

GSB STUDENT'S CONTRIBUTION

THE EFFECTS OF PERCEIVED SERVICE QUALITY, CORPORATE IMAGE, CUSTOMER SATISFACTION AND SWITCHING COSTS ON CUSTOMER LOYALTY IN VIETNAMESE PRIVATE BANKS: A STUDY OF ASIA COMMERCIAL BANK IN HO CHI MINH CITY

Nguyen Quoc Cuong¹

Abstract

The purpose of this research is to gain a better understanding of the impact of perceived service quality, corporate image, customer satisfaction, and switching costs on customer loyalty in a Vietnamese private bank. Additionally, this research aims to investigate the relationships between perceived service quality, corporate image and customer satisfaction. The data was collected from 400 respondents using SERVPERF survey instrument. The research outcomes reveal that all factors have a significant correlation with customer loyalty. The findings also show that there are relationships between perceived service quality, corporate image and customer satisfaction.

Key Words: *Perceived service quality, corporate image, customer satisfaction, switching costs, customer loyalty*

Introduction

In keeping with the liberalization requirement of the World Trade Organization (WTO), Vietnam's banking sector has been gradually opening up to both local and foreign investors (Nguyen, 2008). As a result, there has been a steady increase in the number of local and foreign-owned financial institutions. In 2007, the year Vietnam joined the WTO, there were 38 domestic banks and 5 wholly foreign-owned banks (this number includes both commercial and investment banks). Two years later, domestic banks have grown to 47 and wholly foreign-owned to 12 (www.sbv.gov.vn).

In this highly competitive banking environment, foreign banks, however, are at an advantage in comparison with their Vietnamese counterparts (Trinh, 2009). They have better infrastructures, offer more professional customer service, use state-of-the-art technology, and enjoy a network across many countries.

Still, in spite of foreign banks' competitive advantages, the largest private commercial banks are all Vietnamese. One of them, Asia Commercial Bank (ACB), which is ranked fifth in Vietnam in terms of total assets, has also been rated as the best domestic bank for the last four years by various domestic and international financial publications based on its financial situation, operation scale, long-term vision, strategy, market positioning, analysts' assessments, and stock prices (www.acb.com.vn). With wholly-foreign-owned banks allowed to enter the Vietnamese market, competition in the banking sector has become more intense as both domestic and foreign banks ferociously vvy for new customers; making sure not to loose their existing ones and attracting new ones so as to expand their customer base. ACB, among others, has managed to retain its customer base even though competition has intensified.

Which raises some important questions: Why have ACB customers remained loyal to it? What has ACB done to retain its existing customers and create customer loyalty?

This study will address these issues by considering several factors that are critical to customer loyalty and have given ACB a competitive advantage over its rivals.

¹Nguyen Quoc Cuong recently graduated from Assumption University, Graduate School of Business. This research was completed under the supervision of Assistant Professor Sirion Chaipoopirutana, Graduate School of Business