have to build trust by ensuring legal safety.
- Highly interactive options should be made sure.
- Transaction procedures should have acceptable legal proof and transparency.
- Have to make the concept clear among the mass people because many people of this country don't know about what online real estate business is and how to get services from these companies.
- The existing traditional real estate companies can also add an online profile by creating websites, hiring a professional SEO expert, employing virtual staging and using good photographers, even drone photography of their properties.
- Need extensive promotion on television and social media platforms to make people aware of the existence of such a new service provider.
- The companies have to follow omni channel strategy which is a cross-channel content strategy that organizations use to improve their user experience. Rather than working in parallel, communication channels and their supporting resources will be designed and orchestrated to cooperate.

## 7. LIMITATION AND CAVEATS

All the research projects have limitations caused by time, budget and other organizational constraints. So, while conducting this research there were also some constraints of time. For the budget, there was no choice for getting financial aid. So, all the costs of data collection through survey questionnaires and conducting meetings for personal interviews were managed personally. Yet passion and dedication for exploring such a new idea motivated to work hard and complete the research on time.

In this research the aspects related to online real estate business opportunities in Bangladesh we described from the view of the Bangladeshi customers who are the potential market for such a new industry. The findings will be very helpful to the entrepreneurs of this industry. As, it is a qualitative research so further conclusive research is possible by using the findings of this research project. Another fact is, in this research no relationship among the variables were measured. So, to speak in a more precise way a causal research is possible to conduct.

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## INFLUENCE OF VALUE DIMENSIONS ON GENERATION Z'S PURCHASE INTENTION OF SMARTPHONE

Md. Shahidur Rahman Khan<sup>1</sup>  
Mohammad Anwar Hossain<sup>2</sup>

***Abstract:** The purchasing intention of smartphone often varies according to the value dimensions. The Generation Z's purchasing intention towards smartphone shows different results than its previous generation because of having different levels of value dimensions. With the prevailing condition uncertainty arises to understand the actual purchasing intention of users. The prospective theory follows a methodological approach to determine the value dimensions and recognize the impact on purchase intention. Since the consideration of a generation can be changed by the socio - demographic environment of an area, three regions have been surveyed which are Dhaka, Rajshahi and Chattagram. Stratified Random Sampling (SRS) technique was used to identify a sample of 385 respondents. Multiple regression analysis has been conducted for the purpose of the analysis. The findings of the research confirm the prospect theory, and suggest that conformance quality, technical features, style and design are the valuable measures for identifying the purchase intention towards smartphone.*

***Keywords:** Gen Z, Intention, Style, Design, Quality, Smartphone.*

### INTRODUCTION

In a techno driven society smartphone shares the work of the PCs and a ton of things has been imaginable with this little handheld gadget. There has a variation in purchasing intention of a smartphone, which can be understood by following a generative approach and providing a specific value dimension. Each of the generations has required a unique dimension of values according to their expectations, knowledge, lifestyles and demographics that controls their buying behaviours (Williams and Page, 2011).

It is required to identify the generational characteristics of a group when you set them as a target group because the fate of a product depends upon the characteristics and behaviour of a generation. Thus, it becomes easier to build relationship, gain trust and secure business with that specific generation (Himmel, 2008). This study considers that consumer buying behaviours have

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<sup>1</sup> Assistant Professor, Department of Business Administration, Royal University of Dhaka

<sup>2</sup> Associate Professor, Department of Marketing, University of Dhaka

been shaped by generations and tries to conduct a comprehensive study to understand the influence of value dimensions on Generation Z's (Gen Z's) purchase intention towards smartphone for three reasons. Firstly, Gen Z as a new target market of the companies, consists of consumers whose consumption level is as much as higher for special consideration and study (Ariker and Toskoy, 2017). Secondly, Gen Z is the last generation of a century where information, communication and technology achieve the optimum degree of growth (Bascha, 2011; Tulgan and Rain Maker Inc., 2013). There have a lot of new things at the tilt of their prerequisites. Finally, such analysis is practically significant for marketers who target the new generation as a useful market for their technology-based products and services.

Considering the Gen Z's purchase intention towards smartphone as the dependent variable, a multiple regression analysis was conducted with nine independent variables (predictors) to test the hypothesis and to find out the meaning, and influential variables along with their point of influences that form the Gen Z's purchase intention towards smartphone.

**Table 1**, represents that Gen Z is from different generational cohorts and it has different experiences and nature in comparison with their previous Millennial Generation.

**Table 1: Difference between Generation Y (Millennial) and Gen Z (Adapted)**

Generation Y (Birth Year 1980-2000)	Gen Z (Birth Year 1995- 2010)
Otherwise called the 'Millennial Generation', they were raised by the late Baby Boomers.	Otherwise called 'Computerized Natives', they are being raised by Generation X.
Born in a world marked by increasing inter-regional and inter-community conflicts.	Naturally introduced in a world facing difficulties, for example, oppression based on fear and ecological concerns.
Give emerging computerized innovations such as instant email correspondence and information content (SMS).	The widespread use of electronic devices and advanced advances such as the Internet and long-range interpersonal communication destinations is a reality.
Characterized as optimistic, comfortable with technology, conscious style and faithful to the brand.	Described as technically competent, fully associated (in the virtual world), adaptable, intelligent and tolerant of different companies.

Source: Adapted from Grail Research (2011, p. 3)

## **LITERATURE REVIEW**

A literature review is a basic section of any scientific study as it decides the background for conducting an examination. Likewise, to set the foundation of conducting present examination different literature pertaining to generational consumer's purchase intention and relevant value dimensions to be consulted and accordingly presented in the following sub-sections.

### **Generational Study on Gen Z**

This is necessary to identify the new generational cohort because life paths of generational members are different but comparable in a given period of time (Ordun, 2015). Gen Z, born after the critical end of the cold war and exposed to the new era of engagement. Gen Z is facing global terrorism, the consequences of 9/11, school violence, economic uncertainty, recession and the mortgage crisis (Williams and Page, 2011). They grew with the social web where they became technology and digitization oriented as they referred as Generation I, Gen Tech, Digital Natives, Gen Wii etc. (Singh and Dangmei, 2016). According to Williams and Page (2011), this study believes that Gen Z is born after 1994.

### **Theory of Consumer Value (TVC)**

There have five dimensions of consumer values: Functional value (abilities to perform a product's functional, utilitarian and physical purposes), conditional value (choices are contingent on the situation or set of circumstances faced by the consumers), social value (social image the consumer wishes to project), emotional value (various affective states which can be positive) and epistemic value (desire for knowledge) (Sheth et al, 1991; Sánchez-Fernández and Iniesta-Bonillo, 2007). The theory focuses on consumption values, explaining why consumers choose to buy or not buy (or to use or not use) a specific product, why consumers choose one product type over another, and why consumers choose one brand over another. The theory is applied to choices involving a full range of product types (consumer nondurables, consumer durables, industrial goods and services). There have three fundamental propositions: (1) consumer choice is a task of several consumption values; (2) the values make a degree of difference contributions on the choice condition, and (3) the values are sovereign of each other. All or any of the consumption values can influence a decision. The effects of these perceived values create an intention to purchase the products (Yu and Lee, 2019)

### **Value Dimensions on Generation Z's Purchase Intention towards Smartphone: An Overview**

The smartphone is defined by Cassavoy (2012) as a device which is enabling the user to make phone calls as well as use of some features. This smart device is allowing the user to perform some actions which were impossible in the past,

such as sending and receiving e-mails, and amending an office document. Moreover, the smartphone has become a psychological tool that can extend the conscious mind in a way which is distributing thoughts and memories, exchanging information and ideas, and fortifying the personal relationships (Chou and Ting, 2003). This consciousness is an internal state of human being and inherent leading structures of human awareness. However, the level of consciousness works on evaluation of products/brands in terms of attributes and benefits. Gen Z has followed these stages of buying decision process with distinctive impact and develops a generational variation in purchase intent. Gen Z has never lived in a world without a smart phone or an iPad, they expect not to lose all these gadgets when going to the office (Singh and Dangmei, 2016). They can access and evaluate a lot of information to develop their intention, attitude and decision. The customer has different tastes, needs, inspiration and lifestyle when buying an item (Chisnall, 1985). The smartphone needs a durable battery, twist speed handling, perfectly clear showcase, incredible camera, NFC (Near Field Communications), different windows, a lot of extra room and Infrared remote control (The USA Today, 2013). It might be conceivable to impart and convey benefits with these properties.

### **The Need of Functional Value**

Quality can be considered as a standard of measure against other similar sort of thing which causes a direct influence on product and service performance. Execution nature of the product is to play out its capacities and Conformance quality is the opportunity from deformities and consistency in conveying the objective dimension of execution (Kotler and Armstrong, 2010). Meaning of quality cannot be specified without a specific function and/or object. A serious quality to one can be bad quality to another one as it depends upon personal need and/or demand. According to a report from The Guardian (2017), the best smartphone camera for one client may not be the best for another; it is required to consider what you need to shoot, and pick the cell phone that best addresses your issues. In a CNBC report (2018), customers want to buy smartphones with quality elements. A new generation has a concern for quality. They are looking for a longer battery, a more durable device, better voice recognition and more security. (The Forbes, 2013). Here, it is necessary to identify the level and continuity of quality to get the actual result. This may consider smartphone's sound, picture clarity, colour, and communicability as performance quality and meeting up specifications of the smartphone in terms of established standards may consider as conformance quality.

People may be expected to pay less for a nice new smartphone, what they did for their shabby old device. The customer needs the best quality items at a reasonable cost, which he can support financially (Peng and Wang, 2006). This study considers that low cost of getting the phone provides customers more for their money and confirm economic benefit.

### **Generation of Epistemic Value**

The new features are the combinations of facial recognition and tilt, scroll without touching the screen and smart pause (The Forbes, 2013). Moreover, interface technologies are already well developed and it can be a strong drive toward larger integration of voice in devices and apps. The familiar user - interface is another issue which intends the students to use the same brands over and over regardless of the model (Karjaluoto et al., 2005).

Fuertes (2017) stated that, equipping versatile devices with artificial intelligence technology is perhaps a remarkable choice among the most ideal means for portable manufacturers to capture a huge after and sustain the intrigue of their customers. Facial ID, virtual assistance, fingerprint sensor, waterproofing casing, wireless charging, sensor, squeezable edges and camera with portrait lighting mode might be technological innovations in this respect ideally of these new generations. According to Danneels and Kleischmidt (2001), the effects of product innovation must be considered from the consumer's point of view and their perception of the quality of new products and their intention to buy new products should be measured.

### **Interpretation of Social Value**

Social influence means that a person causes an intentional or involuntary change in their feelings, attitudes, thoughts and behaviours (Rashotte, 2007). Verkasalo (2010) states that social influences create impression to use a new system. Gen Z is linked up with different social media, and may be assessed this information in decision makings. As a result, many experts have found that social impacts involve fundamental work when buyers decide on the purchase choice (Mourali et al., 2007). Correspondingly, Verkasalo (2010) proposes that the social norm influence the expectation of using a smartphone.

### **Integration of Aesthetic Value**

The style describes the appearance of the product for the buyer and a well-designed product is pleasant to look at and easy to open, install, use, repair and eliminate (Kotler, 2003). That is, style is related to the physical design aspect and design is related to the origin. Munro (1946) portrays the style as a mixture of qualities or attributes that will be repeated in various gems. Changes in style have become increasingly unpredictable over time, which suggest that firms should rethink their organizational setups so as to cope with the increasing uncertainty (Chan et al., 2016). Strong style does not always mean high performance, but it creates distinctiveness (Kotler, 2003).

According to Schmitt and Simson (2002), the most important components of the smartphone plan are shading, presentation, shape, profile-based methodology, camera and hardware. A study identified the younger generations who changed

phones to get a smaller model, where some of them said that the phone should not be too small (Karjaluo et al., 2005). Liu (2002) for example overviewed Asian cell phone clients and found that the size of the phone had no effect on the decision of the smartphone, but this result can be explained by the fact that all competing brands have a very similar size.

### Identifications of Independent Variables

Understanding the behaviour of Millenary buyers, their purchasing preferences and perception cards associated with brand devotion, Ordun (2015) chose 13 traits which are: value, pattern, reliability, glory, brand, fit, quality, proposal, notice, feel, accessibility, assortment and administration. In line with Kotler and Armstrong (2010), this study will evaluate quality, technological variables (technical features and innovative technology) and differentiating variables (style and design) with other variables (**Figure 1**). Price and social values are used in the model of Leo et al., 2005 and Rahim et al., 2016 in the studies of understanding the purchasing intention of a smartphone. All these variables are reconstructed by Parvin (2015 & 2016) in her consumer value research under the taxonomies of functional value, epistemic value, social and aesthetic value. **Table 2** presents a summary of the literature review for identifying the independent variables for explaining the factors influencing the purchase intention of a smartphone. In this table, the first column indicates the title of the factors. The second and the third columns show the variables used in those studies and names of the respective author(s) with year of publication. Overall, the variables selected for this study include performance quality, conformance quality, price, technical feature, innovation, acceptable feeling, social approval, style and design.

**Table 2: Literature Review for Identifying the Independent Variables**

Title of the Value Dimensions	Selected Independent Variables	Studies (Sources)
Functional Value	Performance quality, conformance quality, price	Hardie and Walsh, (1994); Gravin (1987); Harish and Rajkumar (2011)
Epistemic Value	Technical features, innovation	Sujata, Yatin, Abhijit, Noopur and Ruchi (2016); Arif, Ahmed and Farrukh (2015)
Social Value	Acceptable feeling, social approval	Thompson and Hickey (2005); Singh (2014); and Premkumar, 2004
Aesthetic Value	Style, design	Rahim, Safin, Kheng, Abas and Ali (2016)

The previous discussion relating to Generational Study on Generation Z, Theory of Consumer Value, Value Dimensions on Generation Z's Purchase Intention towards Smartphone, Need of Functional Value, Generation of Epistemic Value, Interpretation of Social Value, Integration of Aesthetic Value and Identification of Independent Variables sets the context examination as intended in this study. The following section will lead towards the study objectives, research questions and hypothesis development, methodology, results, discussion, conclusions and implications, and limitations.

### **OBJECTIVES**

The broad objective of the study is to assess value dimensions to identify the purchase intention towards smartphone from the Gen Z's perspective, wherein the specific objectives are as follows:

1. To identify the value dimensions through which Gen Z's purchase intention towards smartphone have been shaped and measure their level of influences.
2. To assess the extent of variability of Gen Z's purchase intention towards smartphone in relation to different value dimensions.
3. To draw conclusion and formulate recommendations about the current variables to reconsider managerial decisions to increase Gen Z's purchase intention towards smartphone.

### **RESEARCH QUESTIONS AND HYPOTHESIS**

Considering the objectives of the research following research questions and hypotheses have been set for this the study.

RQ 1: How does the Gen Z's purchasing intention of Smartphone has been formed?

H1: Gen Z's purchasing intention of the smartphone is the function of different value dimensions.

RQ 2: Which variables have the influences to shape the Gen Z's purchasing intention of a smartphone?

H2: The explained independent variables have different levels of influence to get the Gen Z's purchasing intention of a smartphone.

RQ 3: Does Gen Z's purchasing intention of smartphone differ in terms of Aesthetic variables?

H3: Aesthetic variables have of an influence on Gen Z's purchasing intention of a smartphone.

## **METHODOLOGY**

This generational study started by applying exploratory research design, where the researchers conducted interviews of 6 industry experts to get more insights and understanding about the generational intention of smartphone users in Bangladesh. The researchers also consider the expert opinions about the key variables associated with purchase intention of a smartphone for a specific generation. Moreover, the literature and early studies, cross checked with their views which helped to outline the relevant key variables for this study.

To ensure the right variables the researchers observed Gen Z in the mobile phone markets of designated study places (Dhaka, Rajshahi and Chattagram) within 5 days at different time periods (Holiday, Weekend, Morning, Afternoon and Evening). In this tenure the analysts attempted to watch the various attributes of the population and their exercises, in terms of purchasing goal of a cell phone. Subsequent to following the exploratory research stage, an engaging examination configuration (review technique) was utilized to gather essential information from an objective populace (Gen Z in Bangladesh).

The prey population is adult Gen Z (born after 1994 and age is not below than 18), whose are actively using smartphones for their personal use. This Gen Z of Bangladesh has come to the mobile markets in order to collect information, evaluation of alternatives, and/or, buy a smartphone during 3 weeks data collection period at Dhaka, Rajshahi and Chattagram). The sampling frame of this study was consist of information desks, specific paths, in front of advertising boards, reception areas, bill counters in the mobile markets, smartphone company's showroom, and telecommunication company's customer service centers (Grameen Phone Center, Banglalink Center and Robi Center) in Dhaka, Rajshahi and Bhanga.

To confirm the equal chance to select each of the respondents in the population and to maintain a population representative sample, it has been used Stratified Random Sampling (SRS) technique. To defend SRS sampling, every 10th respondent was present at the information desks, specific paths, in front of advertising boards, reception areas, bill counters in the mobile markets, smartphone company's showroom, and telecommunication company's customer service centers. Further, if the respondents were found eligible for the study (born after 1994 and age is not below than 18), then respecting their consent field workers forwarded the survey questionnaire to them and collected the data

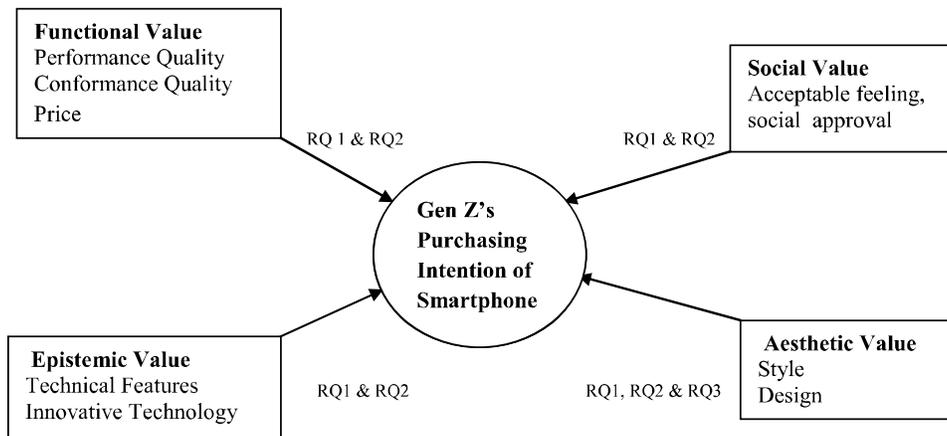
As the population was unknown, the sample size for the study would be less than 385 respondents (Malhotra, 2010). A questionnaire was used in personal interviews at the survey sites for collecting information from 385 respondents.

**Conceptual Model**

A progressive evaluation of Functional Value (performance quality, conformance quality and price), Epistemic Value (technological feature and innovation), Social Value (acceptable feeling and social approval) and Aesthetic Value (style and design) can influence the purchase intention towards smartphone (**Figure 1**).

The model for this study is:

**Figure 1: Conceptual Framework**



**The general form of the model is as follows:**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + e_i$$

Where,

Y = Gen Z's Purchase Intention of Smartphone

$\beta_0$  = Constant, and  $\beta_{1,2,3,\dots,9}$  = Coefficients associated with independent variables.

X1= Performance Quality, X2 = Conformance Quality, X3 = Price,

X4 = Technical Feature, X5 = Innovation, X6= Acceptable Feeling, X7= Social Approval, X8=Style, X9= Design, and  $e_i$ = Error.

**RESULTS**

A multiple regression was carried out to investigate whether the 9 independent variables could significantly predict Gen Z's purchase intention towards smartphone. First, it needs to state the proportion of variance that can be explained by current model where the result of R = 0.85, is close to +1, means

that there is a significant positive relationship existing among dependent and independent variables. This suggests the model is a relatively good predictor of the purchase intention. The  $R^2$  value of 0.72 indicates that 72 % of the variation in purchase intent can be explained by the model containing quality, technology and differentiation with other variables. This is very high, so expectations from the relapse condition are genuinely dependable. It additionally implies that 28 % of the variation are as yet unexplained so including other independent variables could improve the fit of the model. The value of R and  $R^2$  reject the null hypothesis for RQ1.

Second, the model was identified as a significant predictor of the outcome variable after Analysis of Variance (**Table 3**). Here, the significance value is less than  $p = 0.05$ . The results indicated that the model was a significant predictor of purchase intention.

$F(9,375) = 29.176, p = 0.000$ .

**Table 3: ANOVA Output of Regression Model of Gen Z's Purchasing Intention towards Smartphone**

Source	df	SS	MS	F	p
Regression	9	227.436	25.271	29.176	.000
Residual	375	324.808	.866		
Total	384	552.244			

There was a significant relationship (**Table 4**) between conformance quality and purchase intention ( $\beta = 0.117, p < 0.001$ ), technical feature and purchase intention ( $\beta = 0.190, p < 0.001$ ), style and purchase intention ( $\beta = 0.140, p = 0.001$ ) and design and purchase intention ( $\beta = 0.141, p < 0.001$ ), while there was an insignificant relationship between innovation and purchase intention ( $\beta = 0.008, p = 0.712$ ) and social approval ( $\beta = 0.034, p = 0.453$ ). Performance quality, price and acceptable feeling were negatively correlated with purchase intention because of having other variables in the model. These results support the rejection of the null hypothesis for the second research question (RQ2) and third research question (RQ3).

**Table 4: Regression Analysis for Gen Z's Purchasing Intention towards Smartphone (N= 386)**

Predictors/Variables	b (p)	SE (b)	$\beta$
<b>Functional Value</b>			
Performance Quality	-.063(.110)	.039	-.157
Conformance Quality	.117(.000)*	.025	.207
Price	-.174(.000)	.043	-.421
<b>Epistemic Value</b>			
Technical Feature	.190(.000)*	.019	.442
Innovation	.008(.712)	.021	.017
<b>Social Value</b>			
Acceptable Feeling	-.225(.000)	.039	-.544
Social Approval	.034(.453)	.046	.086
<b>Aesthetic Value</b>			
Style	.140(.001)*	.042	.344
Design	.141(.000)*	.021	.360

$R^2 = 0.72$

\*p < 0.05 (here interpretation is based on unstandardized coefficients as suggested by Dawson, 2014, and others)

## DISCUSSION

Quality is a key instrument of performance, which has been distinguished as the major smartphone sellers. The conformance of quality is more lively than the typical functionality of products. At the same time, this must be agreed on that point whether it is the oldest or youngest generation, gradually perceived performance of quality will be varied. This study identifies that the newest generation relies on specifications of smartphone to establish a link between value and satisfaction. OS version, RAM, internal storage and application support system are the factors that affect the purchase intention of a smartphone. Tiny Lenses, tiny sensors, powerful processors and built-in graphic engines give high quality image results to the users, and boost up the value of smartphone usage. Moreover, they are hankering after for new features like face detection, tilt, smart pause, voice integration in devices and apps. On the other hand, they are interested in the innovation from Chinese manufacturer, which is one of the

crucial subjects to choose the handsets. Consumers intentionally want to become stylized and depend upon that physicality of a product which is uncertain and varied over time. Outlook and sensibility of a smartphone, turn Gen Z's to become a stylist and when the style is an issue this generation looks for big bendable screen, curvy display, or combination metal glass chassis. The variability from handset's colour, display, shape, angle-based approach, camera or materials, all are the elements of a handset design have had a strong influence to create more purchase intention. These components of style and design can easily distinguish the best handset from the tough one.

The findings of this study also show that conformance quality has more influence than performance quality. Technological features have significant positive impact on the newest generations purchasing intention of a smartphone. These findings are inconsistent with the previous studies (Karjaluoto et al., 2005; Leo et al., 2005; Rahim et al., 2016), indicating that the newly defined generation is more tactful in terms of aesthetic value rather than social value, while this is building right image in their minds about smartphone. Moreover, the innovative mind of Gen Z is less like to influence by price.

## **CONCLUSIONS AND IMPLICATIONS**

Gen Z, at this moment, the most recent age group of customers, is useful to consider not only for their amount of purchase but also for the value they can develop in socio-demographic and cultural environment. A smartphone is a part and parcel in their life and they grow up uniquely as a rapid technological force in the market as like as the rapidity of changes in smartphone's quality, technology and model. The singularity of a generation is a valuable ornament for marketers if they can craft their marketing strategy accordingly. This paper finds and examines different opinions from this generation and tries to connect these in marketing decision.

Marketers will attempt to overtake the time when this generation is born in and try to step in this phenomenon in a drastic and changed surroundings. This genesis is not altogether different from earlier ones. It is required to create value to confirm their satisfaction and identify the new features for gathering new experience with a different mode for better positioning of smartphones. However, the old quality has come in this paper for the new generation; they compare the specification of a product with others. This said specification should be assured for a long period of time for gaining loyalty from them. Development of a technological device is extremely dependent on research which can modify it for new and existing customers. Though the trend is seen mostly as a physical attribute but denying this for new generation's smart phone users will be negligence. At the same time, manufacturers of smartphone are suggested to adopt a user friendly design to become more effective and reactive.

## LIMITATIONS

The representatives of Gen Z of specific areas are considered as the subject of sample, the impact of the citizen in metropolitan areas is greater where the most people are educated and come from noble families. Besides, the target population was a specific age group and it was difficult to generalize the findings from the study. Shaping any hypothetical problem can be difficult to state in real life. By and large, users may not possess enough understanding regarding their actual attitudes of evaluation. Moreover, the current study on purchase intention was unable to consider size, effective promotion, user friendliness and post purchase service which could be useful for theoretical accuracy.

Despite its limitations, this subject area is useful for further research along the specific age cohort, if the researchers want to key out the underpinning reasons of a purchase intention. Gen Z uplifts them extensively with changing attitudes and modified competitive strategies should take into explanation to produce a desired reaction from them.

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## EFFECT OF ONLINE BANNER ADVERTISEMENTS ON CONSUMERS' FINAL BUYING DECISION: A STUDY ON BANGLADESHI CONSUMERS

Ali Mohammad Kowsar<sup>1</sup>  
Nusrat Gani<sup>2</sup>

***Abstract:** This study aims to identify the effect of online banner advertisements (hereafter, banner ads) on Bangladeshi consumers buying decision. Concept of banner advertisement has emerged to utilize the empty places of various websites and platforms. Banner ads can be of different size and shape: visual effect and animation. Mostly used payment methods are cost per click, cost per acquisition and cost per mile. Earlier research works show the effect of banner ads on consumers' awareness stage only. Many are also using banner ads to get order from consumers. But there is no such research which indicates the effect of banner ads on Bangladeshi consumers' final buying decision. To identify final purchasing decision, stages of online consumer's buying journey have been used. Important independent variables are identified from previous reports and studies. Non probability judgmental method has been applied to determine the sample. Sample size is 130 and total 114 responses are collected through online survey method and the outcome states that brand name, advertising appeal and content have strong effect on a consumer's final purchase decision. Major portion of the respondents are students from age 20-25. Moreover, statistical tool regression analysis has been used. Most of the internet users do not have clear understanding on this advertising tool and it acts as a limitation for this study.*

***Keywords:** Online Banner Advertisements, Stages of Online Buyers' Journey, Buying Decision*

### 1. INTRODUCTION

Banner advertisements are now the frequent experience for social media users, website visitors, online gamers and online shoppers. It is widely used as online marketing tool in the current world of internet and globalization. In 2016, total dollar amount of banner ads was US \$19,554 million (*Global Internet Report 2017: Paths to Our Digital Future*, Internet Society, 2018). Though banner ads get much popularity among digital marketing tools, its actual effectiveness is still in doubt. Moreover, earlier researches only measured the role of banner ads in

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<sup>1</sup> Assistant Professor, Department of Marketing, University of Dhaka

<sup>2</sup> Independent Author

creating awareness. But they did not figure out the number of actual purchase decisions. Different payment types are used by marketers as well. Number of final purchase through banner ads can be measured through 'cost per acquisition' payment system. This study has mainly focused on the previously unexposed fact: effect of banner ads on final purchase behavior.

People spend most of their time on internet world. Report of international telecommunication shows that there were nearly 3.2 billion internet in 2015 and now 51% of total world population has online access (Saha, 2018). These are also bringing changes in the characteristics of market as well as the buying behavior of consumers. Experts have developed online consumers' buying journey which includes three stages: awareness stage, consideration stage and decision stage. Each of the stage creates options for marketers to grab the attention of the consumers. Different online marketing strategies need to be developed for different stages. To identify the final purchasing tendency through online banner ads marketers primarily need to go through the total online buyers' journey. To grab the opportunities of internet technology marketers have started focusing more on their virtual existence. Along with the virtual existence they are also working on integrating their online advertisement through website, facebook page and other social media. Effective advertisement depends on various factors and characteristics. Different customer groups from different counties/areas have different considerations about these factors and characteristics. Without considering these factors it is not possible for marketers to create an acceptable advertisement for a particular market. Besides, the design, content and placement of advertisement is also an important consideration. Higher traffic websites are best places to put a banner advertisement. This study has thus identified Bangladeshi customers' behavior toward banner ads. Most important aspects extracted from earlier researches have been used in the study.

## **BACKGROUND OF THE STUDY**

Consumers' buying behavior has been changing with the emergence of online business and marketing activities. Online advertisements are growing and have become a preferred way over the traditional one. Among varieties of online advertising tools banner advertisement is one of the widely used mechanisms for marketers. It is mainly a small graphical area on a webpage which promotes messages to persuade visitors to click or to take advertiser's desired action. This advertisement can be in a hyperlinked form to the primary page of advertiser's or the banner itself which holds detail information about specific product or services. Day to day technological improvement and innovation has brought changes in size and placement of banner ads. In 1996 Interactive Advertising Bureau was founded. It introduced standard sizes and formats of banner ads. In the very beginning only static banners were available. Afterwards new features have arrived which include animation, sound and so on. With the introduction of improved bandwidth advertisers now go for rich media banner ads. Rich media

includes video, audio and interactivity. Banner ads can be used to create awareness or to influence the buying decision of customers. Cookies help advertisers to reach to the target audiences. The payment method of this advertisement tool is also different from others. Advertisers can pay through CPC, CPA, and CPM. They also need to attend an online bid to get a right place for an advertisement. Another important reason that encourages marketers to go for online banner ads is their low cost and easy management. Thus various companies, institutions and individuals have analyzed the effectiveness of online banner ads. Therefore, marketers find high opportunity to engage their potential customers through online banner ads. Informative and attractive advertisements drive customers to click the ad and visit company's or retailer's website. To get orders from customers, website quality also matter here. And so the final purchase decision through online banner ad depends on various related factors. Previous researches show the impact of banner ads on consumer's awareness stage. In these days of robust use of banner ads there emerges a need to identify the banner ads effectiveness on individual's purchase decision. To measure this consumer's online buying journey has also been focused in this study.

### **STATEMENT OF THE RESEARCH PROBLEM**

Banner ads are now a common online phenomenon that shows up on mobile or computer screen. Most of the time viewers try to avoid these banner ads. So there is a need to identify as to how banner ads can be used to get attention of and influence on consumers' purchase intention. Earlier studies show banner ads' impact on consumers' awareness only. So the gap of not considering the purchase intention also has been focused in this paper. The specific objectives of this paper are:

- to assess the influence of banner ads on consumers' awareness stage;
- to evaluate the role of banner ads on consideration stage;
- to assess the impact of banner ads on consumers' decision stage; and
- to provide recommendations for banner advertisers.

### **LITERATURE REVIEW**

This research focuses on the role of banner ad in digital purchasing environment. Most of the previous researches on effectiveness of banner advertisement have developed in order to measuring the ads impact on creating brand awareness, brand attitude and exposure to the brand (Le & Vo, 2017). And so the gap remains in the effect of banner advertisement on final purchasing behavior.

### **Scenario of Banner advertisement in Bangladesh**

At present 'Digital Marketing', 'Digitalization' is the buzz word in Bangladesh. The internet is offering new opportunities and challenges for consumers as well

as for marketers. To users, it offers the freedom to choose, which content they want to attend to, from an abundance of content, unlike TV advertisement. And to marketers it offers low cost, higher reach, accurate targeting. An increasing number of brands are now investing in digital platforms ranging from Facebook, local ad networks to youtube and other platforms.

Among all the tools of digital marketing banner advertisements through Google AdWords is far different for Bangladeshi Marketers. Renowned companies are using this to publish their ads in high traffic websites. At the very beginning it has been seen that most of the consumers or internet users found it irritating because people don't like to see display or floating ads while visiting a website or playing a game. Recently consumers' behavior toward banner ads is changing slightly. People are accepting interactive nature of the ads. They tend to click on the ad to visit website, to call or to place an order. Moreover, Experts are saying that Bangladeshi consumers are responding to the banner ads which contain job vacancy or special sales. Display advertisement tool is accepted by various established local Bangladeshi companies. With this increasing demand, several local ad network companies have emerged to meet the local companies' requirements. Local display advertiser helps to target the Bangladeshi customer accurately within a very low budget.

### **Banner Advertisement**

Banner advertisement, also known as display ads, is placed in the high traffic websites. It is mainly a digital form of traditional billboard advertisements (Ayass & Gerhardt, 2012). Banner advertising is attractive because it can help to create brand awareness, generate leads and re-target. This advertisement tool is different from traditional one in terms of payment methods also. Three payment methods are used by advertisers, these are- cost per impression, cost per click and cost per action (Shao, 2009). Payment is paid for each website visitor in cost per impression method. In cost per click process payment is made for every click on the advertisement. And in cost per action, payment for every website visitor who clicks on the ad goes to the advertiser's website and completes a task, such as ordering a product or filling up a form (Hills & Argyle, 2003).

Banner ads are now a remarkable marketing tool in this world of business. This advertisement can be designed with the sole objective of generating sales and the creativity must have the ability to attract the target audiences. Marketers can use different types of banner ads. Each type has different facts and characteristics which need to be considered before any campaign design.

### **Types of Online Banner Ads**

Banners ads come in various forms offering the opportunity to advertise in a variety of ways that best suits a campaign objective. Company's criteria and budget provide the direction on which will be the best option to reach the target

market (Robinson, Wysocka & Hand, 2007). Visuals have an incredible role in banner ads. Various visual factors include-

Single images – These can be GIF images with animation. Static images such as GIFs and jpeg can also be used. Jpeg images cannot be animated like GIFs (Inside Google Marketing: Banner Ads Can Be Creative and Effective", 2018).

Flash movies and composite banners– a composition of different elements like graphics and HTML code can be used to create more visually pleasing effects (Pullen & Cooper, 2010). HTML code is embedded in composite banners and is generally used to create an element on the ad that is more interactive (Pullen & Cooper, 2010).

Different types of banner advertisements are-

Flash Banners- With the development of flash technology, multimedia content has been injected with a brand new dimension in designing banner ad campaigns. Animation and other special effects such as, color contrast, quality graphics and operational elements can be creatively developed when using flash and the result is a smoother finish which is satisfying on the eyes of the ad viewer ("What Types of Banner Ads Exist? | Articles | Outbrain Help", 2018).

Animated GIF banners- GIF animation banners are created in a GIF file format whereby a series of frames are played in sequence. GIFs support web safe colors only and there are total 256 web safe colors exist. (Inside Google Marketing: Banner Ads Can Be Creative and Effective", 2018). In order to really get the desired effect, GIF animated banners should always be designed within this 256 color palette. If this is done, then the ad is ensured to look its best on all monitors.

Static Banner ad- Static banner ad designs are generally still single frames with an image. A subtle call to action is offered by this still and singular ad. Alternatively a single line of copy or text is used with the sole purpose of remaining in the minds of a target audience (Different Types Of Banner Ads: Facts and Stats | Optimus01 - Online Thinking", 2018).

### **Banner Layouts, Format, and Presentation**

Banner ads are displayed in different layouts, format and presentation. Banners can be rotating, floating or scrolling and more (Manchanda, Dubé, Goh & Chintagunta, 2006). Rotating banner ads rotate between different pages on website. Rotations usually happen every 15 to 30 seconds and allow a publisher to increase their number of impressions. Floating banners include pop ups that appear as soon as the visitor enters a page or website. These ads float around the screen. Its floating nature catch visitors' attention easily and sometimes it creates annoyance too. Scrolling banner ad works just like the modern billboard advertisements. In this form the ad changes from company to company (Robinson, Wysocka & Hand, 2007).

### **Three principles for creating successful banner advertisement**

Google ad words follow the three principles in creating banner advertisements-

*Be compelling-* first of all it needs to be eye catching. To break through the marketing message online visitors need to find the ad attractive one. Animation, color, font, language and placement are the considerable elements to make the ad compelling one (Yoo, Kim & Stout, 2004).

*Be concise-* people pay attention to an online ad for some moment and so it is important to keep the message concise enough.

*Be clear-* banner ads don't have much space to communicate lots of information. Too much information may make the ad clumsy. It should communicate one marketing message for one specific product or brand (Le & Vo, 2017).

### **Three stages of Online Buyer's Journey**

Buyer's journey consists of three stages, these are- Awareness stage, Consideration stage and Decision stage. It is the journey buyers go through to become aware of, evaluate, and purchase a new product or service.

*Awareness Stage-* at the very first stage buyer is aware about their needs and wants and they look for products that will meet the particular need. They search for information, product or services in Google, Social media or through any other means in the internet ("Marketing & Sales Training, Courses, and Certifications | HubSpot Academy", 2018). Most potential buyers in the awareness stage seek information to answer questions or to resolve pain points that arises in the buying journey. Banner advertisers need to recognize this type of consumer mentality and cater content to provide solutions, ideas, and purpose according to their interest. Banners can be placed on educational blog sites, industry sites, and research websites.

*Consideration Stage-* buyers evaluate different options available to them at consideration phase. Marketers are still delivering critical, informative contents to help buyer make the best possible decision ("Marketing & Sales Training, Courses, and Certifications | HubSpot Academy", 2018). Banner advertisers get more conversions by placing ads on product comparison sites, experts' discussion site.

*Decision Stage-* at this stage buyer has decided what can be the solution. They fix a product category here and spend significant time researching documentation, data, vendor reviews, and other materials to make them feel confident about their decision ("Marketing & Sales Training, Courses, and Certifications | HubSpot Academy", 2018).

### **Consumers' Attitude Toward Online Banner Advertisement**

Individual's feelings, evaluation style or an action oriented tendency toward any object or idea is known as attitude. Studies have examined consumers' attitudes, behavior, and perceptions on online advertising, finding that consumers develop such negative attitudes toward the ads that they avoid them when possible. These negative attitudes affect brand perceptions (Shao, 2009), and lead to ad avoidance (Esteban & Hernández, 2016). Some researchers expected ads in new media to be less intrusive or even entertaining (Coyle & Thomson, 2002), but some found on-line ads disturbing to users (Parkin, 2018). In-line ads blend into the web pages on which they are displayed, while pop-up ads, on the other hand, are designed to interrupt perhaps explaining their intrusiveness. This negative attitude can be avoided through influencing consumers' feelings, behavior and perception toward the banner ad.

Each and every component of the advertisement as well as the website's matters here. The way of interpreting something is termed as perception. Perception can be changed through providing quality information, security and easy to understand processes (Rao, Naidu & Babu, 2010). A feeling is an emotional state. Proper website design, appropriate message appeal and use of animation can elicit positive feelings toward the advertisement. Person's way of responding to any particular situation is his or her behavior. Buying goods and services is not only included in behavior. Before purchase a person goes through various situation or processes which stimulates different behaviors. Before the purchase of a product, most consumers may look into details of the product via online advertisement or they will search for online advertisements and make comparisons of the products they intended to purchase (Le & Vo, 2017). Studies show that consumers will form a positive attitude to the products that they feel are excellent because of the advertising and believe that the product meets their requirements (Rao, Naidu & Babu, 2010). This subsequently leads them to purchase the product. Required behavior can be generated through concise and compelling content. Yet, consumer can form undesired attitudes and behaviors such as having no interest in online advertisement, shutting down the online advertisements without engaging with it and subsequently having no intent to purchase the product (Robinson, Wysocka & Hand, 2007).

#### **Research Gap:**

There are so many promotional tools to promote the product across the globe. In the context of Bangladesh banner advertisements are a new phenomenon, on final purchase behavior. This paper will examine the effect of banner ads, on final purchase behavior of Bangladeshi customers.

#### **Research proposition:**

Research proposition is a statement of a fact which may or may not be true. This paper will offer a few propositions for further empirical research.

Proposition 1: Banner ads influence the purchase decision.

Proposition 2: Banner advertisement is a word of mouth advertisement.

These two propositions require further empirical research.

Research Design:

This paper is a mixed method, applying both qualitative and quantitative techniques. Qualitative part will examine the concept, construct and theoretical framework. The study used non-probability types of convenience sampling because of time and financial constraints. As per Malhotra (2019), a standard convenience sampling of 220 gives the correct inference. A structured questionnaire was used and reliability and validity was tested against Chronbach's Alpha along with Chi squared test which was found to be  $\chi^2=31474$  and alpha value is Bartlett's sphericity test being .91. Therefore measurement scaling justified the examination.

Research model

Coefficient table shows both the Un-standardized Coefficients and the Standardized Coefficients. For this study, Un-standardized coefficient is explained by the following model of multiple regression.

$$Y = \beta_0 + \beta_1 W_s + \beta_2 \text{Info} + \beta_3 Wq + \beta_4 Ma + \beta_5 An + \beta_6 Br + \beta_7 \text{Price} + \beta_4 Ma + e$$

Here,

Y = Dependent Variable

$\beta_0$  is a constant.

$\beta_1 = W_s$ , Website Security

$\beta_2 = \text{Info}$ , web information quality

$\beta_3 = Wq$ , website quality

$\beta_4 = Ma$ , Message appeal

$\beta_5 = An$ , Animation

$\beta_6 = Br$ , Brand Recognition

$\beta_7 = \text{Price}$

e = Error term

## METHODOLOGY OF THE STUDY

Non probability judgmental sampling method has been used in this research. Students, professionals and member of online shops' groups have been included in the population element on the basis of their appropriateness as respondent. Therefore, probability sampling has not been used to reduce the risk of approaching non representative respondent (K & Dash, 2015). Five point likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) has been used in this study. It's a non-comparative scaling technique. Regression model has been

used to analyze the data. For collecting data survey method has been used. Online questionnaire has been sent to each respondent individually through social media message box. Structured questionnaire has been used which includes both dichotomous and likert scale questions.

Here, dependent Variable is consumer's final buying decision. And eight independent variables are- Website security, information quality, website quality, message appeal, animation, brand recognition, content and price.

### **Independent Variable Justification**

#### **Website Security**

Most challenging issue for internet users and merchants is security. It is undoubtedly the most well-known issue in electronic commerce and has frequently been written by researchers (Hills & Argyle, 2003). Electronic security is any kind of electronic techniques, process or tools which is designed to protect a system's information process. It is stated that security issues deal with- how a site is protected from hackers and how customer information is secured from other illegal party or outsiders (Hills & Argyle, 2003). Lack of security is one of the biggest barriers which can prevent consumers from purchasing online.

#### **Information Quality**

Information search and information evaluation are the two important preparatory steps of consumer buying process. Lower cost of information search is the fundamental benefit of online market place. Besides cost of the information search, quality is also considered by the consumer. Information quality can be ensured through combining various factors or features of the system. These features include the content, aggregation of details, response time, and system accuracy.

#### **Website Quality**

Websites are essentially the store house of information which affects the view of viewers toward the company. Website design is one of the key components for marketers to consider. Design is the way of presenting the contents to the customers. It plays a significant role in grabbing attention and delivering good perception of advertisement to stimulate purchase intention of E-customers. Web design contributes strongly to website quality therefore online sellers will have to take this critical factor into consideration as it can increase the number of visitors to their websites (Parkin, 2018).

#### **Message Appeal**

Several studies have examined and identified the role of positively and negatively framed appeals on the consumer's attitude towards online

advertisement and the eventual consumers' purchase intention (Jewler & Drewniany, 2001). Rational and emotional are the two types of message appeals. The rational appeals characteristically deal with factual information while the emotional appeals typically create positive emotions or feelings. Therefore, some type of value, encouragement, bargain, promise and reasons are shown through advertisement appeals. (Marketing Sherpa., 2002).

### **Animation**

Animation carries moving images and graphics to simplify or enhance the presentation of persuasive messages. It brings eye catching look in the advertisement and reduces the negligence tendency of the customers.

### **Brand recognition**

Brand recognition is often overlooked in the online market. Many of the online marketers think that internet is providing level fields for all (Esteban & Hernández, 2016). But online businesses also need to build brand to get success. Brand recognition will help customers to lean towards the product when given the choice between well-known product and one a person never heard of. (Parkin, 2018). So advertisement of a branded product gets more chance to lead a customer to buy the product.

### **Price**

Price is an important purchase factor for price sensitive customers. Banner ads with pricing details drive customers to click the ad for final purchase.

## **DATA ANALYSIS AND DISCUSSION OF FINDINGS**

### **Demographic Characteristics**

Total responses are 114 while the questionnaire has been sent to 130 respondents. It indicates that total 87.6% respondents have responded to the survey. In this study occupation and age are used to get idea on respondent's demographic characteristics. The table at appendix-1 shows that majority of the respondents are students (72.8%) and hold 20-25(27.2%) age group.

### **Assessing the influence of banner ads on consumers' awareness stage**

Frequency and percentage of consumers who have expressed their opinion regarding the impact of banner ad on the first stage of online buying journey are shown at appendix-2. 109 respondents among 114 have been agreed that banner ads are helpful along with other online ads in creating awareness. And total 105 respondents are saying that banner ads inform them about new products, services or offers when they roam around the internet.

### **Evaluating the role of banner ads on consideration stage**

Banner ads impact on consideration stage has also been found from the two dichotomous questions mentioned at appendix-3. Outcomes have been shown in

terms of frequency and percentage. Total 87 respondents have been agreed that they look at the banner ads in order to know more about products or services before final purchasing. The table also shows that 23.7% respondents think banner ad has no impact on consideration stage of buyers' journey. It is found that 83 respondents which represent 72.8% of the total number of respondents have made comparison between products through banner ads.

## Assessing the Impact of Banner Ads on Consumers' Decision Stage

### Results and Discussion

#### Regression Model Summary

R value 0.382 from appendix-5 explains that there is a weak association between the predictors and dependent variables. R square shows the percentage variation in dependent variable explained by the predictors. In this table R square value is .146 which states that 14.6% variance of buying decision is explained by the mentioned independent variables. The adjusted R square shows the percentage of variation on dependent variable due to additional number of independent variables. So the value .081 means that adjusted R square supports R square by 8.1%.

F statistics decides whether to support or reject the null hypothesis. Here the calculated value 2.243 is larger than the table value 2.02. Hence, the null hypotheses are rejected.

#### ANOVA

ANOVA table indicates that P value is .03 which is less than .05. So it is another evidence of rejecting the null hypothesis

#### Coefficients

Coefficient table shows both the Unstandardized Coefficients and the Standardized Coefficients. For this study, Unstandardized coefficient is explained by the following model of multiple regression,

$$Y = \beta_0 + \beta_1 W_s + \beta_2 \text{Info} + \beta_3 Wq + \beta_4 Ma + \beta_5 An + \beta_6 Br + \beta_7 \text{Price} + \beta_4 Ma + e$$

Here,

Y = Dependent Variable

$\beta_0$  is a constant.

$\beta_1 = W_s$ , Website Security

$\beta_2 = \text{Info}$ , web information quality

$\beta_3 = Wq$ , website quality

$\beta_4 = Ma$ , Message appeal

$\beta_5 = An$ , Animation

$\beta_6 = \text{Br}$ , Brand Recognition

$\beta_7 = \text{Price}$

$e = \text{Error term}$

So, the following equation results after putting the values of the coefficients from the table,

Consumers Buying Decision = 1.479 + .016 Security + .021 Informative + .088 WebsiteQuality + .121 Appeal + (-.050) DesignAni + .219 Brands + (-.036) Price.

1.479 is the y intercept in this regression model. That means the effect of online banner ad on purchase decision will be constant by 1.479.

.016 changes will occur in buying decision due to 1 unit change in security. Again, 1 unit change in informative banner ad variable will affect the buying decision by .021 and by .088 with the 1 unit change in Website quality. 1 unit change in appeal will be resulted in .121 changes in the buying decision. 1 unit change in design and animation will make -.050 changes in the dependent variable. 1 unit change in the variable brands will change the buying decision by .219. Last of all 1 unit change in contents and price will impact the buying decision by .137 and -.036 respectively.

The standard coefficients show that brand (.252) has the strongest effect on consumers buying decision through banner ads. Whereas price (-.038) has the lesser effect on the dependent variable. According to the beta value of standardized coefficient renowned brands' ad, contents and advertisement appeals are strongest predictors of impact of banner ad on purchase decision. This outcome explains the attitude of Bangladeshi consumers. Consumer's click on the renowned brands banner ads as they already have experienced the brand and know about the product quality and price. Online consumers also feel attraction toward different message appeals. And finally content is very important in everywhere of the virtual world. The more appealing the content is the more consumers will tend to click on the ads.

### **Research Contributions: Theoretical and Practical**

This research shows the behavior and scenario of Bangladeshi customers toward the impact of banner ad on final purchasing decision. Researchers will be able to get support from this study to get idea about Bangladeshi customers' purchasing behavior through banner ad.

Now online advertising is in a booming position in the country like Bangladesh. This study will also provide managerial contributions for marketers. Bangladeshi consumers consider the brand name, advertisement appeal and content most while going through any online banner. So companies need to work on these predictors. Again most important issues like security get less 'agree' in this

study. It is due to lack of knowledge of general consumers. Marketers also need to make them educate on the security issue related to online ads.

### **Limitations and Future Research Directions**

This study has also faced several types of limitations. Lack of knowledge is the major constraint in this research. Though sample has been selected through judgmental procedure, most of them don't have clear understanding on banner ads. The reason behind this is banner advertisement and its function is new to majority of the online user, shopper or professional in Bangladesh. Moreover, due to this constraint a very small sample size has been taken. Only 130 representatives might not be enough to collect effective responses to conduct the research. Again only brand names, advertising appeal and content have been seen as most important predictor in this research. These are identified from previous international researches and studies. In the perspective of Bangladesh other factors may have impact on this issue so future researchers will be able to focus on those omitted predictors or influencers. .

### **CONCLUSION**

It is estimated that total amount of online shopping in Bangladesh will be nearly 2000 crore by 2018. The estimation ensures that there is no doubt about the importance of online advertisement in the market like Bangladesh. Banner ads are used by almost all of the renowned companies. Ads are placed mainly on news portals, job sites, and retail sites and so on. But only few numbers of them result in final purchase. Findings of this study shows that marketers need to work on several factors to drive buying behavior of the consumers. It has been identified that consumers tend to click on renowned brands banner ads. It means they find it reliable and secure to purchase through banner ads if they already have previous experiences with the company. Beside this advertising appeal and contents are also important variables to consider. All the previous researches show that security is very important for consumers while clicking in any ads. But in the context of Bangladesh security holds weakest effect on final purchase decision. So, this study also indicates lack of knowledge of online shoppers or user on banner ads. To overcome this lacking experts and marketers need to explain all the functions and issues related to banner ad to general online users and future marketers.

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## APPENDICES

### Appendix 1: Descriptive Statistics

#### Descriptive Statistics

	Mean	Std. Deviation	N
Buying Decision	3.51	1.015	114
Security	4.40	.975	114
Informative	4.09	.974	114
Website Quality	4.21	1.000	114
Appeal	3.95	1.021	114
DesignAni	4.03	1.026	114
Brands	3.77	1.168	114
Price	3.76	1.050	114

### Appendix 2: Regression Model Summary

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.382 <sup>a</sup>	.146	.081	.973	.146	2.243	8	105	.030

- a. Predictors: (Constant), Price, Design Ani, Security, Contents, Appeal, Brands, Website Quality, Informative
- b. Dependent Variable: Buying Decision

### Appendix 3: ANOVA

#### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.001	8	2.125	2.243	.030 <sup>a</sup>
	Residual	99.490	105	.948		
	Total	116.491	113			

- a. Predictors: (Constant), Price, Design Ani, Security, Contents, Appeal, Brands, Website Quality, Informative
- b. b. Dependent Variable: Buying Decision

**Appendix 4: Coefficient**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
							Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.479	.614		2.407	.018	.260	2.697		
	Security	.016	.104	.015	.154	.878	-.190	.222	.814	1.228
	Informative	.021	.125	.020	.170	.866	-.226	.269	.567	1.764
	WebsiteQuality	.088	.112	.087	.783	.435	-.135	.311	.665	1.505
	Appeal	.121	.106	.122	1.144	.255	-.089	.331	.721	1.388
	DesignAni	-.050	.106	-.051	-.472	.638	-.260	.160	.708	1.412
	Brands	.219	.091	.252	2.398	.018	.038	.400	.739	1.353
	Price	-.036	.096	-.038	-.379	.705	-.227	.154	.825	1.212



## SEXUAL HARASSMENT AT WORKPLACE: HOW BRANDS HAVE TO PAY THE ULTIMATE PRICE

Sutapa Bhattacharjee<sup>1</sup>  
Nadia Afroze Disha<sup>2</sup>

***Abstract:** Women in Bangladesh - sometimes men - routinely face different forms of sexual harassment and exploitation at workplace, be it in a suburban manufacturing factory or within the confines of a well-furnished corporate office. However, little work has been done to evaluate the ways these harassment incidents affect the brand and consumer perceptions about it. This study intends to explore the unavoidable ramifications of sexual harassment incidents at work that organizations as well as brands have to deal with. Data have been collected from both primary and secondary sources in carrying out this study, with hundreds of people directly sharing their perceptions and experiences on workplace sexual harassment. The study aims to explore the unimaginably high costs that companies have to bear in dealing with harassment claims and charges in today's world. These costs gradually add up to cause slow but sure deaths of their brand image, brand perception, brand value and overall firm reputation that take a company years after years to build and maintain. The study also aims to review and analyze popular cases of harassment charges and subsequent public outcry faced by local and global companies and real stories of sexual misconduct experienced by victims at their workplace in Bangladesh and the neighboring countries.*

***Keywords:** Sexual Harassment, Workplace, Brand Image, Firm Value, Consumer Perception*

### 1. INTRODUCTION

The last few years have seen the world wake up to the crude reality it has always tried to avoid – that sexual harassment at workplace is real. When Harvey Weinstein was exposed to the common people as a repeat sexual offender, a wave of workplace sexual harassment reports emerged from seemingly everywhere across the world, with the viral #MeToo movement galvanizing women to speak up against all forms of harassment and misconducts. The largest social movement in the history of sexual harassment, #MeToo resulted in 12 million Facebook posts and 15 million views within the first 48 hours and in the dethroning of a large number of high-profile men in business, media and

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<sup>1</sup> Associate Professor, Institute of Business Administration (IBA), University of Dhaka

<sup>2</sup> MBA Student, Institute of Business Administration (IBA), University of Dhaka

entertainment, sports and politics. It's no surprise that companies are now rethinking and reevaluating their anti-harassment policies to protect their brand image and firm reputation from harassment-based claims and charges.

There are hardly any researches, especially in the context of Bangladesh, that focus on the negative impacts of sexual harassment incidents that organizations as well as brands have to face in the short and long run; most researches prioritize discussions on how the victims of harassment suffer from physical, emotional and mental traumas. Considering this, the present study aims to investigate the exponentially high costs organizations have to pay if/when they fail to prevent sexual misconduct and harassment from happening at work and fail to handle such claims, charges and subsequent backlashes from internal employees as well as external public on fair and non-discriminatory grounds. The study also intends to review particular cases of workplace harassment in well-known local and international companies such as Google and Microsoft.

## **2. RATIONALE OF THE STUDY**

Over the last decade the rate of female workers in all sectors in Bangladesh has increased at a significantly faster rate than that of male workers. According to the International Labor Organization's (ILO) flagship report titled "World Employment and Social Outlook: Trends 2018," female workforce in Bangladesh has seen a 35% increase, reaching 18.1 million from 2008 to 2017 whereas male workforce has seen an 11% increase, reaching 45.7 million. The Labor Force Survey 2016-2017 by the Bangladesh Bureau of Statistics (BBS) reported that female employment increased by 4.6% while the male employment increased by 1%.

These numbers should have made everyone happy. But when we learn that almost every woman (and sometimes even men) has faced some form of sexual harassment both at work and outside work, we question ourselves how much the above numbers actually matter. Unfortunately, but as expected, there are no correct or genuine data that can show us the percentage of employees who faced/face harassment at work. Harassment cases are not always filed because of the social stigma victims have to face and many organizations do not have necessary policies to deal with such complaints.

Moreover, there is hardly any research done on how harassment claims and cases destroy brand value, brand image and brand perception of a company. Most organizations still believe that the best way to deal with harassment issues is either denying the claims and refusing to accept them or hiding them from the stakeholders of the company as long as possible. These organizations fail to evaluate the fact that today's world is changing every minute and more and more victims are coming forward and speaking up.

So while the physical, emotional, social and economic distresses experienced by the victims of harassment at work have been the topics of discussion in many public and online forums, little has been explored in finding out the short term and long term consequences an organization faces in the event of harassment claims and cases. This serious lack of relevant information on such a crucial matter inspired us to carry out our own research on sexual harassment at workplace and how organizations have to pay the ultimate costs as a result.

### **3. LITERATURE REVIEW**

Stories of sexual harassment are nothing new in our world but conversations on this issue are finally consuming our dining rooms and our boardrooms. In 1979, United Nations Convention for the Elimination of all forms of Violence Against Women included sexual harassment in its definition of violence. After 13 years, the International Confederation of Trade Unions adopted a resolution recognizing sexual harassment as a legitimate trade union issue. For the last two decades and especially since 2017 when the #MeToo movement spread virally on social media, sexual harassment at workplace has been receiving a tremendous amount of attention both as a social and a legal problem. Different rights groups, government and non-government organizations and concerned individuals have mobilized around the issue, pressuring the company leaders and management to take action.

#### **3.1 Defining Sexual Harassment**

During a dialogue on *Workplace Environment for Women: Issues of Harassment and Need for Interventions* (2003) organized by the Centre for Policy Dialogue (CPD), Dina M Siddiqi presented a research paper that focused on the multifarious aspects of sexual harassment at workplace. According to her, the term 'Sexual Harassment' has not been clearly defined by any local or global institution but there is a general agreement that sexual harassment is a conduct that is unwelcome and unsolicited by the recipient.

In Siddiqi's paper, the broad definition of sexual harassment includes "conducts of sexual nature and other conduct based on sex affecting the dignity of men and women, which is unwelcome, unreasonable and offensive to the recipient; where a person's rejection or submission to such conduct is used explicitly or implicitly as the basis for decisions affecting that person's employment status and conduct which creates an intimidating, hostile or humiliating working environment for the recipient." There are many forms of such conducts that range from non-verbal actions like staring at someone to verbal abuses like making sexual innuendos to actual physical assaults like rape.

Based on the types of organizations, sexual harassment takes different forms, for example, the most common form of harassment experienced by workers in manufacturing factories is the widespread use of obscene language or sexual

expletives during and/or after work hours. In corporate offices, harassment is usually in the forms of sexually suggestive jokes or persistently asking someone out to coffee dates. On the surface, none of these conducts appear to be threatening or serious enough to be labeled as sexual harassment. However, according to Siddiqi's research, these seemingly harmless conducts as well as other forms of harassment are responsible for creating a hostile, intimidating and sexually charged workplace environment that reduces employee productivity to a large extent, bars the victims from utilizing their full potentials at work, contributes to a menacingly low employee retention rate, disrupts the operational activities on all levels and ultimately destroys the brand value of the company.

### **3.2 Sexual Harassment is Bad for Business**

A single sexual harassment claim can dramatically damage the brand image and consumer perception of a company, especially if the said company fails to take necessary actions in the wake of the harassment claim. A flurry of recent studies has shown us that consumers these days are smart and conscious enough to consider much more than product price and quality when deciding which brands should earn their business. Overall company reputation, the politics and policies it supports, involvement of the leaders in spurring cultural change and diversity and how it protects its workforce against sexual harassment and takes care of the suffering employees are equally important factors that influence modern consumers' purchase decisions.

According to the 2018 research conducted by Serena Does, Seval Gundemir and Margaret Shih, members of UCLA's Anderson School of Management and the University of Amsterdam, when people learn that a sexual harassment claim has been made in an organization, they not only see that organization as less equitable than an organization where no such claim was filed, but also less equitable than an organization where a claim of a different transgression, such as financial misconduct, was made. The research also revealed that people see a sexual harassment claim as more indicative of a culture problem than a bad apple problem, even when compared to a claim of fraud.

When consumers or clients learn about sexual harassment complaints, they are more likely to think that the company supports gender discrimination and unfairly treats its employees, especially when it comes to sexual harassment. The researchers from UCLA's Anderson School of Management and the University of Amsterdam carried out four experiments which showed that when a sexual harassment claim reduces perceived gender equality of a given organization, it not only reduces the attractiveness of the organization as a potential employer but also increases the extent to which people demand social change i.e., that the organization increases its numeric representation of female employees. Moreover, when an organization responds to a sexual harassment claim in a way that is considerate and proactive, rather than dismissive and minimizing (or showing no response at all), perceived gender equality of the organization can be

restored, in some cases to the same level as an organization where no claim was made.

Shiu-Yik Au, Ming Dong and Andreeanne Tremblay conducted a research on workplace sexual harassment in 2019 when they found that in the United States, there was an average damage of \$22,500 per employee in lost productivity and employee turnover due to sexual harassment. Moreover, companies with the highest numbers of sexual harassment incidents underperform in the US stock market by approximately 19.9 percent the subsequent year. What's more, labor costs for these firms increase by 7 percent on average over the same period.

### **3.3: What Literature Review Suggests**

The reviewed literature suggests that sexual harassment claims, irrespective of their nature or level of severity, are bad news for any organization in today's world. Almost all the studies conducted in the last few decades show that low-class impoverished workers in manufacturing factories are less likely to come forward and speak out against abuses and abusers than high-class privileged employees in the corporate world; however, more and more victims are taking steps nowadays. Current researches also confirm that company leaders must show sincere accountability and serious proactiveness, more than anyone else associated with the company, in dealing with harassment claims of all natures.

## **4. RESEARCH OBJECTIVES**

The primary objective of our research is to find how sexual harassment at workplace affects the brand image of an organization and what costs businesses have to pay both in the short run and the long run because of it. Most research work on sexual harassment in Bangladesh focuses on the physical and emotional traumas the victims suffer and the stigmas they face in their personal, work and social life. Through our research, we intend to identify the damages organizations as well as their brand reputations have to face when their employees experience harassment or abuse at work. In other words, the purpose of our research is to find how sexual harassment is bad for business. So, the primary objectives of this study can be specified in following ways:

- to learn how the modern world and general people define sexual harassment
- to have a general idea of what is happening around the world in terms of harassment at work
- to find out what perspectives the modern youth has regarding the nature of workplace sexual harassment
- to identify whether harassment claims and cases of an organization affect its credibility and popularity as a choice of employment to the workforce in our country
- to learn consumers' perceptions of organizations involved in harassment claims

## 5. METHODOLOGY

To carry out our research, we collected data from both primary sources and secondary sources. For primary data collection, we conducted several one-on-one sessions, a focus group discussion and an online survey.

1.	<p><b>One-on-one Sessions:</b></p> <p>Several personal interviews were conducted with people working in various organizations about their experiences of harassment at work.</p>
2.	<p><b>Focus Group Discussion (FGD):</b></p> <p>10 MBA students from IBA, University of Dhaka were randomly selected for the focus group discussion where questions like (i) “How do you define sexual harassment?”, (ii) “Does this particular behavior appear to be a case of harassment to you?” etc. were asked to the participants.</p>
3.	<p><b>Online Survey:</b></p> <p>A short survey was carried out on social media where the survey was posted on the timelines of various educational and employment groups for interested people to participate in it. In total, 340 participants responded to the survey.</p>

Secondary data were collected from conducting exhaustive reviews of data, news and reports on sexual harassment at workplace and relevant studies available on Harvard Business Reviews. Many national and international journals that explored the multifaceted aspects of workplace harassment were used in the collection of secondary data.

## 6. FINDINGS AND ANALYSIS

### 6.1 Finding 1: Sexual harassment is not clearly defined yet

It is unfortunate that even in the year of 2020, the concept of sexual harassment is vague to the largest part of our population. Many people do not even consider the act of making unsolicited remarks of sexual nature at workplace a form of sexual harassment. To most, sexual harassment is legitimate only when some sort of physical harm is inflicted upon the victim.

According to the Violence and Harassment Convention, 2019 that was adopted at the Centenary International Labor Conference on 21 June, 2019, violence and harassment in the world of work “can constitute a human rights violation or abuse...is a threat to equal opportunities, is unacceptable and incompatible with decent work.” It defines “violence and harassment” as behaviors, practices or threats “that aim at, result in, or are likely to result in physical, psychological, sexual or economic harm,” and “gender-based violence and harassment” as “violence and harassment directed at persons because of their sex or gender, or

affecting persons of a particular sex or gender disproportionately” and includes sexual harassment.

To gain fresh insights into how today's youth look at sexual harassment, particularly when it happens at workplace, we gathered a group of 10 MBA students from Institute of Business Administration (IBA), University of Dhaka, all male and in their mid-twenties, with some amount of work experience at various companies. When asked what they think of harassment at work, Apu Dhar, one of the participants of the discussion, said that whether or not a particular behavioral act is to be considered sexual harassment depends on the context of the situation and the nature of relationship between the two parties. Most of the time he feels uninhibited to tell his female friends things like "Girl, you're looking good today" but it will be inappropriate if he makes the same remark to a new female colleague at work. Another participant, Bayat Mobin Bamim, added that any sort of behavioral act or attitude that is sexually improper and makes another person at work feel uncomfortable should be considered sexual harassment.

We also presented the group with a hypothetical situation at work. Sami has been working at a private bank for six months when Mahima joins the company. Sami starts liking Mahima but does not do anything about it except secretly staring at her whenever he can. This makes Mahima feel extremely uncomfortable at work, especially since other employees gossip about it. Even though Sami knows how Mahima feels about the whole 'staring' situation, he refuses to rectify his attitude and continues to make her feel awkward at all times. We then asked the group if Sami's behavior falls under the definition of sexual harassment. 9 out of 10 said 'yes' and 1 said 'no'. The participant who said 'no' justified his answer by saying that since Sami did not actually "do" anything like stalk her or approach her, his behavior wasn't sexual harassment.

These apparent gaps in people's understanding and perceptions of what is sexual harassment and what is not are partly why the current scenario of gender-based workplace issues and sexual harassment incidences in our country as well as in the whole world is no different from what it used to be fifty years ago. The invites for dinner, the hand on the knee, the whispers like “You need to learn to compromise if you want to move up in your career” are all still commonplace and sadly, all that the majority of the population thinks of sexual harassment is physical abuse or rape.

## **6.2 Finding 2: Employees would rather feel safe and earn less than face harassment at their job**

For our research, we conducted a survey to understand what people, as employees, think of companies that fail to handle sexual harassment claims and to provide justice to the victims. We gave the participants a brief description of a hypothetical multinational company in Bangladesh that offers handsome salaries,

monthly bonuses, yearly trips, job security and high status in society. However, this company is known to be a place where sexual harassment complaints are not taken seriously, victim blaming is the common trend, no policy has been set to deal with such complaints and many managers have been allegedly involved in harassment cases. Then we asked the participants whether they will work for this company.

The results of the survey were interesting. Out of 340 participants, 59.7% were male and 39.1% female; since male participants were far more in number than female participants, we were expecting a big percentage of 'yes', if not bigger than that of 'no'. Our assumption was based on the fact that most people fail to realize sexual harassment can happen to male workers too. However, the survey responses slightly surprised us by showing that 80.3% participants said they would never work for the hypothetical company whereas 19.7% said they would.

**Table 1: Gender of the Participants of the Survey**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	133	39.1	39.1	39.1
	Male	203	59.7	59.7	98.8
	Other	4	1.2	1.2	100.0
	Total	340	100.0	100.0	

**Table 2: Will you work for the company?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	67	19.7	19.7	19.7
	No	273	80.3	80.3	100.0
	Total	340	100.0	100.0	

The justifications that the group of people answering 'no' offered us were that at the end of the day, they wanted to work at a place where they felt safe and protected against all sorts of harassment and violence. The other group answering 'yes' explained that the 'job security' and 'high status in society' factors associated with the company were more desirable to them than even the lucrative compensation packages offered by the company.

**Table 3: Cross tabulation: Gender of the Participants \*  
Will you work for the company?**

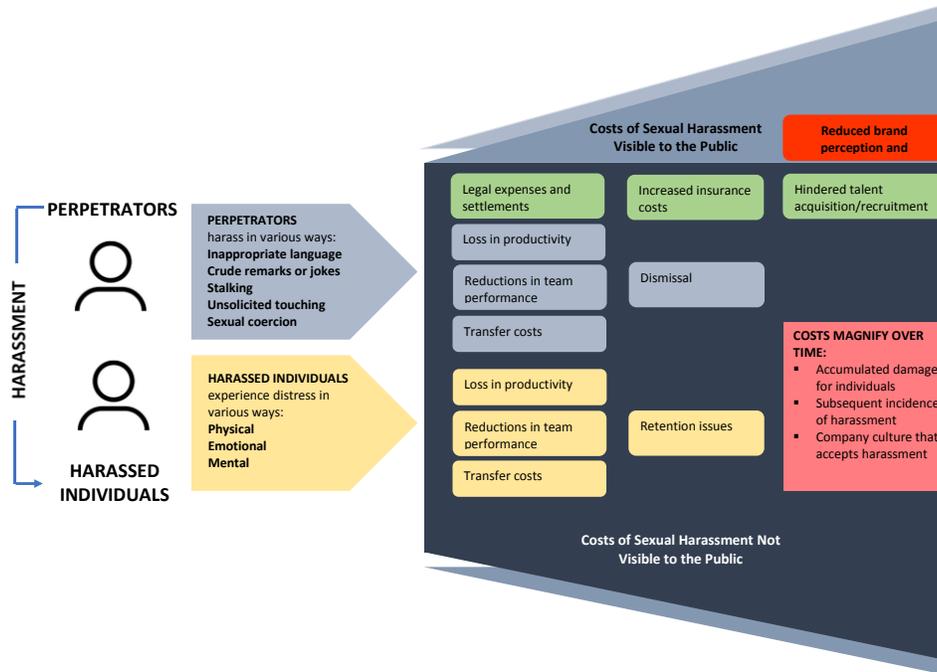
		Will you work for the company?		Total
		Yes	No	
Gender of the Participants	Female	16	117	133
	(%)	12	88	100
	Male	51	152	203
	(%)	25	75	100
	Other	0	4	4
	(%)	0	100	100
Total		67	273	340

More interestingly, contrary to our expectation, 12% female participants said that they would work for the company, despite knowing how the company does not have the culture that supports gender equality and protects its employees against sexual harassment. On the other hand, 75% male participants said that they would not work for the company even though most victims of sexual harassment at work in our country are female.

In any case, a company that hardly cares about the safety of its employees and poorly deals with sexual harassment claims is bound to lose 80% potential and resourceful employees even if the company has wonderful financial performances and offers handsome salary packages to its employees. In the long run, the brand image of such a company as an employer will decline to an irreparable extent in the job market, leading to a slow but certain death of the organization.

### **6.3 Finding 3: The costs of sexual harassment at workplace are exponentially high**

Sexual harassment and sexual misconduct are unimaginably bad for business; a brand that takes 50 years to be established and valued in the consumers' mind needs only one case of harassment claim to fall from grace. Commonly, sexual harassment at workplace seriously hampers firm value through reduced productivity, lowered operating efficiency and higher labor costs. Other consequences of workplace sexual harassment include the attrition of talented employees, clients and customers, the decline in quality of decisions made by groups that include perpetrators and harassed individuals, large reputational costs to gender discrimination and sexual harassment lawsuits and reduced employee morale. All these negative outcomes of workplace harassment eventually result in deteriorated brand image, reduced brand loyalty and unfavorable brand perception.

**Figure 1: Framework of Costs of Sexual Harassment Paid by Organizations**

According to the framework developed by International Center for Research on Women (ICRW), The moment an employee falls victim to sexual harassment at work, the company incurs costs that only keep growing when the issue isn't resolved and the perpetrator goes unpunished. When the organization fails to acknowledge the issue of harassment, victims silently suffer in most cases and respond negatively to the situation, for example, they may sink into depression, withdraw themselves from everything, participate less in discussions and fail to perform at their job. All these factors directly lead to huge reductions in job satisfaction, productivity and team performance. A lot of the times victims have to face bully and mistreatment from their colleagues and/or teammates, so they then have to be transferred to another team, department or even branch; undoubtedly, the transfer costs are very high. And if victims decide to quit their job, company incurs huge costs in finding their replacements and recruiting new employees. Actions of the perpetrators cost the company in the same way. When there is a harasser on a team, that team can hardly perform as well as other teams with no such member on them. So, company suffers from productivity loss, below average team performance and high transfer costs. The retention issues slowly go out of control since employees keep leaving the company that does not care about their protection.

The above costs are not usually visible to the general public but those that are can sometimes lead the company to unavoidable bankruptcy. Oftentimes victims are

offered attractive compensations and asked to stay silent; at other times when active investigations are carried out in the aftermath of harassment incidents, company has to spend unbelievably large amounts of money as legal expenses and settlements. The reputational costs, though immeasurable in most cases, add up in forms of reduced brand loyalty, lowered brand value and hindered talent acquisition.

In 2018, more than 20,000 Google employees – almost 20% of the entire workforce of the company – walked out of their offices in New York, Silicon Valley, Dublin, Hyderabad, Tokyo, Berlin, London, Chicago, Seattle, Zurich and many other cities, carrying signs that said “O.K. Google, really?” and chanting slogans like “Stand up! Fight back!” This overwhelming wave of protest was prompted by an article on the New York Times that revealed that Google had paid millions of dollars as exit packages to its male executives accused of sexual harassment while doing nothing about the transgressions. Google is a highly powerful company but even they have had to face humiliation and strong backlash from their employees when they failed to handle harassment charges in proper manners.

#### **6.4 Case Studies: Real Stories of Workplace Sexual Harassment and Their Analysis**

##### ***Case Study 1***

In 2018, a multinational company (MNC) sent an entire batch of Management Trainees to one of their South Asian headquarters for a few days when an unfortunate incident took place. Maria and Niloy, two fresh graduates from one of the top business schools of Bangladesh and part of the MNC’s MT team, were going back to their hotel, along with a few of their colleagues, from a party. Everyone was exhausted from their day long tour of the office, meetings and the evening party, so after reaching the hotel, they decided to call it a night. However, Niloy asked Maria to come to his room because apparently, he wanted to show her something. Since Maria had remained friends with Niloy for a long time, she did not think much of his invitation and decided to go to his room.

According to Niloy, when he woke up in the next morning, Maria confronted him about touching her inappropriately the night before. Niloy was taken aback at the charge and claimed that he did not remember any such incident as he was intoxicated from drinking at the party. Maria completely broke down and Niloy kept saying he could not believe he could have done something like that. By then, all their peers were aware of the incident and were asking Maria to make an official complaint to the South Asian HR. However, Maria was too traumatized at that time to make sense of the situation and so, decided to do something about it after coming back to Bangladesh.

When the MT team got back to the country, the first thing Maria did was launch an official complaint against Niloy to the HR department. HR immediately sent

for Niloy and wanted to know if he had anything to say in his defense. Niloy neither admitted to molesting Maria nor denied anything; all he said in defense that he did not remember anything. HR gave him two options – either he immediately resigned from his position or a thorough investigation would be taken up that could ruin his whole career. In the afternoon the same day, Niloy left the company.

### ***Case Study 2***

Sakib Chowdhury, an aspiring IT professional in his late twenties, has been working at one of the top IT companies in Bangladesh for more than 3 years. Starting his career as a business analyst at the company, Sakib has worked his way up to the title of Team Lead within a very short time. Sakib's company deals with American clients, so he works during the night shift when only male employees and two American women work. Everything was going in easy and smooth manners until Ms. Melina Rahman, the new CEO, joined the company a few months ago. Ms. Rahman is an accomplished woman who previously worked in the top banks of the country and is considered one of the most influential women of the country.

It started with seemingly innocent remarks like 'Hey Sakib, you're looking real sharp today' and 'Doesn't Sakib look like the younger version of DiCaprio?' but soon the situation started getting weirder and more complicated. Ms. Rahman seemed to be taking a great interest in Sakib and did not leave a single chance to communicate her feelings towards him. Every time she visited the branch where Sakib works, she would call for one-on-one talks where she would chitchat with Sakib for hours. It did not take much long for the other employees to take note of what was happening. While Sakib kept telling his colleagues and friends that it was nothing and his boss simply admired his work, he did feel extremely uncomfortable and decided to keep his head down. Many of his peers even speculated and discussed within their circle that Sakib's latest promotion was due to Ms. Rahman's special recommendation to the management and HR.

The last straw was when on a work tour Ms. Rahman stopped Sakib in front of others and started behaving like there was something going on between the two of them. Sakib, an outspoken and straightforward man most of the time, was out of words and somehow left the place, telling his boss that he was a little busy with something related to work. After that day, Sakib started looking for work at another company and has already received a highly lucrative job offer that he is planning to accept.

### ***Case Study 3***

In October last year, a sexual harassment case was filed against Gourav Sarker, principal of a high school in one of our neighboring countries, by one of his female subordinates. According to the complaint, Mr. Sarker had allegedly harassed the teacher on multiple occasions by calling her to his office at odd

hours, taking her photographs without her permission and threatening to terminate her employment if she made a complaint or told anyone about it.

After putting up with his behavior for months, the teacher finally gathered enough courage to officially file a case against the principal on the grounds of sexual harassment, criminal intimidation and outraging the modesty of a woman. During the investigation, it was found that this was not the first time Mr. Sarker had harassed a female employee of his and many of his female employees had faced the same situation in past, with some even resigning their job.

In the first case study, we see a company that not only cares about its culture and workplace environment but also is concerned about the safety and wellbeing of its employees regardless of their genders. When the harassment complaint was filed against Niloy, the company HR did not waste a single moment in taking necessary action. It's because they truly understood the gravity of the situation and its long-term impacts on the entire organization that they let a resourceful employee like Niloy go. Unlike many other organizations, they did not resort to victim blaming or question the validity of the complaint right after receiving it; instead, they asked Niloy to offer them a reasonable explanation of what had happened. When Niloy failed to provide one, they made him leave the company immediately.

Some may argue that the company should have conducted an investigation and not just let the culprit go almost unscathed. In all probability, the company did not take up any investigation right away because they did not want the public to know about the incident. However, given that the victim herself did not want to relive the unfortunate memories of what she had faced, the first option the organization had was to force the culprit to resign. The company simply refused to have its other employees feel unsafe in a place where they spend a large part of their day and so, took immediate actions to resolve the issue.

The second case study shows us the side of sexual harassment that most people are not familiar with. The moment we come across the term 'sexual harassment', we take it for granted that some woman has been the victim of the harassment; we do not even consider the possibility of a man being on the receiving end of the abuse. In our case study, the initial remarks made and the interest shown by the female CEO of the company in her subordinate seemed innocent in the beginning. Nobody seemed to think there was some sort of harassment going on since the traditional roles of abuser and victim were reversed in this case. Moreover, Sakib could not figure out ways to solve the issue from within the company since there were no set rules or policies to handle harassment claims and he would practically have to file complaints against the CEO. Ultimately, the company lost one of its most resourceful employees who had all the potentials to take the company to greater heights. The immediate consequences of this loss might appear to be of less significance but the long-term impacts of such kinds of harassment could prove disastrous.

The third case study deals with the most common forms of sexual harassment at workplace in suburban areas. Usually in these locations, a severe power imbalance remains between employers and employees. The employers in these organizations are well aware of the fact that most of their subordinates are not highly educated and hardly enjoy any economic privileges and financial soundness in their life, which is why even if they face harassment or any other type of unfair treatments at work, they are less likely to make complaints and/or leave their job. In other words, the employers capitalize on the vulnerability of their employees. However, the teacher in our case study did take steps against the principal and only then did the world know the hidden consequences of overlooking the harasser's behaviors. Educational institutions in suburban areas of Bangladesh and other South Asian countries are in constant need of fine and dedicated teachers, so when a school keeps losing its valuable teachers, the effects on the quality of education and employee morale become uncontrollably detrimental.

## **7. RESEARCH IMPLICATIONS**

To understand the present and future implications of our study, let's take a short trip into Dolly Akhter's life. Dolly was 16 when she became a victim of sexual harassment at her very first job in a garment factory in Dhaka. The hours were long and the pay was low but what made her leave her job was the constant pressure from her married line manager to sleep with him. At her second job, the situation was worse; managers would hit them and inappropriately touch them whenever they wanted. Deciding to fight against the harassment, Dolly formed a union to ensure other young employees better protection. When management learnt about her efforts, she was locked by her supervisor in his office until she put in her resignation. Now, a decade later, Dolly Akhter is working as an active leader of a grassroots movement to unveil the miserable conditions of working women in textile industry. A large number of victims now are supported and encouraged to come forward and speak up without any fear by her and her organization, Somnilito Garments Sramik Federation, one of the largest trade organizations in Bangladesh.

Understanding Dolly's transition from a simple garment worker to a fearless change-maker is important because a few years down the line, not a single victim, male or female, is going to stay silent in fear of victim-blaming, public shaming, injustice or retaliation from the company. In fact, today's world has become so small that all it will take a company to see its reputation and image crumble into disgrace and humiliation is a Facebook post from the victim. So, managers have to clearly understand that time has changed and if their policies to deal with harassment claims are asking the victim what kind of clothes they were wearing, bullying them into withdrawing their complaints, protecting the perpetrators because of their position and/or denying the issues to the common public, they better be NOT in business. The world will never forget when in 2018

more than 20,000 employees walked out of Google's offices in different countries in protest of sexual misconduct, harassment, lack of transparency and a non-inclusive workplace culture.

From this research, managers can have clearer insights into why it is crucial to design and implement specific guidelines and regulations to prevent any harassment incidence from happening at work and when such incidence happens, to take up proper investigations to provide justice to the sufferers. Over the years, a lot of CEOs like Travis Kalanick from Uber and Mark Hurd from HP and other organizational leaders have been fired from their position over sexual harassment charges brought by their subordinates. In 2019 when Microsoft received a barrage of sexual harassment complaints from dozens of its female employees, Kathleen Hogan, head of HR, immediately responded to the situation by discussing the matter with the senior leadership team, asking her employees to contact her directly if they had any such complaints and promising the victims to personally look into each complaint with her team.

Moreover, organizational culture needs to be open and free from any sort of gender-based inequality so that it does not motivate potential harassers to take advantage of other employees. Leaders need to show a high level of accountability because when leaders take sexual harassment seriously, employees take sexual harassment seriously. Seven years ago, while performing her night shift duty at a BRAC clinic, Dr Sajia Afrin Eva was brutally murdered by the caretaker of the office when he failed to rape her. The entire BRAC family showed their remorse, mourned publicly at her death and provided logistical, financial, legal and emotional support to her family. While BRAC failed to prevent such a tragic event from happening, the organization leaders realized the gravity of the situation and took immediate action in ensuring Dr Eva and her family received justice and peace.

## **8. FUTURE SCOPE OF THE STUDY**

The original idea behind this research was to explore the association between workplace sexual harassment and the gradual collapse of brand image and company reputation. While our collective endeavors succeeded in achieving the primary goals of the study to a certain extent, there surely were a number of constraints without which ours could have been an absolutely complete study. The major limitation encountered during our research involved the demographic that participated in various conversations on harassment and contributed to our research work. Even though all the participants of the interview and discussion sessions and the online survey were chosen randomly, the greatest part of them belong to the age group 20-30, are based in Dhaka, belong to the middle and upper class of society and are at least university graduates. Therefore, further study needs to be carried out where a varied group of people including those aged 40 or more, based outside Dhaka, belonging to the lower class of society and less

educated will be part of the research process. These categories of population need to participate in further conversations because beyond a reasonable doubt, they can offer different insights and experiences regarding workplace harassment in Bangladesh. Even five to ten years down the line these studies will be relevant because more and more women are going to join the workforce all around the world, the victims of sexual harassment are not going to stay silent forever in fear of social stigma and competitions are going to be tougher than ever so a sustainable business model will need suitable guidelines to deal with workplace harassment incidents and keep the brand image intact.

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## EXPLORING EXPERIENCE CLUES: A STUDY ON PRIVATE BANKS OF BANGLADESH

Md. Tanvir Alam Himel<sup>1</sup>

**Abstract:** Consumers evaluate a service by the performance of different clues. Rather than depending on assessing the whole service, the customers assess different hints of that service. The clue can be a simple aroma of the place from where the customer receives the service. Three different types of clue, e.g. functional, mechanical and humanic, help customers to evaluate a service within a short period of time. This study evaluates consumer behavior in respect to how they evaluate a service on the basis of consumer perception of different clues of the service. For exploring different clues of a service, an FGD was conducted over six focus groups. Then, data were collected from 165 respondents of different private banks of Bangladesh. The factors were derived through exploratory factor analysis on the other hand, confirmatory factor analysis was conducted to demonstrate the relationship among observed variables and their latent constructs. The findings of the research are the turning points for the banking sector of this country. The outcome implies the major functional, mechanical and humanic clues of the banking sector which customers evaluate while receiving a service from the bank. The factors are assessed consciously or subconsciously to evaluate the service of a bank by the consumers. The three major constructs of service clues breed fifteen different variables. These variables are the major clues which customers take into their consideration. The practical implication of the study is to highlight the importance of different subtle clues of banking service which may usually be overlooked by the service providers. It is high time to improve the tiniest aspects of a service instead of improving the whole service at once.

**Keywords:** Service Encounter, Physical Evidence, Customer Experience Management, Clue Management.

### 1. INTRODUCTION

In selecting and using a service, a customer sometimes acts like an informer and scrutinize the tiniest part of the service to develop a perception regarding it. The place from where the service will be provided is an important decision. Impressive design of tangible evidence is prerequisite for minimizing the design and standard gap of a particular service. The service providers just look at the overall design of a service to improve their customer experience. But, the service provider is incognizant about the different microscopic aspects of their service

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<sup>1</sup> Lecturer, Department of Marketing, University of Dhaka

which customers consider to evaluate that service. Sometimes, the small clues create a strong perception in the mind of the customers. So, when a customer goes to a bank, he or she not only weighs the functional quality of the service but also the different emotional aspects of the service. Every small aspect of a bank potentially communicates something about the bank, like the behavior of the employees, the skills of the employees, the lighting condition, the cleanliness, and even the color the bank used in decorating the surroundings.

Every small action, feature and aspect of a service has a significant role in creating an image of that service. Before making a purchase decision, customers try to assess the quality of the service. They might evaluate the service through several 'touch points' or discrete 'sub-experiences'. Sub-experiences basically talk about the customer's overall experiences with an organization. (Berry et. al., 2006) In case of tangible products, the customer has a narrower experience while services can be a set of sub-experiences including more than one experience which involve many service clues which require proper management. They assess services differently than how they assess products. Customers assess services based on performance rather than objects. So, every little thing counts to make customer experience better. While most managers just focus on the fundamental goals, it is crucial to give importance to the clues that help build the customer's perception of overall service experience. The technical performance of the service, tangible associations and behavior of service providers are mostly the basis of customer perception and evaluation of the service.

Customers are at the receiving end of the services and they are also the co-creators (Agrawal and Rahman, 2015). So, they process more information and behave like detectives in organizing the service clues into a set of feelings. This process intensifies as the service gets more complex and personal for the customer and they process these clues while evaluating and making purchase decisions. For example, an alert patient looks for evidences of caring behavior displayed by the hospital doctors and nurses.

The purpose of the study is to search for different clues which customers consider in choosing and using a service. This finding may help 'clue managers' to better manage the dominating clues of a service.

The literature review section delineates the determinants of the experience clues. These previous literatures are the foundation of the conceptual framework of this study (Figure 1). The methodology section depicts the research approach, sample design and measurement scales and software used for data analysis. Data analysis and findings section outlines the EFA, CFA results and the experience clues dimensions of banking services. Finally, the paper is concluded with some recommendations.

### **1.1 Research Objectives**

A limited number of researches have been conducted to find out different clues of a service. Academically, many researchers have endeavored to discover the subtle clues of a service. But practically, very few have delineated the specific clues of a service. This study has attempted to discover different specific clues of a service. Specifically, this study has been undertaken to find the functional, mechanical and humanic clues of the private banks of Bangladesh.

## **2. LITERATURE REVIEW**

The time period within which customers interact with an organization can be defined as customer encounter (Shostack, 1985). The service encounter's definition comprises the whole journey of customers. During service encounter, customers face different employees, physical facilities and different tangible elements. Physical evidence of a service is the environment in which the service is delivered, where the customers and employees interact, and this may also include different tangible elements that expedite efficiency and effectiveness of the service (Zeithaml et.al., 2013).

Zeithaml et. al (2013) mentioned that, customers occasionally depend on tangible cues to appraise the service. The cues are assessed before using the services. The cues also influence the satisfaction and loyalty of the customers. In order to making the service more tangible and evident to the customers, different marketers and academicians are introducing several aspects of customer experience management (CEM). Among those, Berry, Wall and Carbone are prominent in exploring the smallest fragments of service which sometimes are overlooked by the marketers. They introduced the concept 'experience engineering' with the help of clue management. According to Berry and et. al. (2006) 'clue management is the set of activities to recognize and manage all the different cues which are used by the customers to create meaningful and effective image and belief about the organization'. Customer experience is the by-product of the interaction between customers and the firm because of the relationship they develop over time.

Meyer and Schwager (2007) define 'customer experience as the internal and subjective response that customers give to any direct or indirect contact with the company.' Direct response can be in the form of purchase and use. Whereas, indirect response can be positive word of mouth, criticism, reviews and so on. Here, Meyer and Schwager attributed customer experience management (CEM) as a customer-oriented view whereas they attributed customer relationship management (CRM) as a company-oriented view. In order to satisfy the customers, the marketers who follow CEM try to deliver maximum value to the customers at every 'contact point'.

Berry and et. al. (2002) defined customer experience as the emotional needs and expectations of the customers which they form throughout the journey. Organizations can arrange a synergized set of clues to delight their customers. Customer experience encompasses the whole customer journey from the pre-purchase behavior to post-purchase behavior. Throughout the journey the marketer's responsibility is to create satisfaction in every touch point where customers and employees may interact. (Verhoef et. al, 2009) The proper management of customer experience may bring a lot of financial return for an organization (Pine and Gilmore, 1999).

Service clues facilitate the customer's emotions, thoughts, and behavior via different types of experience throughout the journey of a service. It has been seen that when a customer is in sound mood, they can remember the positive aspects of the service. Here, the feel and affect model explain the demonstrated consumer behavior. (Poon, 2001) Laird (1974) also asserted that mood also guides a person to evaluate something. If a customer is in positive mood during the consumption of the service, it is likely that he/she is going to evaluate the service positively. Mood affects the consumer behavior both in positive and negative ways. When a customer is in positive mood, he/she may evaluate a service by observing the overall quality of that service. On the contrary, a customer with negative mood may observe the tiniest cues possible to evaluate the quality of the service. (Berry et. al. 2006) That is why service providers need to strategize each and every clue of a service which customers may undergo during that service experience. Berry, Wall and Carbone (2006) identified three different clues of a service. These are termed as functional, mechanical and humanic clues.

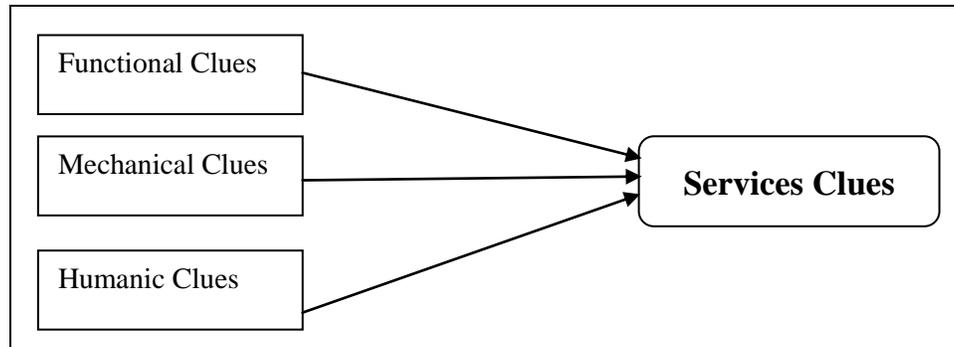
**2.1 Functional Clues:** The technical aspects of a service are called functional clues. The core performance of a service can also be defined as functional clues. (Berry et. al., 2006) If the functional clues are absent in a service, the service provider may not even be able to meet the customer expectation. Functional clues are prerequisite for meeting customer's basic requirements. A bank's functional clues can be the savings or credit offerings, existence of ATM booths, efficiency of employees, waiting line management etc.

**2.2 Mechanical Clues:** Functional clues are necessary but not sufficient by themselves for satisfying customers. Mechanical clues are derived from the innate nature and appearance of the service. (Berry et. al., 2006) Simply, the tangible associations of a service are mechanical clues for the customers. All the substantial things a customer may perceive in the journey of the service are called mechanical clues. A bank's mechanical clues are the decoration, equipments, furniture, signs, color etc. Customers form their first impression regarding a bank from the mechanical clues. Mechanical clues are also the mechanism for expectation and value creation. (Berry et. al., 2006)

**2.3 Humanic Clues:** Humanic clue gives a personal touch in a service. This is the clue which is sufficient enough for satisfying customers. The behavior and

countenance of the employee are known as humanic clues (Berry et. al., 2006). This clue is asserted through the employees of the organization. In case of banks, humanic clues can be the friendliness of the employees, neatness of their attire, tone of their voice, enthusiasm and courtesy in welcoming and receiving the customers etc.

**Figure 1: Conceptual Foundation of the Study**



### 3. RESEARCH METHODOLOGY

This study endeavored to find various clues of banking service. Exploratory factor analysis was conducted to illustrate the formation of factors and confirmatory factor analysis was used to confirm construct validity of the different clues of a banking service.

The research method followed by the researcher is exploratory and descriptive in nature. The study was undertaken to find the various clues of service through focus group discussion (FGD). The focus group was conducted to discover various clues which customers consider in the banking service. Then, a personal interview technique was used to collect data from the bank customers regarding the experience clues they have experienced in banking service.

**Table 1: Composition of the Focus Group**

Number of Focus Groups	Six (6)
Characteristics of Group Members	Regular customers of any private bank.
Members in Each Group	Eight (8)
Duration of Each Group Discussion	80 Minutes

The focus group discussion was carried out to find the clues customers consider in evaluating the performance of a banking service. In the discussion, customers express different clues they observe in their day to day banking. After an eighty minutes' session, each group came up with a set of clues. According to the groups, the discovered clues are important in evaluating a service performance.

**Questionnaire Design:** From the findings of the focus group discussion, the researchers developed a questionnaire containing 18 different items. The 18 different items were converted into questions through five-point Likert scale. Five academicians and a pool of seven service providers pre-tested the questionnaire for further modification.

**Sample Selection and Data Collection:** The population of the study was all the customers of thirty-nine (39) private banks of Bangladesh. Among all the private banks, the branches which are situated at Dhaka were selected as the sample source. As there was no fixed population, the study used convenience sampling technique to enumerate the sample from the population. A structured questionnaire was then used to collect data from respondents. Though personal interview survey technique, the researcher collected data from 165 samples.

**Techniques of Data Analysis:** Cronbach's Alpha was calculated for ascertaining the internal reliability of the questions. After confirming the internal reliability of the questions, exploratory factor analysis (EFA) was conducted through SPSS software (version 20) for data reduction purpose. Then, confirmatory factor analysis (CFA) was run through AMOS software (version 22) for analyzing the validity of the factors.

#### **4. DATA ANALYSIS**

##### **4.1 Reliability of the Measurement Scale**

Before running structural equation modeling to validate the measures, a reliability test was conducted using Cronbach's alpha for the scale items to ensure internal consistency (Cronbach, 1970). It has been taken to account that the coefficient tends to increase when the number of measures increases. This means that the coefficient could be artificially influenced if several items measure exactly the same effect instead of measuring a whole spectrum of a construct's dimensions (Malhotra and Dash, 2011). Therefore, when conducting the CFA it has been verified that two or more items do not measure the same dimension of one construct. The following table shows the Cronbach's alphas of the final constructs. The composite reliability of the three components is 0.829, 0.907, and 0.871 respectively. A value of more than or equal to 0.60 is required for having composite reliability of a measurement scale. From the observed CR values of this study, it can be stated that the measurement scale of this study has reliability. Internal consistency of the scale is important for confirming the items' ability to measure the latent factor but not enough for ascertaining the construct's reliability. Composite reliability hence is the measure which asserts the scale reliability.

**Table 2: Construct Reliability through Cronbach's Alpha and CR.**

Constructs	Number of Variables	Cronbach's Alpha	Composite Reliability
Functional Clues	6	0.905	0.829
Mechanical Clues	4	0.825	0.907
Humanic Clues	5	0.865	0.8971
<b>Services Clues</b>	<b>15</b>	<b>0.919</b>	

Factor analysis empirically recognizes the fundamental measured or factored entities (Thompson, 2007). Kaiser-Meyer-Olkin Measure of Sampling Adequacy measures the appropriateness of the data for factor analysis. High values of KMO (close to 1) generally signal the suitability of the data for conducting factor analysis (Malhotra and Dash, 2011). In this study, the value of KMO is 0.909. This indicates the relevance of exploratory factor analysis in this context. Bartlett's Test of Sphericity measures that study's correlation matrix is an identity matrix. This hypothesis can be negated when the Bartlett's Test of Sphericity is smaller than the significant level, which is 0.05. The study also found the significance of Bartlett's Test of Sphericity, as the value is significant at 0.05 level.

**Table 3: KMO, Bartlett's Test and Goodness-of-fit Test of this Study**

KMO and Bartlett's Test		Goodness-of-fit Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.909	Chi-Square	df	Sig.
Bartlett's Test of Sphericity	Approx. Chi-Square	1442.769	90.654	63
	Df	105		
	Sig.	.000		

Table 4, 'total variance explained', illustrates that three latent factors of this study explain 67.375% of the variance. The Initial Eigenvalues of the first three latent factors are sufficient to explain the major portion of the study. But, the value also signals that additional factors can be added to explain the model.

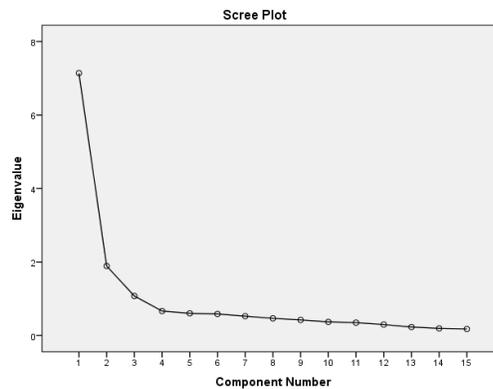
**Table 4: Total Variance Explained by the Model**

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	7.141	47.604	47.604	7.141	47.604	47.604	5.692
2	1.891	12.607	60.211	1.891	12.607	60.211	5.533
3	1.075	7.164	67.375	1.075	7.164	<b>67.375</b>	5.082
4	.666	4.443	71.817				
5	.603	4.022	75.839				
6	.586	3.908	79.747				
7	.526	3.508	83.255				
8	.467	3.115	86.370				
9	.424	2.826	89.197				
10	.371	2.472	91.669				
11	.350	2.332	94.001				
12	.298	1.986	95.987				
13	.231	1.541	97.528				
14	.194	1.291	98.818				
15	.177	1.182	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

The Scree Plot also confirms that three factors are sufficient to explain the maximum variation of the model. This scree plot demonstrates that the values in the first three columns of the figure are above the straight line which starts from component 4.

**Figure 2: Scree Plot of the Extracted Factors**

Pattern Matrix demonstrates the proper loading of the variables into three major latent factors. All the variables of functional clues are loaded in component 1. The loadings are also greater than 0.5. Humanic clues are also loaded appropriately in component 2. These loadings are also not below 0.5 Mechanical clues are loaded in component 3. These loadings are also higher than the threshold level, which is 0.5. The proper loading of the factors denotes the constructs' ability to better describe the ability of the construct. The three principal components can properly describe the latent variables of the three constructs namely functional, mechanical and humanic clues.

**Table 5: Pattern Matrix**

<b>Pattern Matrix<sup>a</sup></b>			
	Component		
	<b>1</b>	<b>2</b>	<b>3</b>
<b>FC_1</b> (Variety of saving facilities)	.640		
<b>FC_2</b> (Convenient credit facilities)	.754		
<b>FC_3</b> (Debit cards option)	.729		
<b>FC_4</b> (Skilled employees)	.974		
<b>FC_5</b> (Queue management)	.890		
<b>FC_6</b> (Sufficient number of ATM booths)	.869		
<b>MC_1</b> (Interior decoration)			.681
<b>MC_2</b> (Employees attire)			.865
<b>MC_3</b> (Sitting arrangement)			.834
<b>MC_4</b> (Brochures)			.848
<b>HC_1</b> (Customer greeting)		.814	
<b>HC_2</b> (The way employees receive customers)		.738	
<b>HC_3</b> (Time they spend with customers)		.841	
<b>HC_4</b> (Treat customers as honored guest)		.884	
<b>HC_5</b> (Amiable voice tone)		.659	
Extraction Method: Principal Component Analysis.			
Rotation Method: Promax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

#### 4.2 Validity of Measurement Scale

Confirmatory factor analysis determines the construct validity of the survey items. CFA shows how adequately the research constructs explain its hidden variables (Hair et al., 2010). Validity of a measurement scale can be accessed through convergent, construct and discriminant validity. According to Malhotra and Dash (2011), all factor loadings should be higher than 0.5, in order to be statistically significant. In this study, all the factors' AVE is greater than 0.5. The AVE of the factors is 0.549, 0.622 and 0.578 respectively.

MSV and ASV are the two measurements which can determine the items' discriminant validity. In order to have discriminant validity, a measurement scale's MSV and ASV should be lesser than AVE. This study also expresses the discriminant validity of its scale, as all the values of MSV and ASV are lower than AVE. So, it can be ascertained that the factors are not related or are distinct from one another.

**Table 6: Convergent and Discriminant Validity**

	AVE	MSV	ASV	Mechanic Clues	Functional Clues	Humanic Clues
<b>Mechanical Clues</b>	0.549	0.540	0.419	0.741		
<b>Functional Clues</b>	0.622	0.360	0.329	0.545	0.788	
<b>Humanic Clues</b>	0.578	0.540	0.450	0.735	0.600	0.760

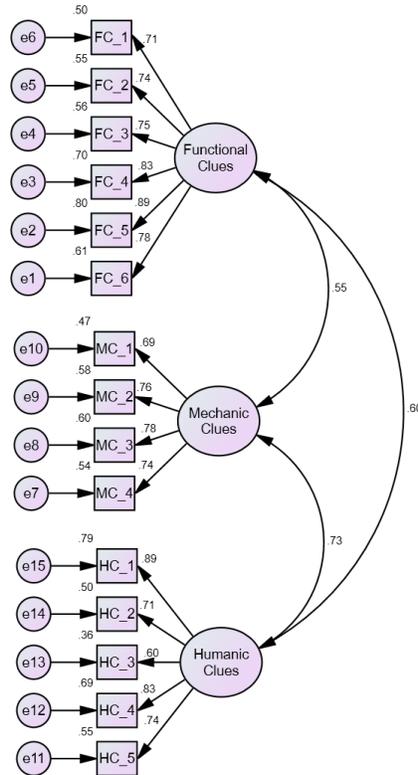
According to Malhotra and Dash (2011), the value of the goodness-of-fit indices (GFI, AGFI, TLI, CFI) should be greater than 0.90. All the goodness-of-fit indices of this study are greater than the threshold level. Thus, the measurement scale of this study has the construct validity. Malhotra and Dash (2011) emphasized the smaller value of chi-square. As per Schumacker and Lomax (2010), the value of CMIN should be less than 2. The CMIN of this study is also less than 2. Root mean square error of approximation (RSMEA) is the discrepancy between actual and predicted covariance. The lower the value of RSMEA, the better the model fit. The threshold level of RMSEA is 0.80 (Browne and Cudeck, 1993, Malhotra and Dash, 2011, Awang, 2012). The RMSEA value found in this study is below the threshold level. The value of RMSEA is 0.6, which is satisfactory.

**Table 7: Fit Measures Indices**

Fit Measures	Values of this Study
GFI	0.902
AGFI	0.865
$\chi^2$ (P-value)	0.000
Chi-square	1.59
RMSEA	0.060
CFI	0.963
TLI	0.955

From the path diagram, figure 3, there are no factors regarding which the loading is below 0.60. All the items'  $R^2$  is greater than 0.4. The values of the model from the path diagram also confirm the model's usefulness. The values of the path diagram demonstrate the perfect construct validity of this model.

**Figure 3: Path Diagram of Experience Clues**



## 5. FINDINGS AND RECOMMENDATIONS

The findings of this study are a breakthrough for the service sectors like banks. The saturation of the banks in such a small economy creates new challenges for the banks. The banks should differentiate themselves from others by focusing on the subtle things which most of their competitors overlook. Now it is time to look at the things which customers consider in the choosing process of a particular service. They not only evaluate the overall performance of the service but also create an impression about the service by assessing the smaller cues of that service. The major findings of this study can be attributed in three points.

- In choosing a service, customers at first look for the functionality of the service. The functionality of the service is what helps the customers to choose a particular service. For the banks, offering different types of savings and credit options, different card facilities, proper management of waiting queue, sufficiency of ATM booths etc. are the basic functional clues which a customer desires in a banking service. These are the factors which creates expectation regarding a bank service.
- After the functional clues, customers look for the appearance and attractiveness of a service. Here, the decoration of a bank, the color they used in their envelopes, employees' attires etc. are the mechanical clues which will create the first impression about the service as well as influence the additional value to the customers.
- Finally, in order to maximize the value, organizations should focus on the behavior of the employees of that organization. The enthusiasm, cordialness, friendly-manner etc. of the employees are the humanic clues which make customers delighted.

After observing the findings, the researchers came up with some recommendations for the banks. The recommendations are based on different clues which are related to the services of banks. One thing which must be remembered in this regard is that the banks, at first, must ensure their basic services to the customers. Without ensuring the basic services, a bank cannot focus on these subtle services.

- Banks must regularly observe the customers' behavior at banks. The observations must include the most minute behaviors and actions of the customers.
- A customer's displeasure, annoyance, or simple dislikes because of a service should be pointed and resolved as soon as possible.
- After those, banks should concentrate more on the small cues a customer consider in selecting a service. For instance, if the customers do not like the attire of the bank's employees, the bank should immediately take some action to remedy the situation.

- The three broad clues of this study can be used in creating the regular observation guideline.
- Finally, the bank should emphasize the functional clues in order to fulfill the basic needs of the customers. After that, the bank can improve its mechanical and humanic clues to deliver additional value and satisfaction to its customers.

## 6. CONCLUSION

Clue management is basically the proper management of the smallest cues which customers use to create an expectation about a service as well as evaluate the expectation against the reality. Customers do not only focus on the functional aspects of a service. Along with the functional aspects, they also want their services to be emotionally satisfying. Emotional aspects of a service create a lasting impression in the mind of the customer about the service. Hence, banks must focus on improving the mechanic and humanic clues of their service. In terms of improving different clues, a bank must prioritize on improving the functional clues first. Then it should concentrate on improving the mechanic and humanic clues of their desired service. In this modern era, services provide customer satisfaction by delivering superior value across all the three types of clues. Lack of one clue can be a major issue when a customer is comparing between two homogeneous services. Organizations should have a very strong clue management system which should encompass all the hierarchical layers. Whether managers consider it or not, customers work out the “clue math.” All the clues altogether influence customers’ purchase decision and shape their assessment of the service’s quality.

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## COMPARISON OF INTEGER AND FRACTIONAL DIFFERENCING OF TIME SERIES FOR FORECASTING US DOLLAR EXCHANGE RATE

Barnali Mondal<sup>1</sup>

***Abstract:** Autoregressive Integrated Moving Average (ARIMA) model differences a time series one or more times to make it stationary, while Autoregressive Fractionally Integrated Moving Average (ARFIMA) model differences the series a fractional number of times to avoid over- or under-differencing. In this study, both ARIMA and ARFIMA models are investigated for forecasting purposes. A number of ARIMA and ARFIMA models are applied to yearly data of US dollar exchange rates. Performances of the fitted models are compared using the Root Mean Squared Error of prediction. ARFIMA model performs slightly better than ARIMA model.*

### INTRODUCTION

Time series data are very common in business and economic studies. One of the main purposes of analysis of such data is to forecast one or more future values of the variable(s) of interest based on the present and past behavior of the process.

A substantial number of time series models are available in the literature. Autoregressive (AR) models (Whittle, 1951) attempt to explain the behavior of the variable of interest by regressing it on its own past values. Moving Average (MA) models (Whittle, 1954) assume that the total regression error at a particular time is a linear combination of the present and past error terms.

Autoregressive Moving Average (ARMA) models (Whittle, 1954) contain both AR and MA terms to model the underlying stationary process. When the series is not stationary, values are often differenced one or more times to make the process stationary. Autoregressive Integrated Moving Average (ARIMA) models (Box and Jenkins, 1970; Cochrane, 1997) allow for differencing the series before fitting an ARMA model.

A generalized version of ARIMA model allows differencing the time series a non-integer (fraction) number of times in order to avoid over-differencing or under-differencing. This new model is called Autoregressive Fractionally Integrated Moving Average (ARFIMA) model (Granger and Joyeux, 1980; Hosking, 1981; Veenstra and McLeod, 2018).

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<sup>1</sup> Joint Director, Statistics Department, Bangladesh Bank (Head Office), Dhaka 1000

In this paper, both ARIMA and ARFIMA models are reviewed for the purpose of forecasting. The rationale for using ARFIMA model is that, if over- or under-differencing can be avoided, better forecasting may be possible. Several ARIMA and ARFIMA models are applied to yearly data of US dollar exchange rates. A reduced set of models is constructed based on AIC values. Forecasting performances of the short-listed models are compared using the Root Mean Squared Error of prediction. It is observed that ARFIMA slightly outperforms ARIMA in forecasting US dollar exchange rate.

## METHODOLOGY

In this paper, both ARIMA and ARFIMA models are employed for forecasting purposes. These two models are reviewed below.

### *ARIMA Models*

ARIMA model (Box and Jenkins, 1970; Cochrane, 1997) is a linear univariate time series model that first checks whether the series is stationary. If the series is non-stationary, observed values of the series are differenced one or more times (corresponding to the 'Integrated' or 'I' part of the model) to make the series stationary. The model that is fitted to the resultant stationary series has both autoregressive (AR) and moving average (MA) parts.

ARIMA model is usually denoted by ARIMA( $p, d, q$ ) where  $p$  is the number of past observations in the AR part,  $d$  is the number of times the observed series is differenced, and  $q$  is the number of past error terms that are added to the current error term to form total random error. Let the original series be denoted by  $y_t$  where  $t$  is the time index. An ARIMA(1, 0, 1) model, for example, can be written as

$$y_t = \mu + \alpha_1 y_{t-1} + \theta_1 \epsilon_{t-1} + \epsilon_t.$$

Note that  $d = 0$  for the above model, which can be fitted only if the original series is stationary. An ARIMA (1, 1, 1) model can be written as

$$Dy_t = \mu + \alpha_1 Dy_{t-1} + \theta_1 \epsilon_{t-1} + \epsilon_t,$$

where  $Dy_t = y_t - y_{t-1}$  is the new series obtained after differencing the observed series once.

In order to select an ARIMA model, that is, to select the values of  $d, p$  and  $q$ , we first test whether the observed series is stationary. Most widely used test for this purpose is the Augmented Dickey Fuller Test (Dickey and Fuller, 1979; Fuller, 1996) which tests the null hypothesis of non-stationarity against the alternative hypothesis of stationarity. If  $p\text{value} > 0.05$ , we cannot reject the null hypothesis and the series is considered non-stationary. The observed series is then differenced and the test is performed again on the differenced series. The procedure is repeated until the resultant series is stationary, and  $d$  is the number of times differencing has been performed.

The order of MA term, that is, the value of  $q$ , is selected after plotting the autocorrelation function (ACF) of the differenced series. Largest lag for which autocorrelation is significant may be taken as the initial value of  $q$ .

The value of  $p$  (order of AR term) is selected by inspecting the plot of partial autocorrelation function (PACF) of the differenced series. Note that, partial autocorrelation is the correlation between the series and its lag after excluding the contribution(s) of the intermediate lag(s). Largest lag for which partial autocorrelation is significant may be taken as the initial value of  $p$ .

After determining the values of  $p$ ,  $d$  and  $q$ , we fit the ARIMA model and check the significance of the individual terms. The model may be rebuilt after dropping the insignificant terms. Also, two or more ARIMA models may be compared by using their AIC values (Akaike, 1974).

### **ARFIMA models**

As mentioned earlier, we have to difference a series to make it stationary. It may happen that, if we difference the series  $d$  times, it is slightly under-differenced, but differencing it one more time makes it over-differenced. In this situation, fractional differencing may be reasonable.

In ARIMA models, only integer differencing is allowed. The operation of integer differencing can be expressed as follows:

$$Dy_t = y_t - y_{t-1} = (1 - L) y_t,$$

where  $L$  is the lag operator, that is,  $Ly_t = y_{t-1}$ . The second differencing can be expressed as:

$$D^2y_t = (1 - L)^2 y_t = (1 - 2L + L^2) y_t = y_t - 2y_{t-1} + y_{t-2}.$$

For fractional differencing, the power  $d$  is allowed to be fractional

$$(1 - L)^d = \sum_{k=0}^{\infty} \binom{d}{k} (-L)^k = 1 - dL + \frac{d(d-1)}{2!} L^2 + \dots$$

In the ARFIMA model (Granger and Joyeux, 1980; Hosking, 1981; Veenstra and McLeod, 2018), after differencing the series a reasonably chosen integer number of times,  $d$  is allowed to be fractional. Note that

$$-0.5 < d < 0.5$$

allows us to adjust for any over- or under-differencing. For example, if we have differenced the series 3 times, and 2.7 is the right choice, a theoretical value of  $d = -0.3$  will adjust for the over-differencing. On the other hand, if we have differenced the series 2 times, and 2.2 is the right choice,  $d = 0.2$  will adjust for the under-differencing.

### *Criteria for comparison*

In order to compare the ARIMA and ARFIMA models, we will divide the data in training and test sets. A number of ARIMA and ARFIMA models will be selected initially after fitting them to the training data. AIC values (Akaike, 1974) may be used for initial selection of models. However, since our purpose is forecasting, we will select the final model after comparing the prediction errors of the short-listed models. That is, we will use the initial models to predict the values of the test data, and then compare the actual and predicted values. Root Mean Squared Error (RMSE) of prediction (Hyndman and Koehler, 2006) will be used to select the final model.

### *Software used*

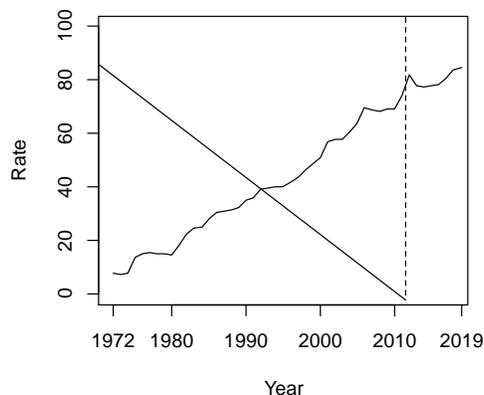
Data analysis is performed using R (R Core Team, 2019) that has the ‘arima’ function in the ‘stats’ library. In addition, contributed R packages ‘arfima’ and ‘urca’ are downloaded and used.

## **DATA**

In this study, secondary data set obtained from Bangladesh Bank is used for comparing the forecasting performance of ARIMA and ARFIMA models. The data consist of USD-BDT exchange rates from 1972 to 2019. For each of the 48 years, the exchange rate (hereinafter referred to as ‘rate’) on June 30 (mid-year) is recorded. The smallest value is 7.35 (in 1973) while the largest value is 84.50 (in 1919).

The data are divided into two parts: the *training data* consist of 40 values from 1972 to 2011, and the *test data* consist of 8 values from 2012 to 2019. Figure 1 shows a line graph of the data used for the analysis. The vertical dashed line separates the training data (left panel) and the test data (right panel).

**Figure 1: Mid-year exchange rates of USD**



## RESULTS AND DISCUSSION

Augmented Dickey-Fuller (ADF) test is performed on the training data. Since the test result is insignificant (pvalue  $> 0.05$ ), we conclude that the series is non-stationary. After differencing the series once, ADF test is observed to be significant (pvalue = 0.0008). Thus,  $d = 1$  is chosen for the ARIMA and ARFIMA models. It should be mentioned here that ARFIMA model would perform additional fractional differencing before implementing the AR and MA parts.

Figure 2 shows the autocorrelation function (ACF) of the differenced series plotted against lags 0 to 16. The autocorrelation value for lag 6 is significant, indicating that  $q = 6$  may be reasonable. However, since the models would be short-listed on the basis of AIC, we would consider all the values of  $q$  from 0 to 6.

**Figure 2: Autocorrelation function of the differenced series**

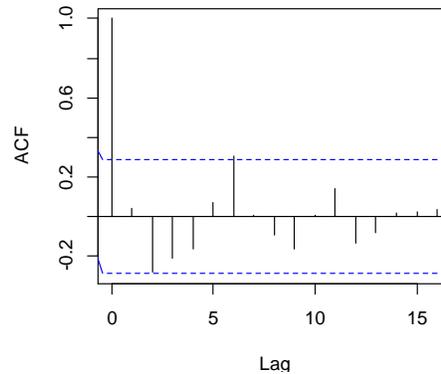
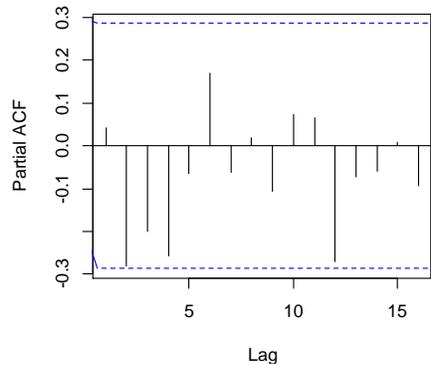


Figure 3 shows the partial autocorrelation function (PACF) of the differenced series plotted against lags from 1 to 16. None of the autocorrelation values are significant, indicating that selection of  $p = 0$  is reasonable.

**Figure 3: Partial autocorrelation function of the differenced series**



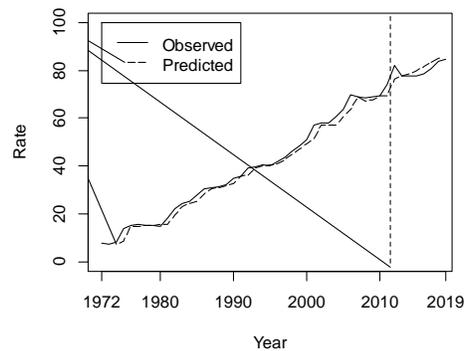
Based on the results obtained so far, we considered several ARIMA and ARFIMA models, fitted them to the training data, and compared their AIC values. The short-listed models are presented in Table 1. These models are then used to forecast US dollar exchange rates for 8 years from 2012 to 2019. The predicted values are compared with the actual values of the test data. The last row of Table 1 shows the Root Mean Squared Error (RMSE) of predictions.

**Table 1: Short-listed models with their AIC and RMSE values**

Model	ARFIMA(0,1,1)	ARFIMA(0,1,2)	ARIMA(0,1,6)	ARIMA(0,1,0)
AIC	48.88	50.37	51.73	51.94
RMSE	2.75	2.89	2.86	3.48

It is observed that, ARFIMA(0, 1, 1) model performs better with respect to both AIC values and RMSE of prediction. Therefore, this model is selected as the final model for forecasting. Figure 4 shows the actual values (solid line) as well as the predicted values (dashed line) obtained by ARFIMA(0, 1, 1).

**Figure 4: Observed and predicted values of USD rates**



We have used the selected ARFIMA(0, 1, 1) model to forecast mid-year US dollar exchange rates for the next 5 years (from 2020 to 2024). Table 2 shows the predicted values and corresponding standard errors.

**Table 2: Predicted values and standard errors of US dollar exchange rates**

Year	2020	2021	2022	2023	2024
Prediction	86.20	88.38	90.22	91.99	93.73
S.E.	1.94	2.57	2.72	2.80	2.86

## CONCLUSION

ARFIMA model is a generalization of ARIMA model that allows differencing the time series a fractional number of times in order to avoid any over- or under-differencing. A number of ARIMA and ARFIMA models are applied to training data of US dollar exchange rates, and AIC values of the fitted models are compared to form a reduced set of models. Forecasting performances of the short-listed models are compared after applying them to the test data. Based on Root Mean Squared Error of prediction, we conclude that ARFIMA model performs slightly better than ARIMA model in this particular forecasting problem.

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## IMPACT OF CULTURE ON INTERNATIONAL BUSINESS: A REVIEW OF LITERATURE

Partha Prasad Chowdhury<sup>1</sup>

**Abstract:** *Marketing literature suggests that formulation and execution of appropriate strategies are very much required in order to be successful in the international marketplace which is very competitive. Despite the significant impact of differences in culture on international business, it has been noticed that literature dealing with international business and culture is scarce. This study thus endeavors to fill in this gap by integrating different aspects of culture, internationalization and impact of culture on international business. A good number of prior research studies both books and academic articles relating to culture, internationalization/globalization, international business/global marketing between the years 1871 to 2019 are reviewed with a view to prepare this study. The study reveals that culture is the most important macro-environmental force and marketers need to understand culture in order to understand and influence needs and wants of target customers for providing customer satisfaction which in turn maximizes profit. The study extends a direction for further research and suggests managers in international business to offer either standardized or customized value propositions and to vary marketing mix based on cultural similarities or differences of the international market.*

**Keywords:** *Culture, Internationalization, International Business, Marketing Mix*

### 1. INTRODUCTION AND RATIONALE

World economic environment is changing rapidly (Chowdhury and Bhattacharjee, 2017). The study (e.g., Trout and Ries, 1972; Hamel and Prahalad, 1989; Hamel, 1996; Day and Montgomery, 1999; Porter, 1996) suggests that today's marketplace is rapidly changing, chaotic, unstable, global and highly competitive and in this 21st century, more and more products and services are becoming increasingly similar and competitive in terms of prices, features and capabilities (Marken, 1997). The revolution of globalization has led to changes in the marketing environment forcing marketers to rethink almost everything they do and hence firms need to formulate and execute appropriate business strategies to develop some competitive advantage in order to be successful in the marketplace. The economy of Bangladesh is growing and this is

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<sup>1</sup> Chartered Marketer (UK) and Senior Associate Professor, Department of Marketing, American International University-Bangladesh (AIUB), Dhaka

evident in 7.28 % GDP growth rate (BBS, 2018). A good number of firms are engaged in international business at the same time domestic manufacturers are facing competition from international firms.

Due to falling barriers to cross-border trade and advancement of technology after second world-war a fundamental shift had been taken place from distinct and isolated national economic units towards huge global marketplace (Hill and Hult, 2016). Levitt (cited by Jeannet and Hennessey, 1995) argue that markets are becoming increasingly alike worldwide and the trend towards global approaches to markets. In the past only a few firms used to do business in the international marketplaces but international business now is conducted not only by large organizations but also by thousands of medium-size and small enterprises; for example, out of total export-oriented firms of USA, 98% are SMEs and a total of 302,000 SMEs contribute 19% of total export of USA (Hill and Hult, 2016).

International business may be understood as those business transactions that involve the crossing of national boundaries. They include: product presence in different markets of the world; production bases across the globe; human resources to contain high diversity; investment in international services like banking, advertising, tourism, retailing, and construction; transactions involving intellectual properties such as copyright, patents, trademarks, and process technology (Johansson, 2003). The study (e.g., Usunier and Lee, 2013) suggests that different elements of marketing environment have been converged. The political environment worldwide has clearly moved towards a democratic system; access of information due to introduction of advanced technology (world wide communication, satellite television and internet), economic systems are converging towards a market economy, market infrastructure are also converging, supply and competition has been largely globalized, marketing knowledge are converging.

Culture is defined in different ways by the academic scholars. Culture is the complex whole that includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society (Tylor, 1871); a system of values and norms that are shared among a group of people and that when taken together constitute a design for living (Hill and Hult, 2016). The study (Keegan and Bhargava, 2011; Keegan and Green, 2013; Hollensen, 2007) suggests that one key driving force that affect global integration/globalization is culture. They highlighted culture as one key restraining force of globalization whereas the study of Hollensen (2007) identifies culture as a barrier to internationalisation/globalisation. The literature review (e.g., Levitt, 1983; Douglas and Wind, 1987) also suggests that culture influences international /global business and converging customer lifestyles is a key factor for globalization. Culture penetrates our inner being subconsciously and at a dip level. Though individual behavior is not determined by culture but influenced by culture (Hill and Hult, 2016). The study (e.g., Usunier and Lee, 2013) suggests

that consumption behavior is influenced by culture and this influence differs by product type; product category, situational factors, and reasons for purchase. The culture has impact on different aspects of consumer behavior. These are perception, motivation, learning and memory, age, mindsets and self-construals, group influence, social class, gender roles, attitudes change, decision-making, purchase, and post purchase (Usunier and Lee, 2013). In the twenty-first century culture has taken more significant role in marketing. In developed economies market growth has slowed down and marketers have already started to focus on many emerging economies. The study (Usunier and Lee, 2013) also points out that marketing text books often emphasize world market as cross-border extension of American marketing thought. They focus more on uniformity of marketplaces and ignore the differences in terms of culture, language and people. The literature review suggests that literature detailing with culture and its impact on international business is scarce. Understanding what is influenced by culture is complicated and our understanding about other culture is also very limited (Hill and Hult, 2016).

## **2. OBJECTIVES**

Despite the influence of culture on marketing and international business it is not properly addressed in academic literature. Hence the purpose of this study is to address this gap in the literature and to go for a review of literatures in order to integrate the different aspects of culture, international business and impact of cultural differences on international/global business which might be effective for the practitioners for formulating strategies by proper understanding of influence of differences of culture on international business. This paper is an outcome of an exploratory research; since there has been no study relating to in-depth analysis of impact of culture on international business hence the aim of this study is to look for different aspects of culture, internationalization/globalization and to discuss some important aspects of culture, impact of culture on international business and explores how differences in culture across and within countries can affect international business. The specific objectives of the study are as follows:

- (i) to highlight the different aspects of culture; and
- (ii) to highlight the impact of cultural differences on international business.

This review endeavors to integrate the different key aspects of culture and impact of culture on international business and to highlight some important strategic tools to provide some guidelines to the marketing practitioners.

## **3. LITERATURE REVIEW**

### ***3.1 Internationalization and Globalization***

Internationalization can be viewed as a) process b) an end-result and/or c) a way of thinking and is defined as the gradual progress in a company's international

engagement in terms of the geographical spreading in markets, products and in operations forms, and the changes in managerial philosophy and organizational behavior from the starting of the process to the present situation (Albaum et al., 1995). Hollensen (2007) defined internationalization as doing business in many countries of the globe but often limited to a certain region. The study (e.g., Jeannet and Hennessey, 1995) highlights that the reasons for which firms want to be involved in international business are: to respond to orders from abroad without any organized efforts of their own; to take more active role as they believe that it can be an advantage to pursue export business on an incremental basis; severe domestic competition; saturated domestic market; international product life –cycle; intense international competition in home markets; an opportunity to exploit real competitive advantage; economics of scale; and merger and acquisition activity. The study (e.g., Album et al., 1995) suggests that internationalization motives are classified into two types. These are proactive motives (e.g., profit and growth goals, managerial urge, technology competence /unique product, foreign market opportunities/market information, economies of scale, tax benefits) and reactive motives (e.g., competitive pressure, domestic market-small and saturated, overproduction/excess capacity, unsolicited foreign orders, extend sales of seasonal products, proximity to international customers/psychological distance).

A firm engages in international/global business conducts important business activities outside the domestic market (Keegan and Bhargava, 2011). In international business firms not only go beyond exporting but become much more directly involved in the local marketing environment within the host country or market (Jeannet and Hennessey, 1995). In the last stage in the development of the field of international business globalization appears where firms face distinct challenges and need to formulate strategies in that global marketplace (Jeannet and Hennessey, 1995). Hill and Hult (2016) defined globalisation as the shift toward a more integrated and interdependent world economy. He also mentioned that globalization has two components-globalization of markets and globalization of production where globalisation of markets refer to the merging of historically distinct and separate national markets into one huge global marketplace and globalisation of production refers to the sourcing of goods and services from different locations around the globe to take advantage of the national differences in the cost and quality of factors of production. The study (e.g., Hollensen, 2007; Keegan and Green, 2003) points out that there are four management orientations firms follow in international business. These are ethnocentric orientation, polycentric orientation, regiocentric orientation, and geocentric orientation (see: Table-1).

**Table 1: Management Orientation in International Business**

<b>Orientation</b>	<b>Focus</b>
Ethnocentric	Home/Domestic country
Polycentric	Multidomestic
Regiocentric	Regional market groups (e.g., ASEAN)
Geocentric	World/global

Source: Based on Hollensen, 2007

Levitt (1983) points out the drivers of globalizations. These are: market driver (global customers, converging customer lifestyles and needs of global village, global channels e.g. www.); competitive driver (common competitors using global strategies, transferable marketing); and cost driver (economies of scale-cost savings and economies of scope- sourcing advantage, avoidance of duplication). Johansson (2003) added another two drivers -technology drivers (Internet) and government drivers (ISO 9000 – a global standard of quality certification). The key drivers for global coordination/integration are; removal of trade barriers (deregulation), global customers, relationship management/network organization, standardized worldwide technology; worldwide markets, global village, worldwide communication, global cost drivers, etc. (Hollensen, 2007); market needs, cost, free markets, economic integration, peace, management vision, strategic intent, global strategy and action and the restraining forces of globalization are culture, market differences, costs, national controls, nationalism, war, management myopia, organization history, domestic focus etc (Keegan and Bhargava, 2011). Key drivers of international global development are global economic in the 1990s; which contributed to efficiency, productivity and open unregulated market (Ghauri and Cateora, 2003).

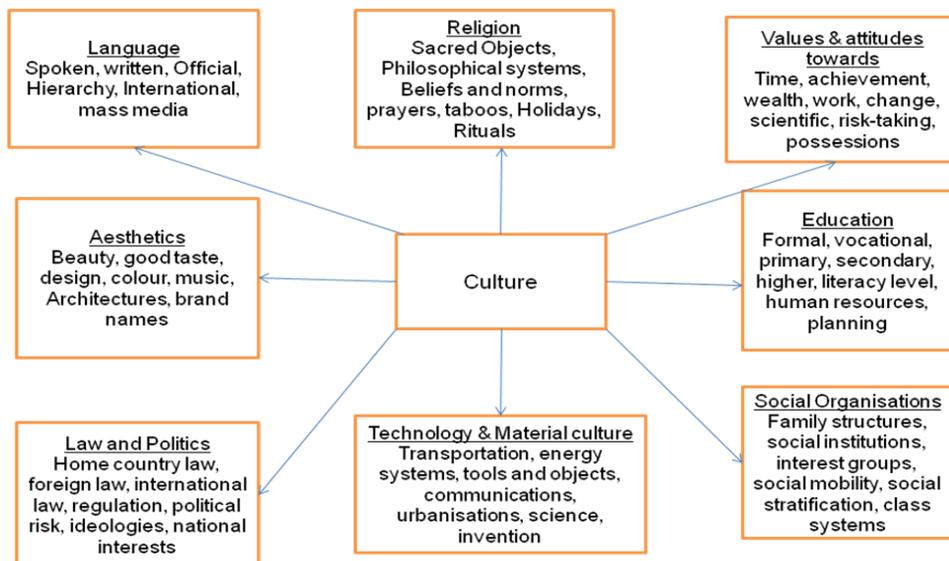
### **3.2 Culture**

Oxford English dictionary defined culture as ‘the arts and other manifestations of human intellectual achievement’. Culture consists of the set of norms, rules and frameworks which determine how, as individuals, we view ourselves, others and society, and how we see our position and role within the wider universe in which we live. Culture is defined as the total sum of learned beliefs, values and customs that play the role to influence buyer behaviour of the people of a society (Schiffman et al., 2018). Culture is defined as the underlying value framework that guides an individual’s behavior (Johansson, 2003); ways of living, built up by a group of human beings that are transmitted from one generation to another (Keegan and Green, 2013). Culture includes the entire heritage of a society transmitted by word, literature, or any other form. It includes traditions, habits, religion, art and language (Jeannet and Hennessey, 1995). Culture is the human-

made part of the human environment –the sum total of knowledge beliefs, art, morals, laws, customs, any other capabilities and habits acquired by humans as member of society’. Culture is everything that people have, think, and do as members of their society (Ferraro, 1994; cited by Ghauri and Cateora, 2003). Hofstede (1991) defined culture as collective programming of the mind that distinguishes the members of one group or category of people from another. We tend to think of culture in relation to nationality, but it can be a transnational phenomenon. An example of this is the case of the youth culture where people of the same age group referred to as ‘Millennials’ are held together through music, fashion and a portfolio of global brands.

**Element of Culture:** The study of Ghauri and Cateora (2003) identifies different elements of culture. These are: material culture (technology, economics); social institutions (social organizations, political structures) education (literacy rate, role and levels); belief systems (religion, superstitions, power structure); aesthetics. Elements of culture are family, work and leisure, reference groups, intermediary actions, culture change, culture adaptation, education, religion, language (Jeannet and Hennessey, 1995); language (verbal language, non-verbal language, manners and customs) technology and material culture, social institutions, education, values and attitudes aesthetics, religion (Hollensen, 2007).

**Figure 1: Elements of Culture**



Source: Terpstra, 1978; cited by Album et al., 1995

The sources of culture are social class, sex, family, religion, group (ethnicity) profession (specialized education), education (general), nationality, language, Corporate or organization culture (Usunier and Lee, 2013).

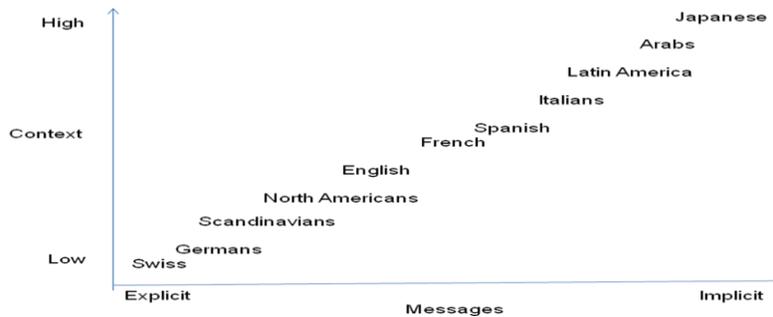
**High and Low-Context Cultures:** Cultures are often categorized as high or low context and the differences between them have significant implications for communication. The concept of high-and low context culture acts as a way of understanding different cultural orientations (Keegan and Green, 2013). In a higher-context culture, many things are left unsaid, letting the culture and context explain. Words and word choice become very important in higher-context communication, since a few words can communicate a complex message very effectively to an in-group, but less effectively outside that group, while in a low-context culture, the communicator needs to be much more explicit and the value of a single word is less important. Individuals and firms get down to business quickly In low-context culture whereas in a high context culture, because of the need to know more about a business person to develop relationship, it takes more time to conduct a business (Ghauri and Cateora, 2003).

**Table 2: High and Low-Context Culture**

High-Context Culture	Low-Context Culture
To develop understanding of the message, they use and interpret more of the surrounding elements. The social importance and knowledge of the person and the social setting add extra information, and is perceived by the message receiver.	To develop understanding they rely on spoken and written language for meaning. Senders encode their messages by expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message.

Source: Based on Hollensen, 2007

**Figure 2: Contextual Background of Various Countries**



Source: Hall, 1960; Usunier, 2000

In high context cultures, the meaning of individual behavior and speech changes based on the situation or context and nonverbal messages are full of important and intended meanings whereas in low context cultures intentions are expressed

verbally, a person's meaning should be explicit. High context cultures can be found in most of the European countries, some of Latin American countries, and in Japan and many of the newly industrializing Asian countries. Low context cultures can be found in the U.S., India, China, Russia, Australia and New Zealand (Johansson, 2003).

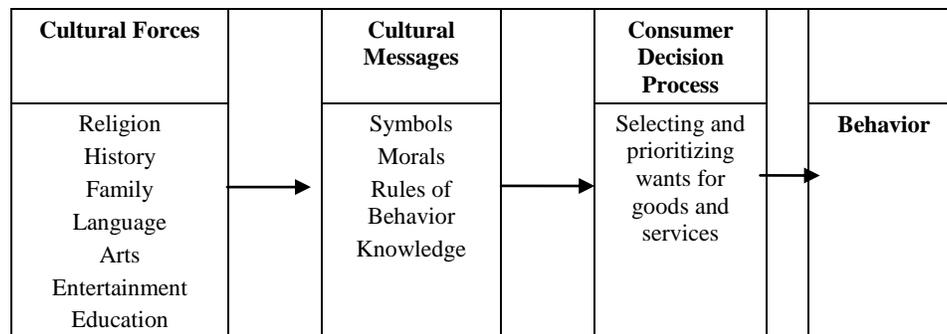
**Table 3: High and Low-Context Culture**

Factors/dimensions	High Context	Low Context
Lawyers	Less important	Very important
A person's word	Is his/her bond	Is not to be relied on, "get it in writing."
Responsibility for organizational error	Taken by highest level	Pushed to lowest levels
Space	People breathe on each other	People maintain a bubble of private space and resent intrusions.
Time	Polychronic-everything in life must be dealt with in its own time.	Monochronic- time is money. Linear- one thing at a time.
Negotiations	Are lengthy- a major purpose is to allow the parties to get to know each other	Proceed quickly
Competitive bidding	Infrequent	Common
Country/regional examples	Japan, middle East	USA, Northern Europe

Source: Keegan and Bhargava, 2011

### 3.3 Impact of Culture on International Business

**Figure 3: Cultural Influences on Buyer Behavior**



Source: Jeannet and Hennessey, 1995

Culture can impact on marketing activity in a number of ways through: what customers need and value; how decisions are made; and how messages and 'cues' are interpreted. For example, where extended families are the norm, decision making units might be more complex. Influencing family members who can act as decision makers or influencers may not be easy if they span several generations or if direct communication access is limited, as in the case with women in some Middle Eastern cultures. A product which is desired as a status symbol in one part of the world may be a necessity elsewhere, and a marketing message or treatment which is quite acceptable in one part of the globe may be taboo elsewhere.

**Table 4: Monochronic (M-time) and Polychronic (P-time) Behavior**

<b>Monochronic</b>	<b>Polychronic</b>
Do one thing at a time	Do many things at a time
Task oriented	People oriented
Focused and concentrated	Easily distracted and subject to interceptions.
Take deadlines seriously	Deadlines are flexible and are followed if possible.
Follow schedules and procedures	Schedules and procedures are considered flexible.
Make and follow plans	Make plans that can easily be changed and updated.
Individualist	Collectivist
Seldom borrow or lend	Borrow and lend often
Exercise promptness	Base promptness on matter and relationship
Accustomed to short term relationships	Accustomed to the life-long relationships.
Treat time as tangible	Treat time as intangible
Value privacy	Like to be surrounded by people (family and friends)

Source: Hall, 1960

As a marketer, we cannot afford to take anything for granted. Decisions cannot be taken from the perspective of our own culture without reference to the cultural interpretation and mind-set of the target audience, and communication needs to be developed in a way that is culturally in tune and sensitive. In international business, marketers must need to understand the culture in order to satisfy the target customers; adaptation is a key and willingness to adapt is a crucial attitude.

The 10 basic requisites need to be met in order to be involved in international businesses are: open tolerance, flexibility, humility, justice/fairness, adjustability to varying tempos, curiosity/interest, knowledge of the country, liking for others, ability to command respect, ability to integrate oneself into the environment (Ghauri and Cateora, 2003). In order to be successful in international market, marketers need to deal with their foreign counterparts in a way that is acceptable to them and to be effective marketers need to be aware of about monochronic (more dominant in low-context culture) and polychronic (more dominant in high-context culture). The differences between these two types of behaviors are highlighted in the table-4. The study (e.g., Schiffman et al., 2018; Usunier and Lee, 2013) suggests that culture shapes demand (in terms of taste, design, fashion, acceptability, lifestyle, usage); culture itself affected by the demand of new trends, technology, developments those affect the way we live/think; and culture influences business relationships and communications as business processes, ways of doing business, impact of formal and informal agreements etc depends on cultural variation. Consumer behavior and buying pattern depends on marketing mix elements as well as culture. Keegan and Bhargava (2011) pointed out that even underwear has national characteristics". The Coca-cola company (cited by Keegan and Bhargava, 2011) reports that per capita soft drink consumption follows the following relationship:

$$C = f(A, B, C, D, E, F, G)$$

Where,

C= Consumption of soft drinks

f= function of

A= influences of other beverages' relative prices, quality, and taste

B= Advertising expenditure and effectiveness, all beverage categories

C= Availability of products in distribution channels

D= Cultural elements, tradition, custom and habit

E=Availability of raw materials (water)

F=Climate conditions, temperature, and relative humidity

G= Income levels.

Models of interaction describe how people interact within societies.

**Table 5: Interaction Models**

<i>Basis of Difference: The nature of relations between people, boundaries between people and group.</i>	
Individualism	People are largely autonomous and motivated by personal preferences, needs and rights.
Collectivism	People are motivated by norms and duties imposed by the ingroup and give priority to ingroup over individual goals.
<i>Basis of Difference: Equality or inequality in interpersonal interactions</i>	
High power culture	Hierarchy is strong and power is centralized at the top
Low power culture	Power is more equally distributed and superior and subordinates have a sense of equality.
<i>Basis of Difference: Interacting with others or for others</i>	
Masculinity	Assertiveness or personal achievements are favored.
Femininity	Caring of others, adopting nurturing roles and emphasizing quality of life is more important.
<i>Basis of Difference: Dealing with uncertainty</i>	
Strong uncertainty avoidance	Ambiguous situations are avoided; uncertainty reducing rules and procedures are seen as a necessity.
Weak uncertainty avoidance	Ambiguity does not create the same level of anxiety; uncertainty is seen as an opportunity.
<i>Basis of Difference: Developing appropriate communication with others</i>	
High context	Communication is more diffuse and the meaning of the message is derived from the context and knowledge of the speaker.
Low context	Communication concentrates on specific issues and the meaning of a message is literal and explicit.

Source: Usunier and Lee, 2013

Doing business in a country is very much linked with culture (Johansson, 2003). The study (e.g. Usunier and Lee, 2013) suggests that consumer behavior depends on culture of the country as culture influences: hierarchy of needs and hence demand across product categories, institutions, who makes decision, and the impact of cultural mindset. Maslow's hierarchy of needs is not applicable in all culture as it is not always necessary to satisfy lower- level needs to appear a higher-level need and similar kind of needs may be satisfied in several ways in terms of products and consumption types. Marketing environment and hence consumer behavior are influenced by different institutions like the state, the church, and trade unions. Home shopping and internet shopping are very popular as retail chains are not allowed to open their outlets on Saturday afternoon and Sunday due to presence of strong trade union.

**Table 6: Values of Hofstede's Cultural Dimensions for Some Selected Countries**

Country/Region	Power distance	Uncertainty Avoidance	Individualism	Masculinity	Long/Short term Orientation
Arab Countries	80	68	38	53	-
India	77	40	48	56	61
UK	35	35	89	66	25
USA	40	46	91	62	29
Japan	54	92	46	95	80
Finland	33	59	63	26	41
Hong Kong	68	29	25	57	96
Guatemala	96	101	6	37	-

In collectivist culture, members of the extended family play strong influence on purchase decision. Consumer buying behavior is influenced by cultural mindsets. Culture has a chronic and situational influence. To evaluate and to buy a product, consumers focus on private and public meanings where public meaning is the subjective meaning assigned to an object by the members of the society. The study (e.g., Schiffman et al., 2018) suggests that German consumers are less brand loyal, more price sensitive, less variety seeker and shows impulse buying habits whereas shoppers of the USA and the UK are more variety seekers than French and German Consumers and see advertising as more informative. French shoppers believe shopping is no fun though they usually engage in comparison shopping but do not like to buy products on sale.

The study (e.g., Clarke and Honeycutt, 2000; Huang, 1993) suggests that during marketing and to create advertising marketers need to remember that blue is a masculine color in the US and red is masculine color in France. Black represents mourning in France and the US but purple represents mourning in Venezuela and White in India. Yellow is favored in Taiwanese advertising whereas black and brown colors are favored in US and French advertisement but red, orange and green are more common in the advertisement of Venezuela. The study (e.g., Cutter et al., 1992) also suggests that advertisements in India use significantly more black and white and show more children than those in any other country; Korean advertisements give more emphasis on price and elderly persons where wisdom is valued in eastern culture; advertisements in France give more emphasis on aesthetics part which is five times more than the US, Korean or Indian advertisements and two times more than that of British advertisements. US advertisements follow comparative approach (ten times more than in France); French advertising has more nudity than most other countries as in French culture, nudity is linked with beauty, excellence and nature. The study (e.g.,

Javalgi et al., 1995; Lin, 1993; Lin and Salwen, 1995) pointed out that, types of information cues vary by country. Japanese advertisements have very few price, warranty and guarantee issues but more packaging issues compared to US advertisements. While British prefer not to mention price at all, Indian advertisements include the price 8 percent of the time; French ads include price 10% of the time; and the Korean advertisements include price 30% of the time. Italian and French advertisements often appear as very dream oriented where viewers and readers are supposedly willing to escape from the real world. This oneiric style of advertisement enhances the fantasy of the consumer and emphasizes the image of satisfaction and enjoyment whereas German advertisements are informative type (Usunier and Lee, 2013). The study (e.g. Sharon et al., 2011) suggests that in individualistic society, appeals of ads are focused on individuality uniqueness and achievement whereas in collectivist societies appeals are focused on group harmony or achievement and conformity.

The study (e.g., Cateora, 1993) suggests that sellers should make modest, rational, down-to-earth points and should avoid winning arguments against buyer in Asia, where people are modest and offended by arrogance and extreme self-confidence. In Europe sellers need to take different strategies. A lack of self-confidence is perceived as a lack of personal credibility and reliability and hence sellers need to argue strongly as a serious partner. Precision is favored and words are taken quite literally in Switzerland; Soft selling approach is preferable and pushy sales people are not liked in the UK whereas hard sell approach (e.g. make visits, offer trials) should be used in Germany. Vendors need to give more emphasis on price in Mexico whereas vendors need to focus on quality in Venezuela.

#### **4. METHODOLOGY**

The nature of this study is exploratory as it is designed in order to gain insights and understanding. In terms of the character of data and the way in which they are gathered, the process of this research is qualitative in nature. Besides, the study seeks to elicit on the opinions and views of the different academic scholars. In terms of outcome of the research this is a pure or fundamental study as the study aims at expanding frontiers of knowledge and is being conducted mainly to improve our understanding to validate existing theories i.e. to integrate the different aspects of internationalization, culture and impact of culture on business. Data can be collected in many ways and every method of data collection has its advantages and disadvantages. As this study is a literature review, secondary data are collected in order to address the specific objectives of this study. As per the objective of the study, with a view to highlight the different aspects of internationalization, culture, and to highlight the impact of cultural differences on international business, prior studies are rare on the present issue. As such, only a handful numbers of relevant studies on international business are reviewed. The study is a desk research and has been conducted primarily on the

basis of information collected from secondary sources as books, academic articles. Prior studies which are relevant with the globalization, global business/marketing, international business/global trade and were published between the years 1871 to 2018 are reviewed. Secondary data are collected and several strategic models/tools and tables are used in order to address the specific objectives of this study.

## 5. DISCUSSION

The study (e.g. Kogut and Singh, 1988) suggests that the selection of foreign entry mode is a complex decision and depends on cultural difference and firm experience. Firms operating in the foreign countries with different cultures need to adapt marketing mix elements and hence added costs and risks (Davidson, 1983, cited by Mitra and Golder, 2002). Mitra and Golder (2002) emphasized on near market economic and cultural knowledge to foreign market entry where near market knowledge was defined as firm's understanding of target market based on the knowledge acquired from its business operation in the similar market whereas study of Brouthers and Brouthers (2001) suggests that in a culturally distant market with low investment risk, firm should consider co-operative modes of entry whereas in the culturally distant markets with high investment risk firms should use wholly owned subsidiaries.

Firms serving in international marketplace need to maintain unique segmenting and positioning and should implement integrated marketing mix strategy (Jeannet and Hennessey, 1995). During positioning firms required to know about the features and benefits that the buyers look for and how the product measures up in those attributes against the competitive offerings but global products are usually standardized with more uniform features in all countries (Johansson, 2003).

Culture is influenced by economic development and economic philosophy (Hill and Hult, 2016) Competition is severe in mature markets like USA, Western Europe, North America, Japan, Australia, New Zealand and managers need to segment and position appropriately whereas managers need to develop new products and to communicate to target audience properly in new-growth markets. Marketers' job is to develop appropriate marketing infrastructure in developing or emerging countries where customers are less educated and have low buying power and marketers need to develop effective marketing infrastructure in those countries (Johansson, 2003). Buyers of developed economies prefer domestic products over foreign-made products where as buyers of developing economies prefer to buy products from well-known developed economies. Ethnocentric customers prefer to buy domestic products over imported products (Newburry et al., 2006).

The impact of culture on consumer behaviour is very natural and automatic (Schiffman et al., 2018). Culture influences buyer behavior. Filters for drip-

coffee machine are white in France and yellow-brown in Germany. Paper handkerchiefs are mainly white in France and yellow-brown in Germany; toilet papers are either white or pink in France, is grayish in Germany (Thogersen, 2010). The study (e.g., Weber et al., 1998) suggests that customers may risk the loss of face in other people's eyes and hence customers in the eastern cultures are more sensitive to social risk. They also value social harmony and smooth family relationship hence social significance of a product is highly important as product may express status, gratitude, approval or disapproval and hence social significance of a product is very important. Hence in the eastern culture, consumer's involvement is light. The study (Huszagh et al., 1986) suggests that the influence on culture is more on the buyer behavior of durable household and functional products than non-durable sensory and personal products. Impact of culture is more on the consumer behavior of visible products (e.g., wristwatches) than consumer electronics (Agarwal and Teas, 2002; Dawar and Parker, 1994). Consumption pattern for services and air travels varies more on culture than products such as beer, jeans, soft drinks, and stereos (Zaichkowsky and Sood, 1988). Situational factors depend on product type, the frequency, the time of day, where the consumer shop, the length of shopping time and the reason all vary by culture for food not for clothing (Nicholls and Roslow, 1999).

Design and effectiveness of promotional campaign depends on context of the cultures. Promotional message cannot be understood without its context in high-context cultures (e.g., Middle-East, Asia, Africa) and the meaning of a message can be separated from the context and understood by itself in low-context cultures like North America, Western Europe (e.g., Albaum et al., 1995). The characteristics of high context business communication are: a greater reliance on normative or cultural knowledge, a greater reliance on informal information and networks; a greater level of personal involvement and more direct message formation (Usunier and Lee, 2013). The study also suggests that the role of word-of-mouth communication is stronger in collectivist societies.

Cultural differences create problem in negotiations and managing foreign market (Hollensen, 2007). Customer relationship management (CRM) practices are almost mandatory in North America but in Asia-Pacific and Europe marketers do not focus that much on CRM activities (Usunier and Lee, 2013).

Because of differences in attitude and behavior across international markets, key question which is central to international business is- whether to marketers need to offer standardized marketing mix or they need to modify. The positive outcomes of standardization are cost reduction due to achieving economies of scale, high control, consistent quality and better positioning and the potential disadvantages are a loss of local motivation and empowerment of local marketing teams with the resulting failure to maximize market share or revenues, because the offering does not meet the precise needs of a culturally different market segment.

The study (Jeannet and Hennessey, 1995) highlights that use of standardized advertising and promotional campaign can save money and can be effective for example Philip Morris's Marlboro campaign in Europe earned success.

## **6. CONCLUSION**

The primary purpose of the study was to integrate different aspects of culture, internationalization/globalization and to discuss impact of culture on international business and to provide some guidelines to the marketing practitioners by highlighting some important strategic tools/models. A comprehensive literature review was done in order to achieve objectives of the study.

The study (e.g., Hill and Hult, 2016) points out that to be engaged in international business, marketers need to have cross-cultural literacy which is the understanding of how the way of practices is affected by cultural differences. The study (e.g., Schiffman et al., 2018; Johansson, 2003; Albaum et al., 1995; Jeannet and Hennessey, 1995) suggests that cultural aspects matter a number of need status and culture is more determinant of demand and ways to do business and hence for marketers it is more powerful than other macro-environmental forces. Marketers need to understand culture with a view to understand and influence needs and wants of target customers so that they can provide customer satisfaction to maximize profit from any marketplace. Adapting to cultural differences American Express and McDonald's received tremendous success in the Japanese marketplace.

The study (e.g., Schiffman et al., 2018) of consumer behaviour suggests that cognitive beliefs, practices, values and social norms are influenced by personality traits; subjective culture (regional, ethnic, religious, linguistics, national, professional, organizational, group). Attitudes which are shaped by cognitive beliefs, practices and values; and social norms which are shaped by practices, values and subjective culture develops behavioural intention which has direct and positive relationship on consumer behaviour and hence business in international marketplaces depends on culture.

The study (e.g. Trout and Ries, 1972) suggests that positioning should be in a way to adapt in the changing environment and Management should be aggressive enough to utilize the opportunity (if any) by taking flexible strategies which are appropriate for the company. World Bank (cited by Keegan and Bhargava, 2011) estimated that as every world region is growing and hence marketers will get the opportunities to serve the different regions but despite growing internationalizations marketers are suggested to look at the characteristic of all the market segments. The study indicates that marketing practitioners may need to vary marketing mix in each different country and it is important to determine when product standardization is appropriate in an international market or when customization is a must. Marketers may drive competitive advantage by selecting

the right market segment; by selecting appropriate market entry strategies and by formulating and executing right overall international business strategies.

A key implication of this study is that marketers could use this as a guideline for planning regarding formulation of right marketing mix strategies based on cultural differences of different countries in order to serve and beat competitors with a view to capture market share in highly competitive international/global marketplace. This study suffers from limitations which should also be considered. This literature review is based on the articles and books that the author managed to collect or download. List of the books/articles are mentioned later. Though a good number of past studies are reviewed, this is not exclusive list. There may be some other important studies which were overlooked and hence not reviewed. Hence further review based on more in-depth analysis might further develop the findings. At present, there are no studies exploring the different aspects of culture, international business and impact of culture on international business. So further research is recommended in order to explore more and with a view to confirm the findings of the study.

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## ANALYSIS OF FACTORS INFLUENCING THE SATISFACTION LEVEL OF CUSTOMERS: A STUDY ON THE PRIVATE HOSPITALS OF DHAKA CITY

Shamsad Ahmed<sup>1</sup>

**Abstract:** Private health care system occupies an important area of concern for the patients and attendants of various hospitals and clinics in the Dhaka city, the capital of Bangladesh. This study has been undertaken to investigate the influencing factors on the level of satisfaction of the recipients of the services provided by the private hospitals and clinics. In this study, five dimensions of SERVQUAL, (i.e., tangibles, reliability, responsiveness, assurance and empathy) have been considered. The responses gathered from a total of 203 respondents have been used for this purpose. Multiple regression analysis was carried out to test the study hypotheses. It is revealed that the dimensions explain about 71% of the variance in the satisfaction level of the respondents. The results indicate that two hypotheses (effects of Assurance and Empathy on customer satisfaction) are validated while the three others are not supported. The findings have significant implications on the policymakers of these healthcare providers. A few directions for future research have also been proposed.

**Keywords:** Customer Satisfaction, Multiple Regression, Private Health Care System, SERVQUAL.

### 1. INTRODUCTION

The global healthcare service sector is experiencing significant growth as consumers are demanding better medical care to support their improving lifestyles (Panchapakesan, P et. al., 2010). As for Bangladesh, after independence in 1971, the nation has observed visible proliferation in health infrastructures in last 48 years. Medical colleges, medical university, private medical colleges, private clinics, private hospitals, district hospital, rural health centers and community clinics are providing the service to satisfy the quality service expectations of consumers. In some cases, some NGOs are also engaged in the system with an intention of social contribution (Hossain, R., 2015). Bangladesh is a densely populated country with a population of about 162.7 million (Bangladesh Bureau of Statistics, 2018). The annual population growth rate is 1.34% (Bangladesh Bureau of Statistics, 2018). An effectively performing health care system is essential in improving this huge population's health status,

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<sup>1</sup> Associate Professor, Department of Business Administration, University of Asia Pacific, Dhaka

providing safeguard against health-related financial threat and enhancing the health sector's responsiveness to customer's needs (Shakeel, 2012). It is evident that Bangladesh faces a lot of challenges in its health system. Therefore, it is obligatory to resolve these challenges in order to improve the existing health system, so that the disadvantaged and vulnerable people of the country can get better access to basic health care services (Islam, A. & Biswas, T., 2014). However, it is imperative that both private and public health care systems take a concerted effort to establish a better infrastructure through which customers will get quality service. The main stream service provider in Bangladesh is still public health care system and overall policies and service delivery mechanisms are heavily governed by them (Islam, A. & Biswas, T., 2014). It was estimated in 1987 (World Bank Report, 1987) that only 30% of the population had access to primary health services and overall health care performance was unacceptably low by all conventional measurements. The situation demanded contribution from private sector otherwise it was not possible to provide proper healthcare facility to the rest 70 % of the population. To encourage the growth of private health-care service delivery, Medical Practice and Private Clinics and Laboratories Ordinance was promulgated in 1982. The number of private hospitals / clinics increased manifold after the enactment of this ordinance. The considerable growth of this private service sector has also been facilitated by the following factors: inclusion of private health care development in planning policies, symbolic encouragement by government officials, state patronage through medical education and training, public sector physicians being allowed to practise privately, the provision of grants, subsidies and funds for investment etc. (Rahman, R., 2007). With the growth of private health care facilities, especially in Dhaka city, it is obligatory to assess the quality of services delivered by these establishments (Andaleeb, S. A., 2000). In this context, this current study is conducted to assess the level of patient / attendant satisfaction with the quality of service provided by the private health care system (hospitals / clinics) of Dhaka City. The other areas of Bangladesh were beyond the scope because of resource limitation. For this assessment of service quality, SERVQUAL framework, is used. Multiple regression analysis is carried out to test the study hypotheses. Literature review is done next to have a look on concurrent similar studies so that a conceptual framework could be established. This section is followed by methodology of the research. The study ends with results, managerial implications, limitations and suggestions for future studies.

## **2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK**

### ***2.1 Theoretical Background***

Tse & Wilton (1988) have defined customer satisfaction as a function of the customer's expectations and perceptions of performance according to the expectancy. About the type of relationship between satisfaction and quality, different views have been obtained in different studies. McDougall & Levesque,

(2000) opine that quality leads to satisfaction, while Negi, (2009) and some other think that satisfaction leads to quality (Cronin & Taylor, 1992). Various types of service quality (SERVQUAL) models have been proposed to estimate customer satisfaction. However, according to Shahin, A. (2006), the model developed by Parasuraman et al. (1988) is the most extensively applied model. The SERVQUAL models are used by researchers to measure service quality by comparing customers' expectations before a service encounter and their perceptions of the actual service delivered (Gronroos, 1982; Lewis and Booms, 1983; Parasuraman et al., 1985).

The multi-item scale named SERVQUAL has been developed by Parasuraman et al. (1988) to assess customer perceptions of service quality in service and retail businesses. The scale divides the idea of service quality into five components as follows:

1. Reliability - How much the customer can depend and rely on the service.
2. Assurance - The knowledge and courtesy of the staff and their ability to convey confidence and trust.
3. Tangibles - Infrastructure facility which includes physical facility, equipment, personnel and communication materials etc.
4. Empathy - Caring attitude of the personnel.
5. Responsiveness - Willingness to provide quick service.

SERVQUAL which is a multidimensional measure has been used widely in multiple business situations by a huge number of researchers (Kettinger and Lee, 2005; Hoffman and Bateson, 2005). In this model the measurement of service quality is based both on how consumer evaluates the service delivery process and the outcome of the service (Parasuraman et al., 1985, p.42). Kettinger, Park and Smith (2009) observe that service quality is crucial in achieving value, satisfaction, and service reuse. Service quality is considered as good if it meets or exceeds consumer's expectation of the service (Parasuraman et al., 1985, p.46). Buttle, (1996) suggests that now-a-days service quality is very important topic because of its obvious relationship to costs, profitability, customer satisfaction, customer retention and positive word of mouth. Service quality is also extensively considered as a driver of corporate marketing and financial performance. Ultimate target for focusing on these issues is improving overall performance of organizations (Magi & Julander, 1996, p.40). Both scholars and practitioners are giving emphasis on service quality and customer satisfaction because of their relevancy and relationship (Eshghi et al., 2008). However, all researches conducted using SERVQUAL model were actually done to check the impact of aforementioned five constructs on Service Quality. There was no attempt to check the impact of these exogenous variables on Customer Satisfaction although it was opined by researchers that both service quality and

customer satisfaction are closely related (Eshghi et al., 2008; Magi & Julander, 1996). Here in this study an attempt has been taken to fill up this research gap by checking how reliability, assurance, tangibles, empathy and responsiveness influence customer satisfaction.

## **2.2 Objectives**

The broad objective of the research is to analyse the factors those influence the satisfaction level of customers in private hospitals.

Specific objectives for further clarification are:

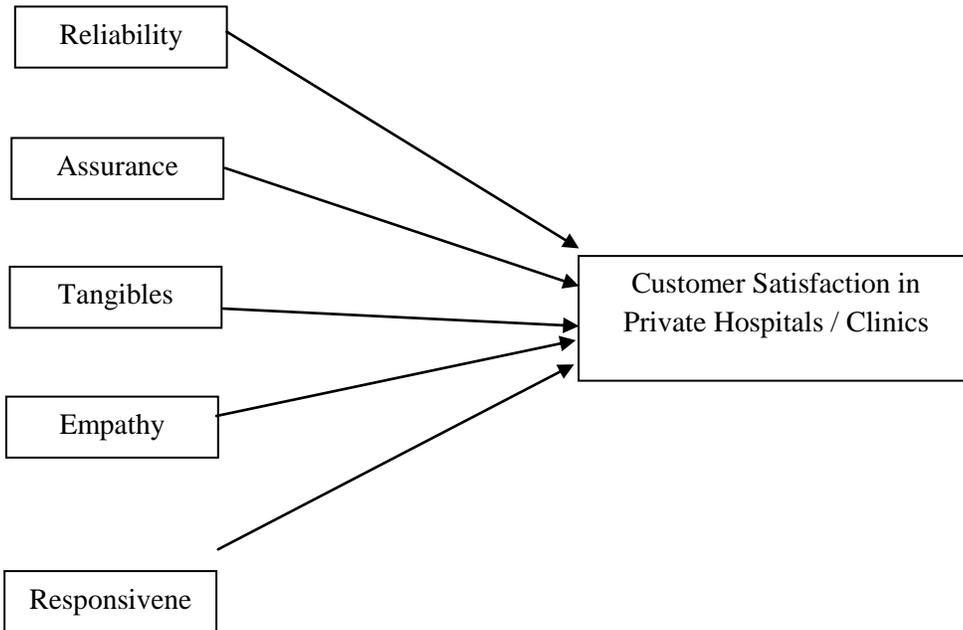
- (i) To get specific idea about how reliability, assurance, tangibles, empathy and responsiveness impact customer satisfaction in private health care system.
- (ii) To propose recommendations for the management of private health care system so that they can formulate proper strategic planning to ensure customer satisfaction which will ultimately lead to long run success of these private health care providers.

## **2.3 Conceptual Model and Hypothesis Development**

This model determines service quality as the gap between expected service and perceived service performance (Parasuraman, Zeithaml and Berry, 1985). This comprehension of expectations is very much similar to other psychological need fulfillment models those examine how attitudes are affected by the resemblance between desires and the supplies in the surrounding environment that are available to meet those desires (Oliver, 1981). Service expectation depends on personal needs of the customer as well as personal and second-hand knowledge about the service provider. Perceived service depends on communications between the service provider and client as well as actual service delivery. A number of service quality determinants lead to the formation of perceived service performance and client expectations. If the clients' expectations are met, they become satisfied. The determinants include access, communication, competence, courtesy, reliability, responsiveness, assurance, empathy, and certain tangibles (Parasuraman, Zeithaml and Berry, 1985). From the above-mentioned determinants, five have been included in the SERQUAL model to measure service expectations and perceived performance on the same items and dimensions in an attempt to make a direct comparison between the two (Parasuraman, Zeithaml and Berry, 1988). Although the model considers service quality as the dependent (latent) variable, it is opined by Magi & Julander (1996, p.34) that customer satisfaction is a construct closely related to perceived service quality. With this consideration and with an attempt of further extension of the concept, the study focuses on the impact of the SERQUAL constructs on customer satisfaction of health care system. The determinants of the customer satisfaction included in the current study, as is used in the SERQUAL model, are:

reliability, assurance, tangibles, empathy and responsiveness. The framework is presented in Figure 2.1.

**Figure 2.1: Theoretical Framework**



Five hypotheses were developed accordingly:

H1: Reliability has a positive impact on customer satisfaction of private hospitals / clinics.

H2: Assurance has a positive influence on customer satisfaction of private hospitals / clinics.

H3: Tangibles have a positive impact on customer satisfaction of private hospitals / clinics.

H4: Empathy has a positive impact on customer satisfaction of private hospitals / clinics.

H5: Responsiveness has a positive influence on customer satisfaction of private hospitals / clinics.

### **3. METHODOLOGY**

The data was collected using multiple-items measurement scale adopted from previous similar studies. In line with the present study's objective, a structured questionnaire consisting of several sections were generated. The first section of

the questionnaire includes some general questions about respondents' preference between private and public hospitals along with reasoning of the preference. The second section comprises indicators (items) of the constructs. In this section, the measurement was done using five-point Likert scale ranging from "strongly disagree" to "strongly agree." The last section includes demographic profiles of the respondents. The patients of private hospitals of Dhaka city and their attendants were considered as eligible to participate in the survey. As it was not possible to get any sampling frame, nonprobability convenience sampling was used for data collection. The current research employs multiple regression technique as principal data analysis technique. As opined by Pallant (2005), the main issue regarding sample size determination in multiple regression is generalizability. The author further observes that the result obtained with small sample size does not generalize which means that it cannot be repeated with other samples. According to Stevens (1996), about 15 subjects per predictor are needed for a reliable equation for social science research. In line with the above-mentioned recommendation, the sample size should be at least 75 as five predictors were used in the current study. However, to make the result more representative, the final analysis was done on a total sample size of 203. Out of the total respondents 139 (68.5%) are male and the rest 64 (39.5%) are female. It was observed that adult male members of the family are attending the patients more which was reflected in higher percentage of male in the final sample. In terms of educational qualification 1.5 % respondents have SSC certificate and the level of education of the rest 98.5 % are HSC and above.

To check the internal consistency of the instrument used in the study, the values of cronbach's alpha were checked. According to Nunnaly (1978), although the value of Cronbach's alpha ranges from 0 to 1, a value of 0.7 or above is considered adequate. For the current study, cronbach's alpha for the total questionnaire was found as 0.934. Construct wise cronbach's alpha are presented in Table 3.1

**Table 3.1: Cronbach's alpha of the constructs**

Constructs	Reliability	Assurance	Tangibles	Empathy	Responsiveness	General Satisfaction
Cronbach's alpha	.682	.688	.730	.779	.722	.822

From the table it could be observed that Cronbach's alpha of all of the constructs are more than the threshold value except reliability and assurance, however, these values are also very close to the threshold value of 0.7, so could be accepted.

The correlations among the independent variables of the model are tested from correlations table found as SPSS output to check multicollinearity. Usually, multicollinearity is present if the independent variables are greatly correlated with each other (Hair et al., 2007). As a rule of thumb, the coefficients of inter-item correlation should be greater than 0.3 and less than 0.8 to negate any spurious effect of multicollinearity. According to the suggestion of Pallant (2007), it should be checked that independent variables show at least some relationship with dependent variable (above .3 preferably). The author further observes that when the independent variables are highly correlated (correlation co-efficient being 0.9 or above), it points to the existence of multicollinearity. Table 3.2 presents the correlations among independent and dependent variables under the current study.

**Table 3.2: Correlation Measures among the Independent Variables**

	General Satisfaction	Reliability	Assurance	Tangibles	Empathy	Responsiveness
General Satisfaction	1.000					
Reliability	.667**	1.000				
Assurance	.727**	.645**	1.000			
Tangibles	.535**	.603**	.546**	1.000		
Empathy	.783**	.689**	.630**	.562**	1.000	
Responsiveness	.668**	.631**	.614**	.455**	.701**	1.000

Note: \*\*. Correlation is significant at the 0.01 level (2-tailed).

All the correlations are positive and significant at the 0.01 level. It is also evident from the table that all independent variables show at least some relationship with dependent variable and those values are more than the preferable value of 0.3. It is further observed that the correlations among independent variables are not above 0.9 which confirms that there is no problem of multicollinearity. However, J. Pallant (2007) further observes that sometimes multicollinearity may not be evident in the correlation matrix (Pallant, 2007). Tolerance and VIF should also be checked for confirmation. Tolerance value of less than 0.1, or a VIF value of above 10 are indications of multicollinearity (Pallant, 2007). The values are shown in table 3.3

**Table 3.3: Tolerance and VIF Values**

Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Reliability	.400	2.502
	Assurance	.473	2.115
	Tangibles	.573	1.745
	Empathy	.377	2.655
	Responsiveness	.442	2.262

It is evident from the table that the tolerance value for all independent variables are well above the cut-off of 0.1. The VIF values are also below the cut-off of 10. At this stage it could be ascertained that the independent variables do not have multicollinearity problem.

After checking reliability and multicollinearity, it is investigated how well the five independent variables predict the dependent variable. Accordingly, standard multiple regression analysis was run to examine the aforementioned hypotheses.

## 4. RESULTS

### 4.1 Descriptive Statistics

The background information of the participants of the survey is presented in Table 4.1.

**Table 4.1: Demographic Profile**

Demographic Variables		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Occupation</b>	Housewife	8	3.9	3.9	3.9
	Businessman	20	9.9	9.9	13.8
	Private Service	87	42.9	42.9	56.7
	Govt. Service	11	5.4	5.4	62.1
	Others	77	37.9	37.9	100.0
	Total	203	100.0	100.0	
<b>Income</b>	< 25,000	110	54.2	54.2	54.2
	25,001 - 50,000	63	31.0	31.0	85.2
	50,001 -	12	5.9	5.9	91.1

Demographic Variables		Frequency	Percent	Valid Percent	Cumulative Percent
	75,000				
	75,001 - 1,00,000	10	4.9	4.9	96.1
	Above 1,00,000	8	3.9	3.9	100.0
	<b>Total</b>	<b>203</b>	<b>100.0</b>	<b>100.0</b>	
<b>Gender</b>	Male	139	68.5	68.5	68.5
	Female	64	39.5	39.5	100.0
	<b>Total</b>	<b>203</b>	<b>100.0</b>	<b>100.0</b>	
<b>Education</b>	SSC	3	1.5	1.5	1.5
	HSC	57	28.1	28.1	29.6
	Graduate	68	33.5	33.5	63.1
	Masters	63	31.0	31.0	94.1
	Others	12	5.9	5.9	100.0
	<b>Total</b>	<b>203</b>	<b>100.0</b>	<b>100.0</b>	

This table shows that most of the respondents were private service holders (87 or 42.9%) with income less than BDT 25,000 per month (110 or 54.2 %). In terms of respondents' gender and education, majority are male (139 or 68.5%) and graduate (68 or 33.5% ) respectively.

#### **4.2 Testing Outliers, Normality, Linearity and Independence of Residuals.**

Normal Probability Plot is checked which shows that all the points lie in a reasonably straight diagonal line from bottom left to top right. The output suggests that there are no major deviations from normality. According to Pallant (2007), the residuals should be roughly rectangularly distributed, with most of the scores concentrated in the centre (along the 0 point). The author further opines that deviations from a centralized rectangle suggest some violation of the assumptions. In the current study, the Scatterplot of the standardized residuals is rectangularly distributed which indicates that there is no violation in assumptions. The scatterplot is also checked to find outliers. As per the definition given by Tabachnick and Fidell (2001), outliers are the cases that have a standardised residual (as displayed in the scatterplot) of more than 3.3 or less than -3.3. Only one case having a standardised residual of less than -3.3 was found in the display, which ensures that the impact of outliers on mean and standard deviation will be very negligible. As a result, it could be concluded that data may be used without any modification. Tabachnick and Fidell (2001) further advocates that cases with cook's distance values larger than 1 are potential

problems. In the residuals statistics table, it is observed that highest value is 0.069, suggesting no major problem.

#### **4.3 Relationships among the dimensions**

Bivariate correlations among the dimensions have been examined to explore possible relationships among the proposed dimensions of customer satisfaction of private hospitals / clinics (table 3.2). It is evident that the bivariate correlations in all cases are positive and significant at the 0.01 level indicating a strong relationship among all the dimensions. This establishes the fact that customer satisfaction in healthcare system is a holistic approach and all dimensions are relevant in establishment and successful implementation of customer satisfaction standards. It is also seen from the table that general satisfaction is significantly highly correlated with assurance and empathy. The relationship between general satisfaction of the customers and empathy is reflected in the high bivariate correlation between these two dimensions (0.783). The bivariate correlation between general satisfaction of the customers and assurance is also high (0.727) which confirms relationship between these two dimensions. These two dimensions demands special care in private healthcare system management.

#### **4.4 Model Evaluation**

It is evident form the model summary table (Table 4.2) that the value of R Square is 0.713. This means that the model explains 71.3 percent of the variance in customers' satisfaction of hospital's / clinic's.

**Table 4.2: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.844 <sup>a</sup>	.713	.706	.36240

a. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Reliability, Empathy

b. Dependent Variable: General Satisfaction

To assess the statistical significance of the result, ANOVA table was also checked as presented in table 4.3. The model used in this study reaches statistical significance (Sig = .000,  $p < .001$ ).

**Table 4.3: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.218	5	12.844	97.794	.000 <sup>b</sup>
	Residual	25.873	197	.131		
	Total	90.090	202			

a. Dependent Variable: General Satisfaction

b. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Reliability, Empathy

Further, the findings in the Beta column of Coefficients Table (Table 4.4) indicate that 'empathy' ( $\beta = 0.446$  significant at  $P < 0.001$ ) makes the strongest unique contribution to explaining the dependent variable, when the variance explained by all other variables in the model is controlled for. The second highest contribution is from 'assurance' ( $\beta = 0.326$  significant at  $P < 0.001$ ). Although positive influences of the other predictors (responsiveness, tangibles and reliability) have been detected, however, these influences are weak and are not making a significant contribution to the prediction of the dependent variable customers' satisfaction.

**Table 4.4: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error				Beta	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance
1	(Constant)	-.154	.199		-.776	.439	-.546	.238					
	Reliability	.094	.073	.078	1.283	.201	-.051	.239	.667	.091	.049	.400	2.502
	Assurance	.347	.059	.326	5.879	.000	.231	.464	.727	.386	.224	.473	2.115
	Tangibles	.017	.058	.014	.285	.776	-.099	.132	.535	.020	.011	.573	1.745
	Empathy	.485	.068	.446	7.168	.000	.351	.618	.783	.455	.274	.377	2.655
	Responsiveness	.098	.056	.100	1.744	.083	-.013	.209	.668	.123	.067	.442	2.262

a. Dependent Variable: General Satisfaction

## 5. DISCUSSION AND MANAGERIAL IMPLICATIONS

Carmichael (1996) advocates that the assessment of the quality of hospital care should be based, in part, on patients' perceptions of overall care and patient satisfaction. This same opinion is also echoed by Davies and Ware (1988). Parasuraman et al. (1988) suggested that the satisfaction scores found by these types of study could be used in performance appraisal and compensation of both management and staff in service-oriented organizations. The study conducted by Carmichael in 1996 which includes medical directors of health maintenance organizations, reflects the fact that 36 per cent of the health plans have begun to respond to these types of study findings. In this regard, it is important for hospital management to consider the factors those explain customer satisfaction. More importantly, they should be careful specially about the more significant factors. The current study reveals that in the management of hospitals / clinics, empathy and assurance are two vital factors those deserve additional attention.

The findings could provide a framework for management in devising a hospital's strategic plan. According to the study results, hospital customers accord great importance to empathy which reflects the caring attitude of the personnel.

However, inculcating the qualities of empathy among the staff of hospitals/clinics and gaining their commitment to these qualities could be challenging, especially given the mean score of 3.6 (on a scale of five) earned by them. Although the mean score is considerable high, extra care should be taken so that the satisfaction level of private hospital customers reaches the optimal level. Proper selection, training and motivation of personnel is required to ensure appropriate etiquette, sense of responsibility and caring attitude.

The mean score of the second most important predictor, assurance, is 3.7. This score is reasonably high, however, here is also room for improvement. The findings suggest that conveying the confidence and trust is another challenge which deserves utmost importance. This arduous task could be guaranteed only if the doctors, nurse and staff have adequate knowledge in respective areas. At the same time, the personnel should deal with the patients and their attendants in such a way which instills a feeling of safety and confidence among them.

## 6. LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES

The research was conducted only in the capital city of Bangladesh because of resource limitation. The possible demographic variations in other areas of the country were ignored. Another limitation is that the study has considered the opinions of the customers, opinions of the service providers could also be taken for cross verification.

Among five explanatory variables, only two were found as statistically significant for private hospitals' customer care management. Further studies are needed to check the impacts of reliability, tangibles and responsiveness on the dependent variable. A similar study in a bigger scale should also be conducted considering all geographic and demographic variations to get representative result.

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## ASSISTING FACTORS IN E-LEARNING BY STUDENTS AND SUGGESTIVE MEASURES FOR THE E- LEARNING DEVICES MARKETER AND PRODUCER

Sabiha Afsari<sup>1</sup>

**Abstract:** *Electronic learning can boost up the education system in Bangladesh as it blends technology with dissemination of knowledge from books. A knowledge-based society can be created through disseminating accurate knowledge to the students with the help of technology. Electronic learning takes the help from different smart devices and Internet connectivity. This study helps to find different assisting factors of electronic learning or e-learning by the students. Descriptive research technique is used in this study. In this study, a sample of 120 male and female students of Dhaka University were taken. Primary data have been collected by administering a survey through structured questionnaire. A 7-point scale is used which ranges from entirely disagree (1) to entirely agree (7). The result of the study exposed that Smartphone, Internet Connectivity at smart devices, Laptop and projector at classroom are the assisting factors in electronic learning by the students. This study will help educational institution in providing students' friendly education. Teachers can get important insights of the students about electronic learning. Marketer or producer can promote electronic learning and they can accelerate their business through making profit. Marketer can produce or promote smart devices to facilitate electronic learning.*

**Keywords:** *Electronic Learning (E-Learning), Marketer, Smartphone.*

### INTRODUCTION

Learning is referred as the process of gaining new knowledge or modifying existing knowledge. All the creation does hold some sort of learning. But learning is more profound at humans, animals, and some machines. There is also indication of some kind of learning in some plants (En.wikipedia.org, 2019). Learning can be done through reading books or having experiences. It is said that learning through experience lasts longer than learning through books. However, learning can take place through electronic means. Learning something electronically is referred as Electronic learning or e-learning. E-learning is learning using electronic technologies to access educational curriculum outside of a traditional classroom. In most cases, it refers to a course; program or degree delivered completely online (Elearningnc.gov, 2019). In Bangladesh, e-

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<sup>1</sup> Lecturer, Department of Marketing, Dhaka Commerce College, Dhaka

learning is gaining popularity day by day. Students now-a-days spend more time on electronic devices like smart phone, laptop, e-reader. Many students use these devices as a way of learning. They can use their smart phone to download a book, reading important news through browsing internet. Students also use laptop, notebook to read different books at online. They also sometimes download the books to read later. They use laptop in order to preparing their assignment as well. Satellite connectivity with television also creates opportunity for the students to learn something at television. These are ways to have e-learning by the students. So, electronic devices can be a blessing for the students when these devices are used wisely. It has been quite common that students will have smart phone in their hand. Many students take pictures of different study materials in their phone instead of carrying books. Besides few students have their own laptop to use it in their study purpose. Students need motivation and a particular goal to use the electronic devices wisely in their learning system. In case of distant learning, e-learning gives the students chance to study at their own time and pace. Today many class lectures are available at online. Students love these classes. They listen to these online classes at their own time. Web-based teaching is more accepted by students than teachers. However, students see web-based teaching an addition to rather than replacement of traditional methods of learning (Gupta, White and Walmsley, 2004). There has been a much talk about creating knowledge-based society in Bangladesh. Few things like quality teachers, quality content, and quality environment can not sufficiently create a knowledge-based society unless technology works in line with the quality teachers, quality content, quality environment. Technology supports e-learning. Using information and communication technology in the education sector can create added value to the learning system. Many experts suggest that information and communication technology can reduce the cost of providing quality education. Information and communication-based e-learning can reach larger number of students with no distance barrier.

## **LITERATURE REVIEW**

E-learning has been quite common in the present context of Bangladesh. Therefore, it has got the attention of the researchers.

(Al-Rami, 1990) defined e-learning as a sort of education that could be provided with the help of internet, the internet networks (intranet), or through multimedia such as CDs, DVDs and others.

(ASAD, 2010) stated that the term 'e-Learning' elaborates 'electronic Learning' that covers all forms of technology-based learning. E-learning makes use of technology in such a way that allows people to learn anytime and anywhere.

He further added that e-learning covers various methods like Computer-Based Training (CBT), Web-Based Training (WBT), Electronic Performance Support

Systems (EPSS), distance or online learning and online tutorials. He emphasized that easy access is the major advantage of e-learning.

(Gorbunova & kalimullin, 2017) stated e-learning as a provision of educational content that takes help of media, specially the computer and its network, to have a connection with recipient for active interaction with this content. Besides they further stated that this sort of learning can be completed in time and at a speed that matches conditions and ability.

(Akhter, 2011) opined that using technology in education sector is becoming crucial worldwide. The effectiveness of e-learning tools in the classroom has been proved. Many studies revealed that when the senses are stimulated effective learning takes place. When visual senses are stimulated, learning can be enhanced. Greater learning takes place when multiple senses are stimulated. However, Stimulation of the human senses can be attained through usage of colours, levels of volume, strong statements, visual facts presentation, using variety of techniques and media.

(Pathan and Hassan, 2005) remarked that Learning becomes more interesting and effective with the help of technology.

(Pathan, Hong and Lee, 2005) stated that E-learning creates a great opportunity for the learners as e-learning take the learning to the learners, the learners does not need to reach learning. Many rural areas lack appropriate educational facilities. Therefore e-learning can play a vital role to reach quality learning materials to the students as well as to reach quality learning to the learners. Education sector of the developing countries can definitely be improved with the help of e-learning.

(Kuri, Maranna and Janti, 2016) opined that Teaching and learning process have gone through huge change with the emergence and advancement of information technology. Mobile technology has brought a revolutionary change in this age of ICT. A mobile technology has becoming one of the important tools for communication and educational purpose. Now, students are using electronic devices like mobile phone for e-accessing, downloading, storage, communicating and reading purposes. There are some dedicated Smartphone apps that are providing aid to the students to gather information with the help of network-based services.

E-learning provides various types of advantages. In this regard, (Abed, 2019) elaborated the advantages of e-learning where he, firstly, mentioned that e-learning can make easy access to the teacher outside the official working hour through e-mail which is beneficial for both the teacher and students. Secondly, he mentioned that e-learning increases the possibility of communication between students. Thirdly, he mentioned that e-learning ensure the sense of equality. Traditional classrooms deprive students because of the weakness of the students himself or shame but e-learning allows students to participate in discussion through available communication tools like e-mail which ensures equality.

E-Learning can accelerate the process of increasing skills and knowledge of the people of developing countries from the content available online. People of the developing countries who cannot have a formal education from school, they might get benefit from e-learning. In Bangladesh, the teaching resources are also very inadequate. In comparison with the number of students, the number of teachers is really very small. In this circumstance, learners can get much benefit from quality learning materials received through E-learning. E-learning could be a very productive way to provide quality learning-materials to all the learners (aunwasha.com, 2019).

It has been a challenge for Bangladesh to ensure attendance of students in the primary school. Illiteracy is still considered to be major issues in Bangladesh. Therefore, the government is vigorously pursuing the goal of 'Education for All'. Employment of E-learning can come up as a blessing for attracting the learners and ensure attendance in the primary schools. Attracting the learners is needed mostly for the primary level. E-learning is occasionally more than required to guarantee the quality of education for secondary and tertiary level. Already some of the universities in Bangladesh are offering online courses with the help of e-learning. University teachers have understood the significance of using E-materials together with their class lectures. However, employment of E-learning at a large scale in all the educational levels is quite a mounting job in Bangladesh.

It is clear that e-learning provides some extraordinary advantage over traditional learning. This has been supported by (Norman, 2016). (Norman, 2016) stated that Students can pick any learning program at online and online gives the students to make a preference at any point of time. Sometimes students feel so sick that make themselves not to attend the classes. But it seems not a big problem for the students when all lectures and needed materials are provided via online platforms, so students may easily access them by staying at home. She finally remarked that browsing through interesting online courses and programs may speed up the learning at a befitting manner. Attending a course at online is much cheaper than attending a course physically in an academic institution.

Internet has triggered the most important developments in education. Learners of these days are much familiar in using smartphones, text messaging and the internet, so joining in and continuing an online course has been a quite easy matter for them. Messenger, social media and various other means of online communication make the learners to be in touch and to discuss course-related matters. The world is moving so fast and technological breakthrough can make a course new and exciting. Therefore, course content should be updated and accommodated with new technology to give students the very latest information (talentlms.com, 2019).

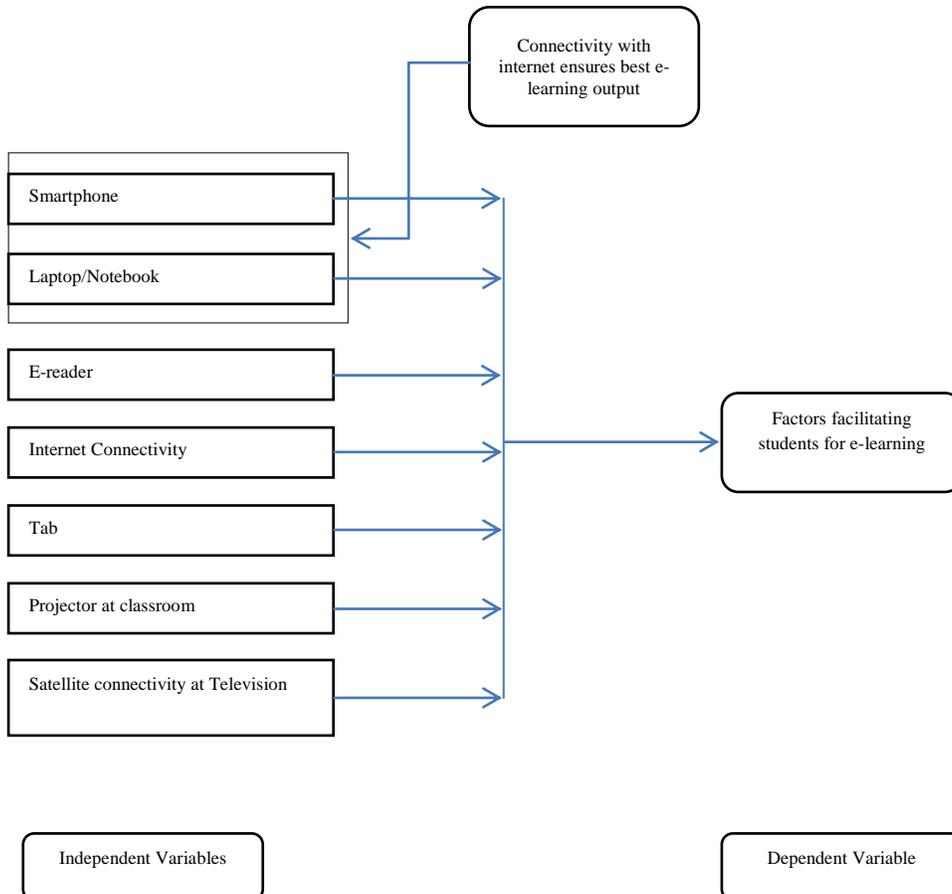
However, traditional learning usually takes a lot of time and incurs a lot of cost for the students. The result of traditional learning may vary. Thereby, the importance of e-learning is much evident and a known fact and it can make learning much faster, cheaper and potentially better (talentlms.com, 2019).

After all, non electronic teaching and learning should go in parallel with electronic learning. Books and lectures are integral part of learning. Learning does not seem completed without the help of traditional materials for teaching and learning. But taking traditional materials seriously should not necessarily end up with taking technology-based learning lightly or ignored completely. Many studies have revealed that the human brain can easily narrate and recall things which has been seen and heard through moving pictures or videos. Various sectors like agriculture, medicine, education, services, business, and government setups are familiarizing with the idea of E-learning which helps in the development of a nation.

**CONCEPTUAL MODEL**

Numerous literatures have been studied and focus group interview have been conducted for identifying the factors which facilitates students to have e-learning. Finally, conceptual model gets the shape of the following.

**Figure: Conceptual Model**



### **Research Hypotheses**

The main hypotheses of the study were as follows:

- H1. A smartphone has a significant relationship with e-learning of the students.
- H2. A laptop or Notebook has a significant relationship with e-learning of the students.
- H3. An e-reader has a moderate relationship with e-learning of the students.
- H4. Connectivity with the internet has a remarkable relationship with e-learning of the students.
- H5. A Tab has a good relationship with e-learning of the students.
- H6. Projector at classroom has relationship with e-learning of the students.
- H7. Satellite connectivity at Television has relationship with e-learning of the students.

### **Research Gap**

Ensuring quality education is one of the prime targets of the government of the People's Republic of Bangladesh. Though more people of this country are receiving education than ever before but quality of the education has been an important issue to consider. Besides, there has been a much talk about creating knowledge-based society in Bangladesh. Considering the above factors, this is high time to provide quality education. In disseminating quality education, E-learning can play an important role in the country. Now it requires identifying the factors facilitating the students in getting e-learning.

### **OBJECTIVE OF THE STUDY**

The broad objective of the study is to find out the factors primarily responsible in aiding e-learning by students. The following objectives will also be fulfilled while attaining the broad objective.

- To evaluate correlations among different assisting factors of e-learning by the students.
- To assess the strength of each possible assisting factors in e-learning.

### **RESEARCH METHODOLOGY**

**Nature of the Study:** This study is based on conclusive research technique as this type research can be effective in testing hypothesis about cause and effect relationship.

**Population and Sample size:** The population of this study are students who are more oriented to modern technology. Students with this characteristic are important to define the research topic more clearly. Total 120 students were surveyed in this study.

**Sampling method:** In this research, convenient sampling technique is used as it incurs less cost and it makes data collection easier.

**Source and Method of data collection:** Data have been collected from students who are more oriented to modern technology. The respondents were requested to give their feedback against the statements provided with 7-point scale ranging from Entirely Disagree (1) to Entirely Agree (7).

**Types of Data and analysis:** Both primary and secondary data have been utilized in this study. Secondary data has been collected from different internet sources, journals, newspapers and web-sites. Secondary data were used to identify the research gap and to determine the variables of the study. Primary data were collected by providing a structured questionnaire to the respondents. However, Focus group interview has been administered and various literatures have been studied rigorously in order to identifying facilitating factors in getting e-learning by the students. SPSS was used to conduct different statistical analysis.

**Limitation:** Secondary data were not that much available. This research has been directed only in few prominent universities and colleges of Dhaka City. Therefore, further research can be conducted in some other universities and colleges outside the Dhaka city.

## RESULTS AND DISCUSSION

Multiple regression analysis gives emphasize on Model Summary, ANOVA, and coefficient which are interpreted below:

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.878 <sup>a</sup>	.614	.602	.40543

The result of R ( $R = 0.878$  or 87.8%) signifies a high degree of correlation among the identified variables. The result of the  $R^2$  ( $R^2 = 0.614$  or 61.40%) signifies that 61.4% variation in dependent variable have been explained by the identified independent variables. In other way, 61.4% variation in dependent variable (facilitating factors of e-learning) have been explained by independent variables like (Smartphone, Laptop, Internet Connectivity, Projector at Classroom, E-reader, Tab and Satellite connectivity at Television). Adjusted  $R^2$  60.20% indicates that this percentage of variation have been explained by independent variables which actually have impact on dependent variable.

**Table 2: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.510	7	5.216	8.040	.000 <sup>b</sup>
	Residual	72.657	112	.649		
	Total	109.167	119			

The ANOVA table shows that the model which has been applied is fairly good to predict the outcome variable as the value of significance is 0.000. The value of F (F = 8.040) is significant at .05 level with a degree of freedom in between 7 to 112 that specifies that the null hypothesis is rejected. In other way, this can be said that independent variables do not affect the dependent variable is rejected.

**Table 3: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.391	.380		13.028	.006
	Smartphone	.475	.065	.558	4.196	.000
	Laptop/Notebook	.224	.083	.505	3.294	.050
	E-reader	.002	.067	.002	2.033	.982
	Internet Connectivity	.401	.094	.529	4.013	.049
	Tab	.115	.099	.121	2.361	.247
	Projector at Classroom	.382	.088	.276	4.321	.000
	Satellite connectivity at Television	-.057	.088	-.058	-2.650	.517

From the above table, it is apparently clear that a positive correlation exists between independent variables and dependent variable. The standard coefficient in beta column for independent variables like smartphone, Internet Connectivity, Laptop and Projector at classroom are .558, .529, .505 and .276 respectively. All these values are significant at .05 level. This indicates that these variables are vital in assisting the students in electronic learning.

**FACTOR ANALYSIS****Table 4: Correlation Matrix**

	Smartphone	Laptop/ Notebook	E- reader	Internet Connectivity	Tab	Projector at Classroom	Satellite connectivity at Television
Smartphone	1.000	-0.312	-0.042	-0.068	0.195	0.141	-0.172
Laptop/Notebook	-0.312	1.000	0.170	0.378	0.378	0.208	0.478
E-reader	-0.042	0.170	1.000	0.315	0.253	0.127	0.079
Internet Connectivity	-0.068	0.378	0.315	1.000	0.583	0.195	0.207
Tab	-0.195	0.378	0.253	0.583	1.000	0.362	0.275
Projector at Classroom	0.141	0.208	0.127	0.195	0.362	1.000	0.221
Satellite connectivity at Television	-0.172	0.478	0.079	.207	0.275	0.221	1.000

**Table 5: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.667
Bartlett's Test of Sphericity	Approx. Chi-Square	684.942
	df	28
	Sig.	.000

The result of Approx. Chi-square is 684.942 which are significant at 0.05 level with 28 degrees of freedom. The value of KMO is .667 which is larger than 0.5. Therefore, factor analysis is an appropriate technique.

**Table 6: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.533	36.188	36.188	2.533	36.188	36.188
2	1.220	17.424	53.613	1.220	17.424	53.613
3	1.009	14.417	68.030	1.009	14.417	68.030
4	.754	10.778	78.809			
5	.660	9.435	88.244			
6	.484	6.920	95.164			
7	.339	4.836	100.000			

Extraction Method: Principal Component Analysis.

The above table named total variance explained signifies the extracted number of common factors with their related eigenvalues and the proportions of variance resulted from each factor as well as the cumulative percentage of variance resulted from the factors. Factors which have eigenvalues more than one (1) can be retained according to the criteria of retaining factors. However, three factors have been retained in our study as they have eigenvalues more than one (1). The eigenvalues of first and second and the third factors are 2.533, 1.220 and 1.009 respectively with variance of 36.18%, 17.42% and 14.41% respectively. The all three factors accounted for 68.03% of variation.

**Table 7: Component Matrix**

	Component		
	1	2	3
Smartphone	-.317	<b>.767</b>	.253
Laptop/Notebook	<b>.732</b>	-.337	.160
E-reader	-.436	.296	<b>.778</b>
Internet Connectivity	<b>.722</b>	.224	-.307
Tab	<b>.784</b>	.163	-.105
Projector at Classroom	.468	<b>.819</b>	.496
Satellite connectivity at Television	-.592	-.290	<b>.984</b>

From the above table, it is evident that Laptop/Notebook, Internet Connectivity, Tab are correlated with factor 1, Smartphone and Projector at classroom are correlated with factor 2, E-reader and Satellite connectivity at Television are correlated with factor 3. Here, the factor 1 can be labelled as Smart Devices with internet. Factor 2 can be labelled as displaying devices. Factor 3 can be labelled as E-reader and Satellite connectivity.

## **FINDINGS AND RECOMMENDATIONS**

Many guardians often complain that their children do not concentrate or give attention to their study. Basically, this is the nature of the people to accept those things which seem interesting to them. In every sphere of life, people tend to express their interest much in uncommon or new facts. So is the case for students. Students like to search new things, new ways, and new technology. E-learning provides a new way to the students. Electronic learning takes the help of the technology. However, this study will come useful for the marketer of smart devices. Besides, both the teachers and students will understand important insights about assisting factors of e-learning.

The standard coefficient table have revealed smartphone, Internet Connectivity, Laptop and Projector at classroom are vital factors in assisting the students in electronic learning. Let us discuss those issues broadly.

Smartphone has become an integral part of many people these days. Especially students prefer to have smartphone. Day to day life of the students has become easier with the help of smartphone. Students can take a capture of the important study material. They can download study material from different websites. They can take screenshot of different important issues as well. They can even record important class lectures which give them the opportunity to listen to the classes repeatedly at any time. Smartphone have multiple students' friendly facilities. Wisely using the facilities of smartphone, students can be benefitted. Marketer of smartphone devices can adopt strategies to incorporate students' friendly application in smart devices. While the students will have different learning applications in smartphone, they will learn to use the smartphone wisely. Teachers can make a blend of traditional teaching methods with technology in providing education to the students.

Internet connectivity ensures frequent access to the core of information. Teachers provide education to the students. Actually, they provide knowledge to the students. This knowledge turns to information. This is said that information is power. So, an ideal education providing institution should have easy access to information through connectivity of internet. Students who have internet connectivity in their smart devices like Smartphone, Laptop and Tab are more advantageous in receiving e-learning. Real time access to information makes students competitive and confident in study. Marketer of internet service provider may introduce more students' friendly internet packages. Marketer can initiate low cost packages which will allow students to browse sites other than the few destructive sites. Teachers can take a part of their lectures through using internet which will make the lesson more interesting to the students.

Laptop helps students in preparing assignment in MS Word, making Power point presentation, studying different downloaded books. Many students love to carry laptop in their educational institution. They believe laptop can boost up their electronic learning. They also believe that a laptop can perform manifold activities. Different usage of laptop makes the learning easy, comfortable and interesting. Students also think that laptop play the best role in electronic learning. So, the message is clear to the marketer of laptop. Producer or marketer of laptop should consider the affordability of the students while producing laptop. They should set price of their laptop in such a way so that students find it less costly while purchasing a laptop. Teachers should allow the students to carry and open the laptop at classes. At the same time, teachers should provide lesson that a have engagement with laptop.

A projector adds up in the process of e-learning. Students prefer to have projector at classroom. They opine that a projector can facilitate their learning. With the

assistance of projector, it is possible to display a video in the classroom, display a particular image in the classroom, showing different complex graphs etc. which would otherwise not be possible. Considering the above benefits of projector, many educational institutions are now planning to incorporate projector at their classrooms. Therefore, teachers should learn how to bring out the best possible output through using projector. They should prepare the lesson engaging. A video or an image or any complex graph can easily be displayed in the projector. By making the lesson engaging, teachers can create an interesting atmosphere in the class. They can take the monotony away from the students.

Thereafter, it is clear now that smartphone, laptop, internet connectivity and projector at classrooms help in providing electronic learning to the students. From the business point of view, marketer has their role to play in electronic learning. Marketer can make profit by producing or introducing different students' friendly smart devices. Teachers can make the lesson interesting by making the lesson engaging as they can smartly blend technology with their teaching in assistance with internet connectivity. Students can find learning more interesting, easy, comfortable and less costly as they learn to have electronic learning.

## **CONCLUSION**

The number of people receiving education is increasing day by day. But a big question always rounds up in the air as the number of people receiving quality education is not increasing that much. In the recent past, there has been much talk about creating a knowledge-based society in Bangladesh. In 2015, the world leaders have come up with sustainable development goals where number four (4) goal was to ensure quality education. In Bangladesh, education has reached even to the poorest area. Now, the time has come to ensure quality education. Electronic learning can play a vital role in ensuring quality education. Quality education means disseminating proper knowledge along with equipping students with proper technology. Electronic learning takes the help of technology of different smart devices. Teaching can be more engaging and participatory with different facilitating factors of electronic learning. Smartphone, Laptop, Projector at classroom and internet connectivity at smart devices can boost up electronic learning. Students have a tendency to feel bored while teaching is traditional as the traditional teaching involves only the books. Using different smart devices in education can intensify the students' attention toward lesson. Students find electronic learning through Smartphone, Laptop, Projector at classroom and internet connectivity at smart devices more interesting, easy, fun, comfortable and finally less costly.

However, this study has shortcoming as it is grounded on convenient sampling. Stratified sampling would provide more accurate result. Any future research may take this as direction.

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# MORTGAGE MARKETING STRATEGIES: A CASE OF STANDARD CHARTERED BANK BANGLADESH

Nawshin Tabassum Tunna<sup>1</sup>

***Abstract:** Since mortgage loan is a need-based product, it needs minimum market visibility that gives maximum return on investment. Hence, Standard Chartered Bank Bangladesh (hereafter, SCB) devises such marketing strategies that make its mortgage products attractive to the prospective purchasers. Keeping this issue in mind, the paper aims at a critical depiction of the marketing strategies of SCB to promote its mortgage products. The paper examines whether SCB can lessen the effects of the fivefold force of mortgage industry as suggested by Porter. The study then offers some recommendations that would help SCB get a better return on its investment by nulling the fivefold force of the mortgage industry. Using qualitative research methods, the study attempts to see Porter's five forces in the realm of SCB, how SCB strategizes to void these forces, and what else it should follow to get maximum return on its investment.*

***Keywords:** Home Loan, Marketing Strategy, Mortgage, Personalized Communication, Porter's Five Forces Framework, Standard Chartered Bank Bangladesh (SCB)*

## 1. INTRODUCTION

The history of mortgage loans is a history of at least 1000 years (Green 2014, 1). The idea of mortgage in banking and non-banking financial institutions of Bangladesh was not very popular until recent times. One of the root causes of such unpopularity and unavailability of mortgage loans provided by financial institutions is the undeveloped real estate businesses. However, in Bangladesh, competition in the mortgage industry continues to grow as the industry is getting bigger. Hence, the lenders who are involved with this industry must design their promotional strategy in such a way that makes their mortgage loan visibly important to the prospective customers. In this connection, Standard Chartered Bank Bangladesh (hereafter, SCB) is no different. Being one of the leading financial institutions in offering mortgage loans, SCB has been very successful in reaching out its potential mortgage buyers, and that certainly makes anybody from marketing discipline quite interested in conducting a research on their

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<sup>1</sup> Lecturer, Department of Business Administration in Marketing, Bangladesh University of Professional (BUP)

marketing strategies to promote mortgage products. Since marketing strategy is a forward-looking approach to achieving a sustainable competitive edge (Baker 2008, 3), SCB is aware of the right formulation, evaluation, and selection of its marketing strategies for promoting its mortgage products. The paper is an attempt to understand these strategies. At the same time, it also aims at knowing how these strategies void the five forces advocated by Porter (1979, 2008) present in a competitive market. To this end, the paper is divided into several sections.

After discussing some introductory issues such as the problem statement, the objective of the study, research questions and research methodology, the article presents a literature review that discusses the working definition, types, features of mortgage loan and its condition in different developed countries. The following section will deal with the five forces framework of Porter in the context of SCB. Then the article will depict SCB's strategies to promote its mortgage products to potential purchasers. The next section will discuss, albeit very briefly, the marketing strategies of its four competitors. Finally, based on prior discussion, the article will come up with some recommendations that if implemented, SCB would do better in getting maximum return on its investment.

## **2. PROBLEM STATEMENT**

A mortgage loan is a need-based product. Hence, it needs minimum market visibility, unlike other loans. On the other hand, mortgages lenders invest a lot for which they want the maximum return. Hence, it creates a dilemma: mortgage products require maximum return with minimum market visibility. To solve the puzzle, lenders need more personalized communication with their prospective customers and make their products lucrative for them. Moreover, personalized communication should be done in such a way that none of the five forces of a competitive market of Porter (1979; 2008) gets the upper hand. To ensure it, the existing marketing strategies of SCB are okay, but not enough.

## **3. OBJECTIVE OF THE STUDY**

The objective of the study is to critically depict the marketing strategies of SCB to promote its mortgage products. Considering this depiction, the article then aims at offering some recommendations that would help SCB get a better return on its investment by nulling the fivefold force of mortgage industry as suggested by Porter (1979; 2008).

## **4. RESEARCH QUESTIONS**

The present study is an endeavor to get answers to the following questions:

- What is Porter's five forces framework in the context of SCB?
- How does SCB respond to these forces to promote its mortgage loans? In other words, how does SCB strategize to promote its mortgage products that

nullify the fivefold forces of competitive market mentioned by Porter (1979; 2008)?

- In addition to what it is doing now, what else should SCB do in its promotional activities of mortgages loans?

## 5. RESEARCH METHODOLOGY

This research attempts to understand SCB's marketing strategies to promote its mortgage products. Since there is a scarcity of written document available about its strategies (at least to my knowledge), we need to resort to a research method that helps us get such information. Hence, one useful method is to observe and record. It is often qualitative in nature. To observe and record how SCB functions to market its mortgage products, we did a three-month internship at SCB in 2013. The current study is mainly an extended and updated outcome of this internship and a qualitative content-based research.

## 6. LITERATURE REVIEW

### 6.1 Mortgage Loans

A mortgage loan (often simply called mortgage) is a legal mechanism of lending money from financial institutions or by purchasers to raise funds for buying real estate or any related purposes putting their property as collateral. *The Complete Dictionary of Mortgage & Lending Terms Explained Simply* defines mortgage as "Borrowed money for buying real estate, with purchased property for collateral" (2011, 183). The term 'mortgage' is a French term used in Medieval English lawyers to mean "death pledge" that refers to the end of pledge when either the obligation is met or the property is appropriated through foreclosure (Blackstone 1897). On Anglo-American property law, a mortgage takes place when an owner of a property (or a mortgage borrower) pledges his right to the property as security for a loan.

Mortgage borrowers can be either individuals or businesses. The lenders can be banking and non-banking financial institutions and building societies. There is a great variety in the size, maturity, interest rate, method of paying off the loan that defines the features of mortgage loans. Though various aspects of mortgage loan differ from country to country, it is mainly composed of the following: borrower, lender, property to be mortgaged, principal (the original size of the loan), interest, system of foreclosure or repossession or seize (a legal procedure for losing property if one fails to settle a mortgage debt) that differentiates mortgage loans from other forms of loans, completion, and redemption of loans. Despite worldwide variations of mortgages, there are several factors that define the nature of the mortgage loan. They are the interest rate, duration of the loan, payment amount and frequency, and pre-payment.

Mortgage loans can take thousands of different forms. But there are mainly two types of mortgage loans: fixed rate mortgage (FRM) and adjustable rate mortgage (ARM) (also known as tracker or floating rate or variable rate mortgage) (Sweeney 2011). According to *The Mortgage Calculator* (2016), a fixed rate mortgage is a type of loan in which the interest rate remains constant for the term of the loan. On the other hand, an adjustable rate mortgage is a mortgage type in which the norm is that the interest rate is periodically revised after a certain period. Once the loan available was the fixed rate mortgage loan (Cummings 2008, 98). Though in the United States, the mortgage norm is fixed rate, floating rate mortgages are the most common practices worldwide.

Mortgage loans can also be primary and secondary. Stone and Zissu (2005, 4) define them as follows: “The primary mortgage market encompasses transactions between mortgagors and mortgagees. The secondary mortgage market is where mortgages are refinanced and distributed in the capital and money markets in the form of mortgage-backed securities.”

The mortgage industry differs from country to country. One of the major financial sectors in the USA is the mortgage industry. To encourage the mortgage industry to grow, the US government created various programs, such as the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, which are known as Ginnie Mae, Fannie Mae, and Freddie Mac, respectively. Despite the prevalence of these programs, the US mortgage industry has been undergoing a major crisis over the last century (Simkovic 2013, 213).

In Canada, the most common type of mortgage is the five-year fixed rate closed mortgage, whereas the most common form of mortgage in the US is the 30-year fixed rate open mortgage (Alix 2014; Landmark Capital 2016). Though Canadian mortgage industry did better than the US industry to counter the crisis shown at the first decade of this century, there was a significant increase in mortgage debt in Canada due to the low interest rate (Crawford, Meh, and Zhou 2013, 53). To deal with this issue, in April 2014, the Office of the Superintendent of Financial Institutions (OSFI) provides guidelines for mortgage providers (Greenwood 2014).

The most common form of mortgage in the UK is the variable rate mortgage loan. It is, in fact, more widespread in the UK than in the USA because offering mortgage loan in the UK is more dependent on retail savings deposits like Australia and Spain than on fixed income securitized assets as in the US, Denmark and Germany (Congressional Budget Office 2010, 49; International Monetary Fund 2004, 81-83).

## **6.2 Porter’s Five Competitive Forces That Shape Strategy**

Michael E. Porter in a paper entitled “How Competitive Forces Shape Strategy” published in *Harvard Business Review* in 1979 offers a tool with the help of

which one can analyze business competition that influences subsequent researches on the strategy field.<sup>1</sup> It discusses five forces about the competitive intensity that figures out the profitability of an industry by determining its attractiveness. According to the Framework, these five forces reduce the overall profitability of an industry that makes it “unattractive” to its customers.<sup>2</sup> A brief presentation of these forces is given below:

**(i) Threat of New Entry:** According to Porter (2008, 80-81), the competitive nature of market increases due to new entrants. These new entrants work as threat to older institutions of the market because new entries in the market lead to increased competition between prices, costs and the rate of investments. They also bring new capabilities because of which they gain market share. Apple’s music distribution business is a good example of a new entry’s use of a strategy that was not previously used by older companies.

**(ii) Power of Suppliers:** Powerful suppliers earn more profits “by charging higher prices, limiting quality of services, or shifting costs to industry participants” (Porter 2008, 82). Sometimes their strategy of price gouging can negatively affect the profitability of the industry. Porter (2008, 82) illustrates this point by pointing out to the increase of prices of operating system by Microsoft. Profitability of many existing PC manufacturers are affected by it because they cannot increase the prices of PCs accordingly as the competition in the PC market is fierce.

**(iii) Power of Buyers:** Porter says that the powerful buyers (i.e., “the flip side of powerful suppliers”) secure more profits “by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another” (2008, 83). Their power increases with the increase of the bargaining power that they especially use to reduce prices.

**(iv) Threat of Substitutes:** Substitutes are the replacement or backup of the similar things in a different way. For example, Maggi cup noodles is a substitute product of Cocola noodles. The threat of substitutes is always there in the industry. In this regard, Porter says, “When the threat of substitutes is high, industry profitability suffers. Substitute products or services limit an industry’s profit potential by placing a ceiling on prices” (2008, 84). Hence, he asks to improve its product performance, relevant marketing strategies, and so on, if an industry wants to counter the threat of substitutes.

**(v) Rivalry among Existing Competitors:** According to Porter (2008, 85), there are various ways through which rivalry among the existing competitors in the

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<sup>1</sup> The paper is updated in Porter (2008). The old version of the paper is Porter (1979).

<sup>2</sup> A critical appraisal of Porter’s five forces framework can be found in Coyne and Subramaniam (1996). An important extension to what Porter says is suggested by Brandenburger and Nalebuff (1995). Another proposal is put forward by Wernerfelt (1984).

industry can take place, such as “price discounting, new product introductions, advertising campaigns, and service improvements.” Any firm loses profits if the rivalry among existing competitors is high. Porter notes that the negative impact of this sort of rivalry on a company’s profit depends on two factors: “the *intensity* with which the companies compete” and “the *basis* on which they compete” (2008, 85).

### 6.3 Porter’s Five Forces Framework in the Context of SCB

A brief discussion of Porter’s five forces in the context of SCB is as follows:

**(i) Threat of New Entry:** There are many new entrants in mortgage industries in the last decade. They include banks and non-banking financial institutions, such as BRAC Bank, The City Bank, United Commercial Bank, Trust Bank, Mutual Trust Bank, Midas Finance, Langka-Bangla Finance, etc. They are mainly attracted by the following:

- The profitability in mortgage products which is higher than most other retail lending products
- The security in mortgage financing
- The lure of a long-term relationship with customer leading to other asset or liability relationship.

Because of new entrants, mortgage profitability decreases. New entrants face several problems which act as positives for SCB. Some of them are as follows:

- Mortgage financing needs in-depth product knowledge to market because of its requirement of critical documentation, and because of its lengthier process than other retail lending products. Since new entrants may not have such knowledge, they may face more loss than profit.
- To compete with the big players like SCB in the market, new entrants need expert knowledge that they sometimes lack. This is especially challenging for new brands because the margin is comparatively low on a mortgage than other retail lending products. So, winning a market by price is not always possible for new entrants.

**(ii) Power of Suppliers:** The bargaining power of suppliers is important as it is also a source of power over the firm. In the case of the mortgage industry, real estate developers are the source of such power because they build apartments on which mortgage is provided. They are extremely powerful because of the following reasons:

- Real estate developers can refer potential mortgage customers.
- Registration of property vastly depends on developers.
- Real estate project completion and handover times can only be confirmed by developers.

- Developers update legal documentation of any real estate projects.
- Since developers are oriented more towards receiving finance than proper documentation, they are often found guilty of leading banks to bad practice of financing unsecured properties.

Since SCB has involvements with many real estate developers, it is not an exaggeration to say that it is vulnerable to such a malpractice of developers.

**(iii) Power of Buyers:** The bargaining power of buyers puts the mortgage banks under pressure. It is the ability of customers that determines how powerful force they are in their demand for a lower interest rate. It is this ability that also gets industry players in a price war. Mortgage customers are very sensitive for various reasons, such as:

- Customers are highly sensitive to interest rate because mortgage loans are long-term lending products.
- Mortgage buyers demand faster service with fewer paper works.
- Customers are financially safe because of grievance resolve facility provided by Bangladesh Bank.

However, banks can take steps to lessen the bargaining power of customers by implementing various programs, such as loyalty program that reduce their alternatives.

**(iv) Threat of Substitutes:** The threat of substitution is the chance of mortgage customers to find an alternative way of borrowing. Though there are not many substitutes for mortgage loan as the amount of it is on the higher side than other retail lending products, there is a recent development that a leading real estate developer in Bangladesh, Building Technology & Ideas Ltd. provides customers with the option of long-term payment which goes beyond the hand over time of the project. Other than this, there are no serious contenders who can prevail in the mortgage market.

**(v) Rivalry among Existing Competitors:** Like many other industries, the mortgage industry is not free from the intensity of competitive rivalry. In fact, this rivalry is the prime determinant of the competitiveness of this industry. Mortgage in Bangladesh is highly competitive. SCB holds off to the second position in terms of portfolio, whereas Delta BRAC Housing (DBH) stands first. Some other competitors are Industrial Development Leasing Company (IDLC), Hong Kong and Shanghai Banking Corporation (HSBC), BRAC Bank, and so on. Understanding why some rivals have more advantage over one is helpful in successfully marketing a mortgage product. An increased awareness of its competitors' marketing strategy and pricing can only help SCB outgrow the rival firms.

## **7. FINDINGS: SCB'S MARKETING STRATEGY TO PROMOTE MORTGAGE LOANS**

Because of the intense competition in the mortgage industry, SCB needs to figure out proper strategies to null the five forces mentioned above. A mortgage loan is a need-based product because of which it doesn't require maximum market visibility. To earn minimum market visibility, it requires more customized or personalized communication. The marketing strategy of mortgage loan is, therefore, focuses mainly on below the line (BTL) promotional activities. Because of the following reasons, SCB concentrates more on BTL promotional activities:

- BTL activities are targeted more towards buyers.
- They are cost effective.
- They ensure maximum returns on investment.

The following are the BTL promotional strategies of SCB:

### **7.1 Product Communication**

***Presentations to the Customer Touch Point Officers:*** SCB presents any new features of its mortgage products to the branches and kiosks officers who relay them to customers. This is sort of personalized counseling strategy that augments customers' dependency on the bank for mortgage loans.

***Direct Mailing to SCB Account/Credit Card Holders:*** SCB sends mortgage products related marketing elements, such as leaflets, brochures etc. at the time of sending statements to the customers who hold SCB accounts or credit cards. They provide customers with updated information about mortgage products features. As a result, when a customer thinks of taking mortgage loans, he can survey those documents and get a primary knowledge about the product.

***Posters and Product Communication Materials Placements at Customer Touch Points:*** To attract customers' attention, SCB places posters related to mortgage products at the most visible place of the touch points. Moreover, usually, every touch point has a brochure stands where all product promotional materials are placed. Customers visiting branches and kiosks regularly can go through the product features found in the brochures placed at stands.

### **7.2 Product Awareness Generation**

***Direct Sales Interaction:*** SCB has dedicated a channel that is responsible to sell mortgage products to the customers. Value center team communicates with this channel to add value to the product or innovate new products. The members of this team update the channel on new product features and their competitive advantages. Mortgage loan materials are also provided to the channel so that sales force can carry them while visiting prospective customers.

***Real Estate Developer Visit:*** As indicated earlier, the mortgage loan business is largely dependent on the management of stakeholder relations. So, product-related communication with the real estate developers is important as they hold *the bargaining power of suppliers*. Their executives are key to referring mortgage loan business to the bank. This important aspect is well understood by SCB who maintains the relationship with real estate developers via value center relationship managers and mortgage business channel officers. Value center relationship managers are responsible officers to ensure the presence of marketing materials at the premises of the real estate developer houses. As product specialists, they are also supposed to update real estate executives on product features. Sometimes they maintain a personal relationship with these executives to generate business referrals.

***Product Communication Materials Placement at Real Estate Developer's Premises:*** Mortgage and Auto value center relationship managers of SCB ensure the visibility of mortgage loan brochures, leaflets, X-stands by placing them at the premises of the real estate developer houses. To ensure the maximum customer visibility, SCB also places signage promoting Home Loan to some of the prominent developer house projects. One of the better features of this sort of marketing is that customers who apply for this sort of loans referred by real estate developers get loan sanction at the earliest possible time as the project is already pre-approved.

***Conferences, Training Sessions, Workshops, and Developer Engagement Programs:*** Every month SCB organizes various developer engagement programs, conferences, training sessions, and workshops for real estate developer house executives to train them on mortgage products. SCB understands that these executives' knowledge of the products is very crucial as they meet potential mortgage clients first when they come to them to purchase a new home or apartment. The responsibility of organizing such programs goes to Mortgage and Auto value relationship managers. The developer executives who participated in these workshops are also taken for a day out or dinner to make a strong relationship between the bank and real estate officials that encourages the latter to refer to new customers to the former.

***Participation at Developers' Project Launching Fairs:*** SCB participates in project launching events of established real estate developer houses, such as Building Technologies & Ideas Ltd., Asset Developments and Holdings Ltd., Navana Real Estate Ltd., etc. as a part of its persuasion of building a strong rapport with them.

***Joint Promotional Activities with Top Real Estate Developers:*** SCB signs special Memorandum of Understanding (MoU) with top real estate developer houses because of which both parties promote each other's products. It enhances the overall business generation of both parties and their relationship becomes stronger.

### **7.3 Promotional Offers to Customers**

***On boarding Gift for the Customers:*** Sometimes SCB offers a discount rate to drive any special campaigns or product features. It also offers on boarding gifts, such as food coupons, gift hampers, etc. if any customer purchases any mortgage products. These on boarding gifts for the buyers are promoted via sales channel, leaflet, direct mail, value center relationship managers to real estate developer houses, etc.

***Special Interest Rate for Balance Transfer from Other Banks or Financial Institutions:*** SCB offers interest rate for transferring mortgage loan facility to it from other banks or financial institutes. It does not prepare any visible marketing materials to communicate special rate offers for balance transfer.

***Preferential Rates for Payroll Clients:*** SCB offers preferential interest rates for the corporate employees who have a salary account in it. Its employee banking relationship manager communicates to the employees of the corporate house to inform the preferential interest rate based on the business prospect and cost. To serve the purpose, he prepares marketing materials for the corporate house that includes X-stand, leaflet, etc.

### **7.4 Trade Promotion for Real Estate Developers**

***Referral Programs/Campaigns:*** Since real estate developer executives are the first point of contact of the customer to be made a lifetime decision about buying a house or an apartment, they become very influential over the customers in helping come up with the decision. Understanding this aspect of the business, SCB provides the executives various incentives called referral programs so that they refer these potential clients to SCB. Through referral programs, SCB tries to get an edge over its competitors and increased sponsorship from its prime stakeholder.

### **7.5 Sales Contest for Direct Sales Executives**

***Special Incentives:*** To motivate its direct sales executives for acquiring a business, SCB offers special incentives to them, such as financial reward, gift card, etc. These incentives are offered as a part of its focus on BTL activities to promote mortgage loans.

***Sales Campaigns:*** To create hype among the sales executives of channels for mortgage loans, SCB organizes sales campaigns for the front-line officers, such as officers of branches, kiosks, and officers involved directly with mortgage loans. During the period when the campaigns run, these officers are offered incentives based on their performances in selling mortgage products.

### **7.6 Segment-wise Strategies**

SCB offers mortgage loans to three segments of customers. They are salaried individuals, businessmen, and self-employed persons. SCB customizes its

promotional activities according to the segment it deals with. The following is a picture of how these strategies vary segment to segment:

***Salaried Segment:*** Jobholders in multinational companies (MNCs) and large local companies (LLCs) are proven to be the first preference of SCB of all segments of customers as they are seen to be the most disciplined in repaying a loan. SCB has employee banking relationship with many such renowned companies the employees of which hold salary accounts in SCB. The bank takes this advantage in assessing whether an applicant for mortgage loans from these groups of salaried people is eligible for mortgage loans. Hence, they require minimum documentation with getting maximum flexibilities. Relatively, they need less time than any other segments in getting mortgage loans. SCB offers preferential interest rates on mortgage loans for these customers. To promote its mortgage products to them, it arranges workshops for them. It also places promotional items, such as X-stands, brochures, leaflets, etc. at the corporate house premise. Moreover, it organizes corporate road shows at the top corporate houses' premises where some renowned real estate developer houses also participate. At the road shows, the real estate developer houses present their projects to the corporate employees. This is an attempt by SCB to connect real estate developers with corporate officials so that it can earn business from this connection.

***Businessman Segment:*** SCB offers mortgage loans to businessmen at full scale. Since businessmen's monthly income fluctuates, it takes a different strategy. It offers mortgage loans to them with higher interest rates than their offer to the customers of the salaried segment. To promote its mortgage products, SCB relies on its frontline officers for personalized communication. It also promotes businessman segment mortgage loans via its brochure, leaflets, etc.

***Self-employed Segment:*** The self-employed segment includes doctors, engineers, and teachers. To promote mortgage loan to doctors, the bank takes different strategies. SCB prefers doctors because they are easy to assess. It provides preferential interest rates to them. The bank contacts with a specific hospital to organize workshops where value center officers along with frontline officers present different feature of SCB's mortgage products. To promote mortgage loans, it also provides mortgage-related brochures to doctors. Frontline officers personally communicate to doctors to educate them about the different features of mortgage products. Frontline officers of various branches, kiosks, and officers directly involved with mortgage loans personally communicate to engineers and teachers to inform different features of mortgage loans.

## **7.7 Marketing Events**

***Micro Marketing Events:*** Every month SCB organizes micro marketing events at its branches inviting its customers. The prime objective of these events is to bolster the existing relationship between the bank and its customers. Customers

from all segments are invited to these events. Real estate developers also participate in these programs where they promote their own products. When they get any clients, they refer them to SCB along with providing them with property related information. So, these micro marketing events create a sort of win-win situation for all parties involved, SCB, real estate developers, and the clients.

***Baishakhi Mezban/Feast:*** Every year SCB organizes Baishakhi mezban/feast for its customers, internal stakeholders, and external stakeholders, such as real estate developers, auto vendors, and credit card alliance partner. The program is aimed at enhancing the relationship between the bank and its stakeholders.

***Showcasing Lifestyle:*** “Showcasing Lifestyle” is a yearly mega event organized by SCB where all its external stakeholders participate. The aim of this program is to bring all its premium customers and business partners under one umbrella to celebrate their association. This is a common platform for its valued partners to showcase their exclusive products to the most preferred clients. The event ensures a display of varied products and services, such as real estate, luxury cars, electronics goods, furniture products, and other exclusive commodities. At the same time, SCB demonstrates buyers how it can financially support them to lead a lifestyle they want. Since this event is a gathering of customers of all corners, it gives SCB a competitive edge by creating a massive hype about SCB and its products among its existing and potential customers.

### **7.8 Marketing Strategies of SCB’s Competitors**

As told, because mortgage loan is a need-based product, it needs minimum visibility. All banking and non-banking financial institutions depend largely on their sales teams who do personalized communication with the clients. The following is a brief description of the strategies of the main four competitors of SCB:

***BRAC Bank:*** The strategies of BRAC Bank to promote its mortgage products are as follows: BRAC Bank drives through sales channel. It participates in property fair. It designs leaflets, brochures, and the like.

#### ***Hong Kong and Shanghai Banking Corporation (HSBC):***

Since presently HSBC is not focusing much on promoting mortgage loans, it takes a conservative approach about promoting. Its strategies to promote its mortgage loans are as follows: HSBC drives through sales channel. It promotes mortgage loans to selective customers.

***Delta BRAC Housing (DBH):*** DBH tops the ranking of mortgage loan providers. Since its lone concern is with mortgage loans, it focuses mainly on promotional activities. Its strategies are as follows: DBH maintains a connection with real estate developer houses. It has zone-wise relationship managers who are responsible to promote mortgage loans to them. These managers are also

responsible to take the relationship of the developers to the next level so that they can be used to generate business referrals. It organizes various workshops for the real estate developers to update them on the features of mortgage products. It also offers incentives to the executives of various real estate developer houses to generate business referrals. It promotes its mortgage products at the premises of real estate developer houses and projects with signage, brochures, leaflets, etc. It participates at different property fairs to promote mortgage loans. It drives mortgage loans through the sales channel.

***Industrial Development Leasing Company (IDLC):*** Among non-banking financial institutions that offer mortgage loans, IDLC is the second largest after DBH. Its strategies are as follows: IDLC maintains a relationship with real estate developer houses to generate mortgage loan business referrals. It provides incentives to real estate developer house executives to generate business referrals. It conducts workshops and other mortgage products related sessions for real estate developer house executives. It does the branding of its mortgage products with signage, brochures, leaflets, etc. at real estate developer houses' premises and projects. It participates in various property fairs to promote its mortgage products.

## **8. RECOMMENDATIONS**

From the depiction of SCB's marketing strategies for promoting its mortgage products, it seems that there are still areas in which they can improve. Hence, we would like to offer some recommendations to bolster their promotional activities that, we believe, ensure its main agenda of getting maximum access to the customers with minimum cost considering the context of Bangladesh. If these recommendations are realized, we think SCB can get a competitive edge over its competitors and at the end of the year, it will give them maximum return on investment (ROI) by voiding Porter's five forces in a competitive market of mortgage loans. The following are our recommendations:

***(i) Yearly Marketing Calendar:*** SCB's mortgage value center team should prepare a marketing calendar which will align the yearly marketing budget for any mortgage products. SCB should forecast its yearly marketing activities of the product anticipating competitors' marketing steps. So, while preparing the yearly marketing calendar, the product team has to consider the existing situation of the mortgage industry to understand whether SCB needs to adopt an aggressive marketing strategy or not. The calendar should make it clear that in which month the product team will perform which marketing activity and what the tentative outcome of the event will be. This calendar will help the marketing team predict and adjust the budget so that the maximum ROI is achieved.

***(ii) Monthly Review of Marketing Activities:*** At the end of every month, mortgage product team along with consumer banking marketing team should review the outcome of promotional activities and events that took place in that

month. These teams should analyze the investment on promotional activities and events. At the meetings, both teams should figure out a marketing strategy to minimize the cost of upcoming marketing activities if the outcome is below par. They should also evaluate the success of a marketing strategy and come up with the idea if any improvement is required.

***(iii) Enhancement of the Engagement with the Frontline Officers to Reduce Marketing Cost:*** Since mortgage loan is a need-based product and requires minimum visibility with personalized customer communication, the mortgage product team's engagement with the frontline officers of branches, kiosks, etc. will reduce marketing costs. Since frontline officers give marketing materials, such as leaflets, brochures, etc. to customers while dealing with them, enhancement of mortgage product-related knowledge among these officers will reduce the marketing cost by lessening the heavy dependence on the marketing materials which can be used in other activities.

***(iv) Separate Marketing Strategy for Home Credit:*** Though Home Credit is a very attractive product of SCB, its mortgage marketing strategy is mainly based on promoting Home Loan. Hence, it should strategize in a way that will promote Home Credit. Mortgage product team should prepare marketing materials such as leaflets, brochures, etc. to promote Home Credit. This team should also place X-stand at the premise of the payroll segment of the customers. Marketing materials should also be placed at customer touch points. Mortgage relationship managers should communicate with the real estate developer houses regarding the facilities of Home Credit.

***(v) Ethical Aspects of Mortgage Business:*** Those who are involved with phone calls to involve potential customers about the different features of mortgage loans should be mindful of when to call, and when not to. That is, they should be more respectful to customer's privacy. SCB should be careful about the interest rate of mortgage loans. It should not take advantage of the weakness of clients. It should not steal clients from other financial institutions. SCB employees should be more respectful and helpful to their colleagues especially those who are their subordinates. It should maintain good documentation, and be more transparent in its dealing with mortgage customers.

## **9. CONCLUSION**

In fine, it can be said that marketing strategies of SCB to promote its mortgage products are designed to nullify the fivefold forces of the competitive market. They are devised to easily communicate with their potential and existing customers about any features of the mortgage. These strategies help customers aware of SCB's mortgage products and lure them to buy one of them. They are also planned to make a good relationship with real estate developer's houses to get more clients. Plans are also developed so that co-workers behave competitively to get more mortgage customers. One of the good things about

these strategies is that they are customized in accordance with the segment of customers. SCB also values the contribution of its customers, big or small. To acknowledge it, they organize various small and big events that eventually help it make its engagement with customers stronger. All these together make SCB one of the leading mortgage companies in the country who is doing well despite the presence of Porter's five forces framework. However, there are still some loopholes, which we think can be avoided if it follows our recommendations.

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