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Explaining the customer retention model in electronic banking

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Abstract

The present study aims to explain the customer retention pattern in electronic banking. The research method is applicable in terms of its purpose, quantitative in terms of implementation, and descriptive-correlational in terms of nature and method. A standard questionnaire based on a 5-point Likert scale was used to collect research data. The content validity of the tool was confirmed by specialists and experts, and Cronbach's alpha and composite reliability were used to measure the reliability of the tool. By distributing the questionnaire, the validity of the tool was measured with three methods: construct validity (external model), convergent validity (AVE), and divergent validity. The AVE value for all variables should be greater than 0.5. SPSS and PLS software were used to analyze the data. The results of structural equation modeling with SmartPLUS software showed that integrated service quality, strategic marketing communications, digital interactive experience, and predictive innovation play a decisive role in increasing customer satisfaction, trust, and loyalty. Service quality creates a positive experience for customers by providing easy access, proper system performance, and service diversity, and reduces churn. Strategic marketing communications, with targeted and personalized interaction, strengthens the customer's sense of belonging to the bank. Digital interactive experience increases customer loyalty by designing simple user interfaces, building trust, and the presence of human elements. Also, predictive innovation creates lasting satisfaction and trust by anticipating customer needs and providing smart and secure services. The research findings emphasize that the success of banks in retaining customers requires a comprehensive and simultaneous approach to these four factors.

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Extended Abstract

Introduction

In the era of digital transformation, the banking system is facing extensive changes in the way it provides services and interacts with customers (Zarinjoy et al., 2024). The spread of new information technologies, the development of communication infrastructure, and the growth of smart devices have caused many financial interactions to be transferred from the traditional space of bank branches to virtual and electronic environments (Zhengmeng et al., 2024). In such circumstances, electronic banking is not only a tool for providing faster and less costly financial services, but also a platform for creating a new and personalized experience for customers (Kulshrestha et al., 2025). Despite these developments, increased competition among banks and growing customer expectations have made customer retention one of the most important strategic challenges in the banking industry (behrozi et al., 2021). Attracting new customers is costly, while retaining and building loyalty to existing customers, in addition to reducing costs, leads to income stability, increased credibility, and growth in the market share of banks. Therefore, identifying the factors affecting customer retention in the context of electronic banking is of great importance from a scientific and practical perspective (Boozary et al., 2025). Providing a relevant experience to the consumer is the hallmark of marketing activities. A positive and engaging customer experience delights the customer and leads to customer retention or repurchase of the product/service by satisfied customers (Salamah et al., 2022). Companies can retain customers by providing quality services and enriching user experiences with appropriate SQ features that stimulate customer satisfaction and promote customer retention (Chen et al., 2021). In the present study, revisit intention indicates customer retention. In recent years, the concept of digital interactive experience has been proposed as one of the key components in customer retention. Digital interactive experience refers to how the customer perceives, feels, and reacts when encountering the bank's services and digital environment (Rizvic et al., 2024). The more personalized, simpler, and user-friendly this experience is, the greater the likelihood of customer loyalty (Wang et al., 2025).

In addition, proactive innovation also plays a significant role in customer retention. Banks that develop innovative products and services before customers' obvious needs emerge not only maintain their competitive advantage but also attract customers' trust and lasting satisfaction (Schaid, 2023). On the other hand, the quality of services in the electronic space is one of the most important factors shaping customer satisfaction and trust (Feng et al., 2022). The quality of banking services reflects the bank's ability to meet customers' needs and expectations through online systems (Saruklai et al., 2022). Indicators such as ease of use, security, speed of response, reliability, and ongoing support play a direct role in customers' evaluation of a bank's performance. Proven experience shows that high quality electronic services can have a significant impact on customers' loyalty and willingness to use banking services again (Kim et al., 2025). Another factor that is important in the customer retention model is strategic marketing communications. In the competitive digital banking environment, establishing effective, targeted, and ongoing communication with customers plays a decisive role in forming their positive attitude and trust (Salaripour et al., 2021). 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 bank 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: how is the explanation of customer retention in electronic banking?

Theoretical Basis

Customer Retention

Boadu and Achiaa (2019) define customer retention as the extent to which an existing customer maintains their business relationship with a financial institution or firm. In the

context of a retail commercial bank, this means that the customer account is managed and maintained (zhengmeng et al., 2024). Based on previous research of Darzi and Bhat (2018), maintaining customer retention is a critical objective for service businesses in relationship marketing. Their growth and survival in a competitive world critically depend on it.

E-Service Quality

Customer service quality is conceptualized as a service standard performed by employees to meet the minimum requirements of customers' needs and expectations. To develop customer service quality, employees must apply their physical and emotional efforts in providing such services to their customers (Agarwal et al., 2023). Customer service quality evolves in response to customer needs and serves their goals (Sattarii et al., 2022).

Syah et al. (2025) reviewed "An Adaptive Analytic Framework for Customer Retention through Integrated Feature Optimization and Group Learning". An adaptive analytical workflow for customer churn prediction is presented that combines principal component analysis for dimensionality reduction, hybrid modified particle swarm gravitational search optimization for feature selection and hyperparameter tuning, and a group learning stage that combines XGBoost and LightGBM through weighted voting. The results show that this integrated and optimization-based approach significantly improves the quality of churn prediction. Loureiro et al. (2025) reviewed "Improving Customer Retention in the Taxi Industry Using Trip Data Analytics: A Study on Customer Churn Prediction". The research method was quantitative and based on data mining. Data related to taxi services in a Portuguese city were collected and analyzed for 52 months. The results showed that machine learning-based prediction models have a high ability to accurately identify customers at risk of churn.

Research Method

This research is applicable in terms of purpose, and descriptive-correlational in terms of method. The population of the present study includes all senior managers, marketing managers and experts of Qarz-ol-Hasaneh Mehr Bank of Iran. The sample size was determined as 205 people based on the Morgan table and the simple random sampling method was used. The findings from the Cronbach's alpha test and composite reliability were confirmed in order to measure the reliability of the research tool. To examine the validity of the tool, content validity (expert opinion) was used and its validity was confirmed. Then, by distributing the questionnaire, the validity of the tool was measured with three methods: construct validity (external model), convergent validity (AVE) and divergent validity. The AVE value for all research variables must be greater than 0.5. In order to test the research hypotheses, structural equation modeling was used in the context of the smart pls2 statistical software.

Research findings

The research findings showed that integrated service quality by providing easy access, appropriate technical performance and service diversity plays an important role in increasing customer satisfaction and loyalty. Strategic marketing communications with targeted and personalized interaction strengthen the customer's sense of belonging to the bank. Digital interactive experience increases customer loyalty by designing simple user interfaces, building trust and the presence of human elements. Anticipatory innovation creates lasting satisfaction and trust by anticipating customer needs and providing smart and secure services. Overall, the results emphasize that success in customer retention requires a comprehensive and simultaneous approach to these four factors.

Discussion and Conclusion

The results of the present study showed that customer retention in electronic banking is a multidimensional phenomenon and is influenced by four main factors: integrated service

quality, strategic marketing communications, digital interactive experience, and anticipatory innovation. The results showed that integrated service quality, including easy access, proper system performance, fast response, service consistency, and variety of options, is the most important factor in customer retention. Service quality, from a scientific perspective, is a key factor in shaping a positive customer experience and increasing customer loyalty (Agarwal et al., 2023; Kim et al., 2025). Research has shown that quality service increases customer trust and creates a satisfying experience (Ezazi et al., 2023). The results showed that strategic marketing communications, including digital feedback, hidden marketing, trust building, and emotional-perceptual journey design, play an important role in customer retention. These findings are consistent with studies by Loureiro et al. (2025) and Selstian et al. (2024), which show that effective and personalized interactions with customers increase satisfaction and willingness to continue cooperation. Salaripour et al. (2021) and Shaik et al. (2025) also emphasize the importance of continuous and purposeful communication in forming positive attitudes and customer trust. The results showed that the digital interactive experience, including software trust building, human touch in technology, clarity of application paths, and emotional reflection, is an effective factor in customer retention. The findings are consistent with studies by Rizvic et al. (2024) and Kulshrestha et al. (2025), which show that a simple, smooth, and personalized experience increases customer satisfaction and loyalty. Selstian et al. (2024) also stated that a positive interaction experience strengthens the customer relationship with the bank. The results showed that proactive innovation, including predictive banking, digital care and security built into services, plays an important role in customer retention. The findings are consistent with the research of Schaid (2023) and Han et al. (2025) and show that banks that provide innovative services before the emergence of customers' obvious needs increase customer trust and satisfaction and create lasting loyalty. Zhengmeng et al. (2024) and Zarinjoy Alvar et al. (2024) also emphasized that proactive innovation creates sustainable competitive advantage and increases customers' willingness to continue working with the bank.

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Conflicts of Interest

The authors declare that they have no financial or non-financial, personal, professional, or institutional conflicts of interest relevant to this work.

Conflicts of Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data Availability Statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

AI Use Statement

The authors declare that no generative artificial intelligence (AI) or AI-assisted technologies were used in the preparation, writing, or editing of this manuscript.

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Ethics Approval

All procedures performed in this study were conducted in accordance with the ethical standards of the responsible institutional and national research committee.