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Original Article (Qualitative)

# Designing a customer retention model in electronic banking

Ahmadreza Faraji<sup>1</sup> , Alireza Rousta<sup>2</sup> , Farzad Asayesh<sup>2</sup> 

1- Department of Business Administration, Kish International Branch, Islamic Azad University, Kish Island, Iran

2- Department of Business Administration, Shahr-e-Quds Branch, Islamic Azad University, Tehran, Iran

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## Abstract

The aim of this study is to present and analyze the customer retention model in electronic banking in order to identify the dimensions that affect customer experience and reduce churn. The present study is a mixed type and its qualitative part was designed based on content analysis. The statistical population of the qualitative part included 15 university professors, senior managers, and marketing experts in the field of banking, selected purposefully. Data were collected through semi-structured interviews, and the coding and theme extraction process was carried out by two independent researchers. The validity and reliability of the codes were confirmed by cross-checking and Cohen's Kappa index.

Qualitative data analysis led to the extraction of 404 initial codes, 66 primary themes, 20 basic themes, and four organizing themes. The identified dimensions include "service quality integrity" with subthemes of access quality, technical performance, compatibility, responsiveness, and service diversity; "strategic marketing communications" with subthemes of digital feedback, hidden marketing, communication trust building, digital experience simplification, and emotional-perceptual journey; "Digital interaction experience" included software trust, human touch in technology, clarity of application paths, emotional reflection and the ability to transfer insight to others; and "anticipatory innovation" included future vision architecture, predictive banking, digital care and security embedded in innovation. The findings show that combining these dimensions with marketing strategies can improve the operational efficiency of banks and simultaneously reduce customer churn. Therefore, utilizing this customer retention model can play a key role in improving e-banking performance and increasing customer satisfaction, loyalty and effective engagement.

## Keywords:

Customer retention,  
E-banking,  
Quality of banking  
services,  
Diversity of  
banking services.

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**Corresponding Author:** Alireza Rousta

**Email:** alirezarousta@iau.ac.ir

## **Extended Abstract**

### **Introduction**

Due to rapid advances in e-commerce, gaining competitive advantage in the banking sector through maintaining customer relationships has received much attention. Customer retention has become a very challenging issue for managers and organizations (Chowdhury et al., 2024). Customer retention means keeping customers who cooperate with an e-banking service provider for a certain period. From this perspective, organizations consider customer retention as a marketing strategy in which customers are identified as those who return to the same provider within a certain period of time (Rezaei Dizgah, 2023). This approach helps organizations strengthen their relationships with customers and increase their loyalty (Celestin et al., 2024).

Research shows that bank customers always have different bank accounts and use different banking services, which may be due to poor service quality, past bank failures, customer distrust of the bank, and high risk perception (Negassa et al., 2023). In addition, despite rapid advances in the quality of Internet banking services, there are still 1.4 billion people in the world without a bank account (Ghani et al., 2022). Despite the rapid adoption of e-banking, most banks still face long queues at their branches. Low customer response rates, poor service quality, poor technology infrastructure, lack of trust, high risk perception, technology mismatch, limited access to online services, online customer frustrations, negative attitudes, low skill levels, customer fears, and lack of financial resources are factors that make customer retention difficult (Sattarii et al., 2022). With increasing competition in e-banking, customer retention has become a difficult task for Qarz-ol-Hasaneh Mehr Bank of Iran, which must pay special attention to retaining its customers. If the bank fails to maintain customer satisfaction and loyalty, it will face the risk of losing customers and reducing market share. Also, the inability to retain customers has led to reduced revenues, increased costs of attracting new customers, and damage to brand reputation. Also, in the digital age, customers can easily use the services of competing banks because their customers may quickly move to other options. This not only leads to a decrease in banks' income, but can also harm financial instability and reduce the bank's ability to attract capital. Therefore, the main question of the present research is: what is the customer retention pattern in electronic banking?

### **Theoretical Basis**

#### **Customer Retention**

Customers in a market purchase goods or services through their purchasing culture and ability to choose and make decisions. This process is complete when the individual decides to purchase and implements it (Cavita et al., 2022). In the early 1990s, numerous studies focused on the concept of customer retention and its benefits for organizations providing products or services. Customer retention is directly related to the long-term profitability of a bank. Also, another reason why customer retention is important is the possibility of turning these people into business partners in business development. This type of relationship goes beyond a purely commercial interaction and leads to deeper and more profitable collaborations in which activities are carried out in a more coordinated manner (Celestin et al., 2024).

#### **Quality of e-services**

Quality of e-services is a key concept in digital environments that refers to the efficiency, reliability, and satisfaction of customer interactions with information technology-based services. In the e-banking environment, quality of service is not only related to the technical performance of systems and easy access, but also includes the overall customer experience in

the process of using services, responsiveness, security, and trust in the system (Yeik et al., 2022).

### **Strategic marketing communications**

Strategic marketing communications are one of the key dimensions of customer retention in e-banking, which plays an important role in shaping the customer experience and promoting their loyalty. This type of communication goes beyond simple information and traditional advertising and focuses on designing messages and interactions in a way that simultaneously enhances brand value and customer experience. In this study, strategic marketing communications were identified as consisting of five subthemes: “digital feedback”, “hidden marketing”, “communication trust building”, “simplifying the digital experience” and “emotional-cognitive journey” (ahang et al., 2024).

Selstian et al. (2024) examined “How businesses create personalized experiences to increase customer retention: The role of technology and human interactions in customer satisfaction”, using a mixed approach including quantitative surveys and qualitative interviews; the results showed that implementing effective CEM strategies resulted in a 25% increase in customer retention and a 30% increase in customer satisfaction.

Zarinjoy Alvar et al. (2024) studied “Investigating the Effect of Variety of Electronic Retail Delivery Service Options on Customer Retention”, using a questionnaire and analyzing data through structural equations in SPSS and PLS software, they concluded that variety in delivery options has a positive and significant effect on customer retention. The findings showed that the more diverse the delivery options, the greater the customer satisfaction and willingness to repeat purchases.

### **Research Methodology**

From the perspective of the objective, this study is classified as applicable research. The research method was designed and implemented qualitatively and based on the interpretive paradigm with inductive logic, and given the exploratory nature of the problem; a qualitative research design with an exploratory approach was used. In this study, a sample of 16 people including senior managers, marketing and middle managers of Qarz-ol-Hasaneh Mehr Bank of Iran, as well as professors and experts with work experience related to electronic banking and with research books, articles, or lectures were selected.

The sampling method in the qualitative section was non-random and purposeful; in such a way that individuals with specific characteristics in terms of scientific and experimental backgrounds and communication skills necessary to participate and influence the research were selected. The criteria for selecting experts included relevant education in the fields of business administration, business, marketing and banking. In addition, for university professors, publishing at least one book, scientific-research article or lecture in the field of customer retention was considered a criterion; and for managers and experts, at least 10 years of work and management experience in the organization was considered a selection criterion. The interviews continued until reaching the theoretical saturation point; meaning that after the thirteenth interview, no new codes were identified; and for greater certainty, two supplementary interviews were also conducted in which no new codes were discovered. The qualitative data analysis process was carried out using the content analysis method and based on the six-step model of Braun & Clarke (2006). MAXQDA version 12 software was used to organize, manage, and facilitate data processing.

### **Findings**

An examination of the extracted themes shows that the customer retention pattern in digital banking is the result of a deep connection between service quality, marketing communications, digital interactive experience, and predictive innovation. The thematic analysis process showed that customers do not pay attention to just one aspect of performance when encountering digital banking services, but rather experience a set of functional, emotional, and perceptual perceptions simultaneously. This multidimensional set was formed in the shape of basic themes and gradually integrated into organizing themes and finally into the overarching theme of “customer retention pattern”.

### **Discussion and Conclusion**

The present study aimed to analyze the content of the customer retention model in electronic banking, especially in Qarz-ol-Hasaneh Mehr Bank of Iran. The research findings show that customer retention in the digital environment is a multidimensional phenomenon influenced by service quality, marketing communications, digital interactive experience, and proactive innovation. These overarching themes were described through a set of organizing themes and basic themes, each of which plays a fundamental role in developing and strengthening sustainable relationships with customers.

Electronic service quality, as one of the fundamental foundations of customer retention, includes accessibility quality, technical performance quality, compatibility quality, responsiveness quality, and service variety quality. The findings showed that customers tend to continue their relationship with the bank when digital systems are reliable, fast, and responsive, and provide a variety of options for conducting transactions (Zarinjoy Alvar et al., 2024).

The second organizing theme is strategic marketing communications, which includes digital feedback, hidden marketing, communication trust building, digital experience simplification, and emotional-perceptual journey design. Findings show that smart use of digital feedback and targeted marketing strategies strengthens customer relationships, increases trust, and increases the likelihood of repeat purchases (Sugiato et al., 2024; Kavita et al., 2024).

Digital interaction experience, as the third overarching theme, includes software trust building, human touch in technology, clarity of application paths, emotional reflection, and the ability to convey perspective to others. Findings show that customers expect a human and meaningful experience from digital interactions in addition to quality of service (Selstian et al., 2024).

Predictive innovation includes future-oriented architecture, predictive banking, digital care, and security built into innovation. The findings showed that banks that are able to anticipate customer needs and provide innovative and secure solutions are successful in retaining their customers in a competitive environment (Ghani et al., 2022; Saruklai et al., 2024).