



## IMPACT OF PERCEIVED JUSTICE BY CUSTOMER SATISFACTION ON LONG-TERM CUSTOMER RETENTION

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### Abstract

Customer retention is a competitive advantage and a powerful organizational force using strategies such as issuing loyalty cards and assigning rewards to loyal customers is one of the strategies that organizations use to shape customer loyalty to organization and its products. Relationship satisfaction also has a high importance in customer retention. Increasing relationship satisfaction will increase customer loyalty behavior. Customer perception of organizational justice leads to increase customer satisfaction. This study reviews impact of perceived justice by customer satisfaction on customer retention

**Keywords:** Perceived Justice, Customer Satisfaction, Customer Retention

### Introduction

In today's world, smart executives are paying more attention to customer satisfaction and seeking to maintain loyal customers. Because customer satisfaction is not a sign of repurchase, in this regard, maintaining customers is vital and are considered countless benefits through expanding customer life as long-term and high-value investment in any industry (Pérez & et al, 2015). Customer is the secret of the success of any organization and any economic business activity (Gilaninia & et al, 2013). As a result, customers retention is a competitive advantage and a powerful organizational force (Chen, 2015), because they are going to re-purchase the organization's products in the future (Pérez & et al, 2015). In other words, customer retention is critical to the success of service organizations by reducing organizational costs and increasing sales growth through re-purchases and building new markets (Martin & et al, 2009) and now many organizations are looking for a way to attract, maintain and communicate effectively with customers (Martinez & et al, 2013).

### Statement of Problem

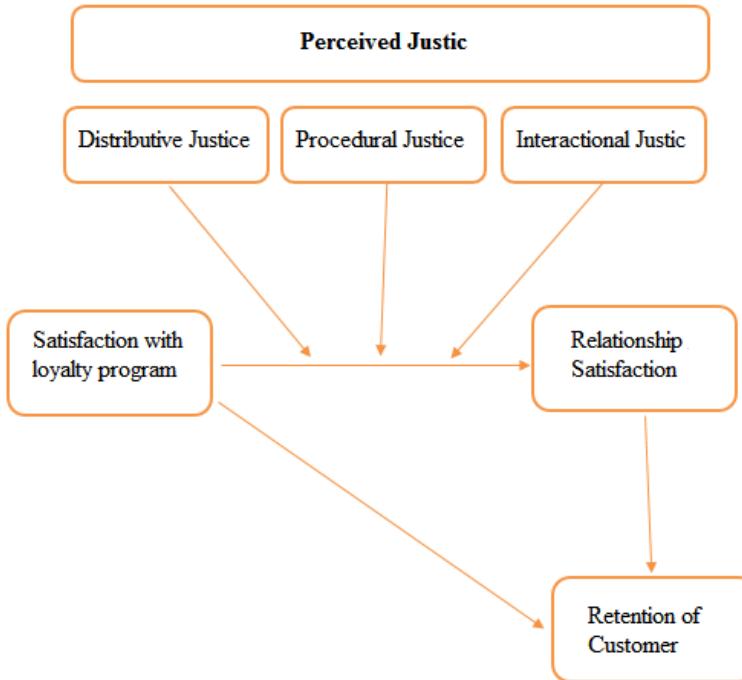
Customer retention is method which the organization maintains its customers and benefits from benefits of customer relationship (Bahri et sl, 2017). Studies have shown that by developing a deep relationship between organization and customers and maintaining customer, the customer purchases more products from the organization, it is easier to accept higher prices and more willingness to oral advertising of products of organization. One of main goals of organization is customer retention (Nejadavard & Gilaninia, 2016). According to Gilad et al. (2011), customer retention is one of the key strategies for organizations that are thinking of deepening their relationships with customers. The results of Becker et al. (2009), Reinartz et al. (2004) and Bahri et al., 2014 suggest that customer retention processes improve financial performance, reduce customer revenues, increase customer satisfaction and trust. On this basis, managers are always looking for strategies to maintain their customers (Bahri & et al, 2017) and this will only be achieved through good customer relationship management (Bojei et al., 2013), and especially loyalty programs (Bahri & et al, 2017). Loyalty programs have been studied in previous studies (Kandampully et al., 2015; Kreis & Mafael,, 2015) and its impact on

attitudinal and behavioral loyalty (Söderlund & Colliander, 2015), customer retention (Bahri et al., 2017; Villacé-Molinero et al, 2013) is proven. Thus, using strategies such as issuing loyalty cards and assigning rewards to loyal customers is one of the strategies that organizations use to shape customer loyalty to the organization and its products (Bahri & et sl, 2017). Studies have shown that by properly implementing loyalty programs of organization, they will be able to keep customers satisfied, will accelerate the process of loyalty formation in customers and, most importantly, help maintain customers in the organization (Bojei et al., 2013). In this regard, customer loyalty strategies have been defined as objective strategy for many managers and programs such as rewarding customers lead to customer satisfaction and positive emotional and behavioral responses (Söderlund & Colliander, 2015; Villacé-Molinero et al, 2013).

In another dimension, relationship satisfaction also has a high importance in customer retention (Rahul & Majhi, 2014). Relationship Satisfaction is a psychological state that is felt by consumers, this is the result of a general assessment of customers from their relationship with the organization (De Wulf & et al, 2001) and are defined based on the past experiences of customers with the organization through products, services and organization-customer interactions (Najjar, H., & Zaiem, 2011). The findings of the study by Mimouni, & Volle, (2003) showed that by increasing quality of customer service received by organization, relationship satisfaction is also increased. The results of the study, Bahri et al. (2017), indicate that the customer's willingness to continue to work with the organization is added by increasing relationship satisfaction. Study of Chumpitaz and Paparoidamis (2007) showed that increasing relationship satisfaction will increased customer loyalty behavior.

In another dimension, various studies suggest that customer perception of organizational justice leads to increase customer satisfaction (Söderlund & Colliander, 2015). Justice is generally divided into three categories of distributive justice, procedural and interactional justice (Söderlund & Colliander, 2015). Procedural justice is defined as impartiality of organization in allocating rewards to members of the organization, for example, when customers of organizations receive different benefits from organization, customers may realize that distributive justice has not been properly addressed in organization. In the next, procedural justice refers to perception of customers of policies, procedures, and criteria used in the decision making process and in other words, in the area of loyalty programs, procedural justice focuses on fair organization practices and leads customers to realize that the organization is important to them and they are a valuable member of the organization (gilaninia& et al, 2013).

Research of Alfsen et al. (2015) suggests that there is a positive and significant relationship between procedural justice and customer satisfaction. Also, interactional justice refers to the impartial behavior of the organization with customers in interpersonal relationships. For example, in the loyalty programs of customer perceptions, they apply loyalty programs to customers without any discrimination (Kuikka & Laukkanen, 2012). In this sense, interactional justice focuses on bilateral mutual relationships between organization and customers and includes procedures in which customers are treated in a friendly, respectful, honest, and polite manner (Lacey & Sneath, 2006). In this regard, if customers find that the organization's interactional justice in loyalty programs is done logically and fairly, will also increase their relationship satisfaction (Bahri & et al, 2017) and leads to the formation of deep relationships between customers and the organization (Bove & Johnson, 2006). The research by Bahri et al. (2017) suggests that customer perception of organizational justice has a significant effect on the relationship between customer loyalty program and satisfaction. Pez (2009) also found in his research that all forms of organizational justice have a moderating role in the relationship between satisfaction with the program of loyalty and satisfaction. Thus according to the stated content, the proposed model of research is as follows:



**Figure 1: The Conceptual model of impact of satisfaction with loyalty program and relationship satisfaction on customer retention by emphasizing the moderator of distributive justice, interactional justice and procedural justice (Bahri et al., 2017)**

**Retention of customer:** Retention of customer refers to the perception of customers about continuity and continuity with the organization (Bahri & et al, 2017). **Satisfaction with loyalty program:** Customer satisfaction refers to strategies such as issuing a loyalty card and assigning rewards to loyal customers by the organization (Bahri & et al, 2017). **Relationship Satisfaction:** Relationship Satisfaction is a psychological state that is the result of a general assessment of customers from their relationship with the organization and is defined based on the past experiences of customers with the organization through products, services and interactions and organization-customer interactions (Bahri & et al, 2017). **Distributive Justice:** Distributive justice is defined as organization's impartiality in allocating rewards to members of the organization (Bahri & et al, 2017). **Procedural justice:** Procedural justice refers to perception of customers of policies, procedures and criteria used in decision-making process and different situation need to different methods (GILANINIA et al, 2017). **Interactional Justice:** Interactional justice focuses on bilateral mutual relationships between the organization and the customers and includes procedures in which customers are treated in a friendly, respectful, honest, and polite manner (Bahri & et al, 2017). Thus based on the proposed model, the hypotheses can be expressed as follows:

### **Research Hypotheses**

- Satisfaction with loyalty program affects relational satisfaction.
- Satisfaction with loyalty program affects customer retention.
- Relational satisfaction affects customer retention.
- Perceived distributive justice has a moderating effect on relationship between satisfaction with loyalty program and satisfaction.
- Perceived procedural justice has a moderating effect on relationship between satisfaction with loyalty program and satisfaction.
- Perceived Interactional justice has a moderating effect on relationship between satisfaction with loyalty program and satisfaction.

### **Discussion and Conclusion**

Nowadays, customer is main element of business world. The realization of principle of customer retention, or, in other words, the success of a business based on the belief and understanding word (The customer is always right), as

well as it is a commitment to a customer-oriented principle. In fact, to understand and provide appropriate answers to important questions "what does the customer want?" is one of the most basic steps to success. Customer retention is one of most important pillars of success and survival in competitive world of organization. Accordingly, the researcher's use of structural equation model and the relationship between satisfaction of loyalty program, relationship satisfaction with customer retention, and emphasis on organizational justice moderating relationships are of the type of method and nature of new work. The study of impact of perceived justice through customer satisfaction on long-term customer retention can help to organizations and public and private organizations to attract and retain customers.

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