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The Investigate effect of Customer Relationship Management on Customer Loyalty (Case Study: Customers of Mellat Bank)

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ABSTRACT

Customer relationship management is the collection of Processes, people and technology that seeks to find costumers of organizations. In this research, the relationship between customer relationship management (and three dimensions include peoples, process and technology) and customer loyalty among customers of Mellat bank is investigated. The research method is a descriptive survey. The statistical population consists of customers the of mellat bank in tehran city in iran. The sample included 250 customers, which were selected randomly. Data have been collected by a researcher-developed questionnaire and sampling has been done through census and analyzed using SPSS and AMOS. The validity of the instrument was achieved through Cronbach Alpha and composite reliability. the study finds out some interesting results: (1): customer relationship management is positively associated with customer loyalty, (2): peoples is positively associated with customer loyalty, (3): process is positively associated with Customer loyalty, (4): technology is positively associated with customer loyalty. with regard to conclusions, In an service companies can increase customer loyalty by improving the customer relationship loyalty.

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INTRODUCTION

Today's banking industry faces various problems include increased competition, stricter regulation, and customers who are increasingly sophisticated, price conscious and discriminating in evaluating banking services [2,9,17]. The biggest management challenges in the modern millennium of liberalization and globalization for a business is to serve and maintain excellent relations with the customer. Over the last two and a half decades, marketing has witnessed a strategic shift. The research literature shows that marketing has changed from, Transaction marketing to relationship marketing [13].

new technology has changed the ways of conducting business and is progressively providing consumers with more comforts. Internet and telecommunication are the two main technologies which are beneficial in creating new values and introducing innovative services for customers. So far, despite early adoption of business, telecommunication technology has not until recently been pushed for commercial consumer applications. As a conclusion, growth of bank service users has significantly increased particularly in developed countries [3].

From another perspective, customer relationship management was referred to as a managerial strategy that helps firms collect, analyze, and manage customer related information through the use of information technology instruments and methods in order to satisfy customer needs and establish a long term mutually beneficial relationship. As far as the telecommunication industry is concerned, customer relationship management can be perceived as the ways used to mediate information both written and oral from the sender to the recipient and the return of the feedback from the receiver to the sender on a timely basis. It is also seen as a track of record to make programme and adjustment as essential. It plays a main role in helping businesses acquire and retain customers while maximizing their lifetime value.

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Customer Relationship Management:

Customer Relationship Management is the process of building and maintaining useful relations with customers by providing products and services that are precious to consumers and create satisfied customers. Customer Relationship Management is the way firms build relationships with customers with the porpuse of maintaining customer loyalty and commitment to continue to use the firms products is concerned Customer Relationship Management is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment [22].

Babatunde and Ajayi [1] also viewed Customer Relationship Management, as an emerging customer innovation which concentrates on growing customers profitably by delivering value to the customer in a bid to enhance customer intimacy, this is achieved through increase in quality levels and enhanced business penetration.

Customer Relationship Management is the biggest paradigmatic change in marketing theory and practice in new decades. It has been well known that customer perceived service quality and customer loyalty have been the most main success elements of business competition for service providers [23]. Customer Relationship Management is a strong which an intangible asset. Customer Relationship Management cannot be easily duplicated by rivals. In the Customer Relationship Management strategy, one of the main goals is to determine various resource allocations for various tiers of customer. Customer Relationship Management is becoming a necessity in order to survive. The first scolars who defined relationship marketing as all marketing activities directed toward establishing, developing, and maintaining good relationship [15]. The concentrate of relationship marketing is on building long-term arrangement in which both, the seller and the buyer participate in interest in providing a more satisfying exchange.

Customer Relationship Management is a management assessment corporation to his success in delivering satisfaction to customers. Customer Relationship Management measured using three indicators, which is: People, Processes or Procedures, and Technology.

- People: Collaboration between people include managers ans employees is the main to successful customer relationship management. One of the greatest problems in Customer Relationship Management implementation is aligning the people with the customer strategy and process.
- Processes: The process that help implement Customer Relationship Management strategies and achieve Customer Relationship Management goals will only be as effective as the people performing them. Couldwell further depicts Customer Relationship Management as a combination of business process and technology that seeks to understand a firms customer from the Perspective of who they are, what they do, and what they are like.
- Technology: Dutu *et al* are of the opinion that Customer Relationship Management strategy will end in failure if the information technology is not used properly, thus the relevant use of technology in marketing is one of the greatest opportunities in bank industry.

Customer Loyalty:

Todays, orientation of the world class firm experienced a change from the conventional approach towards contemporary approach. The conventional approach emphasizes customer satisfaction, market share, the cost reduction, and market research. While a contemporary approach concentrates on customer retention, customer loyalty, zero defections and lifelong customers.

Customer loyalty has been defined early that It is normally the willingness of customer to maintain their relations with a particular company or service or product.[12]. In reality loyalty should be explain as a customer commitment to do dealing with a particular company, buying their products and services and referring it to colleagues [14].

The strategies that can be employed by the companies to create loyalty in customer can be listed as follows [11]:

- rewarding those who send novel customers,
- sending thank-cards,
- sending personal letters,
- reminding by phone,
- choosing the field in which they are the best,
- preparing events and occasions peculiar to customer,
- and above all, evaluating the customer complaints in detail and giving quick replies.

A Literature:

It is evident that Customer Relationship Management implementation enables better customer service, allows better management of customer expectations, and improves customer loyalty [4].

Munandar, Dadang [16] state that Customer Relationship Management has positive and significant effects on customer loyalty, changes in the firms customer loyalty is directly caused by changes in the implementation of Customer Relationship Management [16]. This means that to increase customer loyalty needs to first

implement Customer Relationship Management. The findings also indicate that the better Customer Relationship Management implemented by the firm will increase the loyalty of the customers firm business. This indicates customer loyalty need more firms attention, because loyalty will ultimately affect the performance of the firm.

Theoretical postulate has it that the higher the rate to which an corporation or firm practices excellent customer relationship, the higher the rate of customer loyalty to its brands or products. Parvatiyar *et al* [18] reported that various researchers, especially those in the area of information systems and decision technologies, are also exploring novel techniques and methodologies that create efficient frontline information systems to effectively manage relationships with customers.

In the view of Croteau *et al*, Customer Relationship Management is a tremendous poocess forward in creating a system that provides a means of retaining individual loyalty. However, Greenberg believe that, understanding Customer Relationship Management requires the understanding of the changing nature of customers. Businesses now adopt Customer Relationship Management systems due to its benefits which lie in helping to build up long-term customer relationships. In turn, customers have grown accustomed to dealing with businesses that proactively understand and serve their needs [21].

While retaining customer loyalty has been a sale principle for a very long time, Customer Relationship Management is actually a tremendous porcess forward in creating a system that can provide a means for retaining individual loyalty in a world of many souls [6].

Objectives of the Study:

The purpose of this study is to explore the impact of implementation of customer relationship management in bank company in iran. In order to reach our studies, the following research questions are stated:

1. To find any impact between customer relationship management and customer loyalty.
2. To find any impact between people and customer loyalty.
3. To find any impact between procedures and customer loyalty.
4. To find any impact between Technology and customer loyalty.

The research hypotheses and the conceptual model has been developed as follow:

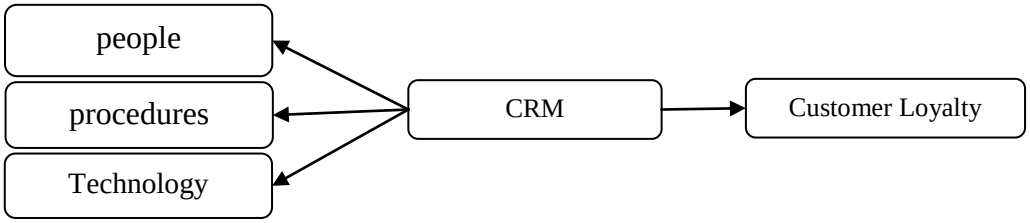

Fig. 1: conceptual model.

Research Hypotheses:

the first hypotheses: there is a significant relation between customer relationship management and customer loyalty

the second hypotheses: there is a significant relation between people in process of customer relationship management and customer loyalty

the second hypotheses: there is a significant relation between procedures of customer relationship management and customer loyalty

the second hypotheses: there is a significant relation between Technology of customer relationship management and customer loyalty

Methodology:

It has been proved that customer relationship management has a great influence on customer loyalty. In the process of developing the research paper, customer of mellat bank in Tehran city has been chosen as the statistical population of the study. The data collection instrument was a researcher-developed questionnaire which it items where rated according to 5 point Likert scale. Data collection is done through random sampling. First, a group of 30 persons were selected from the subjects and the questionnaire distributed among them the volume of the sample of the study was drawn by using cookran formula 250 and and answers were analyzed using SPSS and AMOS Software's. In order to evaluate the validity of the data achieved through instrument (questionnaire) readers, advisors, and experts, and also factor analysis is used. To get reliability coefficient before final implementation, a sample was randomly chosen and the questionnaire was conducted. Cronbach's alpha was assigned to be 0.85 which is an evidence for reliability of the questionnaire .

In table1 our research the reliability of the items is checked through Cronbach's alpha which shows that our research variables are reliable and there exists internal consistency between them.

Table 1: Reliability Coefficient Of Research Variables Related To Given Hypotheses.

Variable	Number of questions	Cronbach's Alpha
customer relationship management	18	0/91
customer loyalty	9	0/84
total	21	0/85

Descriptive data:

This study attempts to understand the relationships among customer relationship management with customer loyalty. Table 2 present the percentage distribution of participant demographic data (n = 250). The social demographic qualification of the participants are as follows: 152 male and 98 female participated in the research.

The educational background of the participants was as follow; 69 with high school diploma, 57 with some college courses, 76 with bachelor degree, 48 with master and higher.

Table 2: Demographic qualifications of participants.

Variable name		Frequecy
Gender	Female	152
	Male	98
Education	high school	69
	with some college courses	57
	Bachelor	76
	Master and higher	48
	250	

Table 3, shows the mean and standard deviation of the research variables.

Table 3: Means and standard deviations of studied variables.

Variable	Mean	Standard deviation
customer relationship management	3.6690	. 4728
Customer loyalty	2.5804	.5991

RESULTS AND DISCUSSION

Test of structural model:

In this study, we used Structural Equation Modeling (SEM) for data analysis. The conceptualized model of research ran as a structural model to test research hypotheses. The method of maximum likelihood estimation in Amos Graphics 20 software was used to analyze data and hypotheses testing. To assess the fitness of the proposed model, Cmin or chi-square/df, the Tucker –Lewis index (TLI), the Comparative Fit Index (CFI), the Relative Fit Index, the Root Mean Square Error of Approximation (RMSEA) and Goodness of Fit Index (GFI) were used. After refining the initial structure model, all of the goodness of fit indexes was found within acceptable range indicating that the model of the research has a good fitness (Byrne, 2010).

Table 4: fitting model.

index Name	Values in model	result
P	0/07	Fitting is acceptable
1≤Cmin / df≤3	2.585	Fitting is acceptable
GFI	0/90	Fitting is acceptable
PCFI	0/637	Fitting is acceptable
RMSEA	0/074	Fitting is acceptable
CFI	0/91	Fitting is acceptable
PNFI	0/555	Fitting is acceptable
TLI	0/91	Fitting is acceptable

Hypothesis Testing:

In the Table 5 research hypothesis was examined. The Information about any hypothesis Included beta, T value and result For each of the variables in research Hypothesis was examined. For example, in The first hypothesis, beta is .37, T is 6.85 and Hypothesis was Accepted:

According to the data presented in Table 5 we have the following findings:

Hypothesis 1: There is a positive and significant relationship between customer relationship management and customer loyalty among customers of Mellat bank:

As shown in table 5, since observed beta is equal to 0.37 and T is equal 6.85, so there is a relationship between customer relationship management and customer loyalty among customers of Mellat bank with 95% confidence.

Table 5: The results of Hypotheses Testing.

Independent variable	Dependent variable	Beta	T	Result
CRM	Customer loyalty	0.37	6.85	confirmed
People (CRM)	Customer loyalty	0.13	2.265	confirmed
Procedures (CRM)	Customer loyalty	0.5	6.934	confirmed
Technology (CRM)	Customer loyalty	0.176	3.27	confirmed

Hypothesis 2: There is a positive and significant relationship between peoples on customer relationship management and customer loyalty among customers of Mellat bank:
As shown in table 5, since observed beta is equal to 0.13 and T is equal 2.265, so there is a relationship between People and customer loyalty among customers of Mellat bank with 95% confidence.

Hypothesis 3: There is a positive and significant relationship between procedures on customer relationship management and customer loyalty among customers of Mellat bank:
As shown in table 5, since observed beta is equal to 0.5 and T is equal 6.934, so there is a relationship between procedures and customer loyalty among customers of Mellat bank with 95% confidence.

Hypothesis 4: There is a positive and significant relationship between technology on customer relationship management and customer loyalty among customers of Mellat bank:

As shown in table 5, since observed beta is equal to 0.176 and T is equal 3.27, so there is a relationship between technology and customer loyalty among customers of Mellat bank with 95% confidence.

Conclusions:

customer relationship management develops customers' retention and relationship. Progress in Information Technology and organizational changes in customer-centric procedures have positive effect in the development of customer relationship management. In this research, the relationship between customer relationship management (and three dimensions include peoples, process and technology) and customer loyalty among customers of Mellat bank is investigated. the study finds out some interesting results: (1): customer relationship management is positively associated with customer loyalty, (2): peoples is positively associated with customer loyalty, (3): process is positively associated with Customer loyalty, (4): technology is positively associated with customer loyalty.

The results of this study provide main implications for banks managers and can aid in designing strategies to improve customer relationship management and customer loyalty.

- Managers should be cognizant of the problems that early adopters of customer relationship management encountered.
- A reevaluation of the customer relationship management approach is required for firms that are caught in this bind. From the general perspective of adoption of information technology solutions in companies, the problem with early adoption of customer relationship management offers a few main insights.
- Chief executive officers play a pivotal role in directing the attention of employees to innovation and in ensuring the growth and competitiveness of companies. The finding that customer relationship management implementation improves firms' profitability despite a decline in operational efficiency should channel the attention of CEOs and senior executives to the strategic value of customer relationship management implementation.
- Managers of Mellat bank should concentrate on employees needs for increasing their inclinations for empathizing on customers' needs, satisfaction and loyalty. also, empathizing on adopting the customer relationship management concept would lead firstly to decrease customers' loss and next to improve customer satisfaction, acquisition, retention and loyalty.

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