

ASSESSING THE EFFECT OF CUSTOMER RELATIONSHIP SYSTEM AND STATE OF RELATIONSHIP QUALITY EFFECT WITH CUSTOMER LIFE CYCLE (CASE STUDY: SADERAT BANK OF RASHT)

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Abstract

Competition is very intense in the banking industry. Banks need to elevate their services' quality to attract more customers. In addition, for attracting more customers, banks require to maintain the loyalty of existing customers because the cost of acquiring new customers is almost five times the cost of maintaining old customers. (Ing Wu & Chi Li, 2012)

As a result, customer relationship management (CRM) is now considered an important issue in all industries since customers can have an important role in the fate of a financial institution. In this study, the effect of customer relationship management system (CRM) on the relationship quality (RQ) such as customer satisfaction, trust and commitment in the banking industry is discussed and then how the relationship quality (RQ) effects on the customer life cycle (CLV) such as levels of service use, loyalty, verbal advertising and desire to refer is examined.

Key words: mode of customer relationship, relationship quality, customer life cycle, saderat Bank of Rasht

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Introduction

In recent years, major changes have occurred in the provision of banking services in the world. Iran's banking system experienced some changes. In addition, we have been faced with another evolution within the country. It is the presence and beginning of private banks' activity in the country. According to the fact that before the start of private banks' activity, there was not much competition among banks, therefore the analysis of the bank customer's value and attracting valuable customers did not appear to be so important. But given private banks activity has increased competition levels among banks, then attracting customers with the highest profitability has been focused among banks in the country.

To remain competitive in attracting new customers, State banks are also required to try more for maintaining their valuable customers and cease them to escape. To do so, banks need tools to identify their valuable customers. The customer life cycle value (CLV) is a tool that can provide this opportunity for banks. Advances in technology, changes in living conditions, increasing levels of education, getting started the activity of state and private banks and institutions and etc has led to the change of industry structure and competitive nature.

Banks and financial institutions, both public and private, should make more effort to attract customers and maintain market share since customers are the foundation of the banking system. But it must be considered that banks need to identify the most valuable customers before

attempting to attract and retain profitable customers. This recognition is possible through a marketing tool. One of the most useful measures in this context is customer life cycle (CLV).

Theoretical Framework

- Customer Relationship Management (CRM)

Spengler (1999) calls customer relationship management as contact management, a part that offers a set of interactive information between the customer and the company. Customer relationship management is a level of enterprise strategy and business model in which the customer is at the center and the data will be used as a complementary tool. The main goal of customer relationship management is to satisfy customer needs timely for building a strong, long-term customer relationships and increasing organization's profit. In the area of competition among organizations, each organization that strengthens customer loyalty must be considered as a necessary competitive advantage. Customer relationship management can consolidate the organization's ability to obtain, maintain, and improve customer value. Therefore, the purpose of customer relationship management is to gain appropriate opportunities and provide products and services for proper customers through suitable channels. (Ing Wu & Chi Li, 2012).

Customer Relationship Management is a business strategy for selling goods and providing services that an organization supplies for its customers. Whenever there is a variety of interactive relationships, corporate messages will be exchanged with proper customers (Ing Wu & Chi Li, 2012).

Linoff (1999) believes that the goals of customer relationship management (CRM) is to maintain customers who cooperate with the company, and will remember it as an ongoing process (Ing Wu & Chi Li, 2012).

- Quality of communication

Hennig-Thurau and Klee (1997) have argued that relationship quality (RQ) explain the relationship between the customer and the organization. This relationship depends on the levels of customer satisfaction. Gummesson (1987) noted that the relationship quality (RQ) is a qualitative interactive relationship between customer and company and can contribute to a long term relationship. Crosby et al. (1990) found that the sales forces emphasize on relationship quality (RQ). They can reduce the insecurity experienced by the customer, in turn creates the customer's trust and confidence in the performance of sales forces and will impact the interactive relationship between the customers in the future. Kumar et al. (1995) have pointed out that relationship quality (RQ) reflects trust, commitment, conflict, expectations' cohesion and consent for investment.

Smith (1998) has pointed out that many factors affect the the relationship quality (RQ). The relationship between customer and company directly returns to power, satisfaction and expectations of both sides. Garbarino and Johnson (1999) have stated relationship quality (RQ) includes satisfaction, trust and commitment that affect positively the customer desires in the future (Ing Wu & Chi Li, 2012).

- Customer life cycle (CLV):

Dwyer (1989) has states that customer life cycle value (CLV) is the expected net profit value minus the costs incurred against the enterprise. Kotler (1997) has pointed out that the customer life cycle (CLV) is net profit achieved from a given customer during her/his life cycle; i.e. when she/he buys goods from a company. So the customer life cycle (CLV) is benefit established during all stages of enterprise while sustaining the customer relationship.

Blatterg and Deighton (1996) have pointed out that all customers are not the same. In other words, as market competition becomes harder, maintaining valued customers becomes more important to the enterprise. According to Pareto Principal, 20 percents customers provide 80

percents profits for the company. Thus, measuring customer life cycle value (CLV) is so important to them (Ing Wu & Chi Li, 2012).

The relationship between customer relationship management (CRM) And relationship quality (RQ):

Customer Relationship Management (CRM) can reduce customer's transaction cost or unknown costs to improve the relationship between customer and institution in turn. Crosby (1990) stated that customer relationship management (CRM) would improve the relationship quality (RQ) (a key factor in assessing good and bad - weak and a strong relationship between the enterprise and the customer). (Ing Wu & Chi Li, 2012)

Garbarino and Johnson (1999) found customers who have a stronger relationship with an enterprise, have a positive attitude towards the company's CRM operations and RQ factors such as the degree of trust, commitment and satisfaction. Since the trust, satisfaction and commitment are the basis of RQ, it is clear that CRM has a positive impact on RQ (Ing Wu & Chi Li, 2012). Therefore, this study proposes following hypothesis:

H1: There is a significant relationship between customer relationship management (CRM) and relationship quality (RQ).

✓ **Relation between relationship quality (RQ) And customer life cycle (CLV):**

The ultimate goal of customer relationship management (CRM) for an enterprise is to increase "customer lifecycle". Therefore, customer relationship management (CRM) finally increases the customer life cycle (CLV) through relationship quality (RQ) (Ing Wu & Chi Li, 2012).

Pepper and Rogers (1993) found that customers with high-quality relationships (RQ) introduce goods mostly through verbal, and family and friends promotions to each other. These customers are eager to buy again and their loyalty increases. Loyal customers are involved in a long-term profits of the company and increase its sales and profits.

Crosby (1990) has pointed out that relationship quality (RQ) will affect customer loyalty. Garbarino and Johnson (1999) found that relationship quality (RQ) effects on the customer's desire to stay or leave an organization. Keaveney (1995) also found that relationship quality (RQ) between customer and enterprise is a key factor in customer loyalty. Kumar (1995) believed that better relationship quality (RQ) decreases the contrast between customer and enterprise and improves customer loyalty. Moreover, it enhances customer's desire for a continuous transaction and quality of customer consumption.

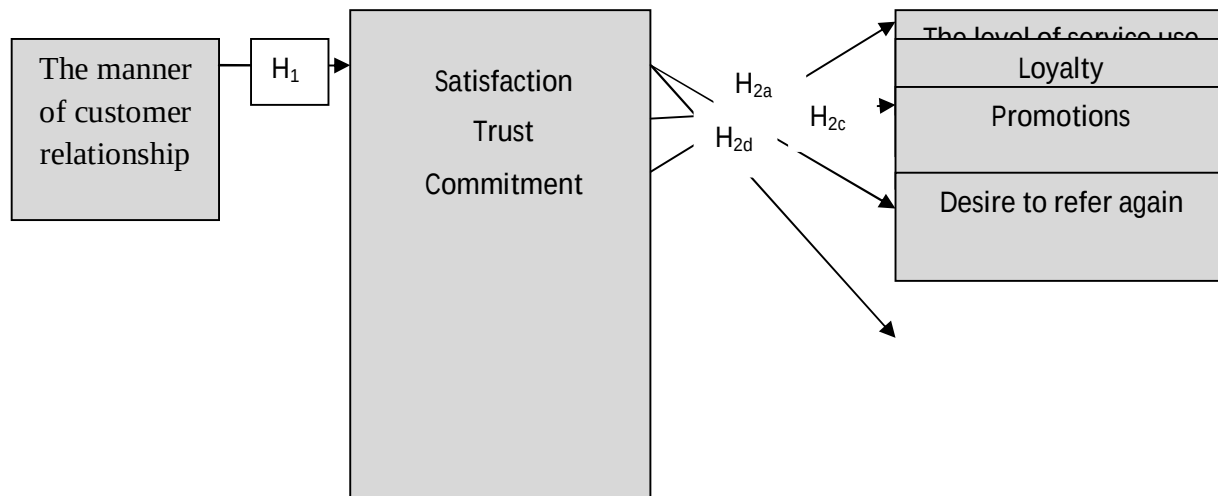
Lee and Si (2000) found that relationship quality (RQ) have a major impact on the quality of customer consumption, loyalty, desires to purchase the products and verbal promotions. These findings indicated that greater customer satisfaction in relationship quality (RQ), has a positive impact on customer attitudes. And this in turn increases company's profits and customer life cycle value.

In short, it can be concluded that there is a significant relationship between quality relationship (RQ) And customer life cycle value (CLV). And following hypotheses can be proposed:

H2a: There is a significant relationship between quality relationship (RQ) and level of service use.

H2b: There is a significant relationship between quality relationship (RQ) and loyalty.

H2c: There is a significant relationship between quality relationship (RQ) and



$\bar{2}$

Estimation of variable attribute ratio; $P = 0/5$

Z: soft variable

Conclusions

As for current organizations have understood the importance of meeting customer's needs and desires, gradually tended towards establishing and maintaining long-term relationships with customers. Unlike traditional marketing, relationship marketing approach seeks to build such a supportive long-term relationships.

L unit corresponds to 95% confidence level;

$$Z_{\frac{\alpha}{2}} = 1/96$$

ε : the amount of allowable error; $\varepsilon = 0.05$

$$n = \frac{50 \times 1.96 \times 1.96 \times 0.5 \times 0.5}{50 \times 0.04 \times 0.04 + 1.96 \times 1.96 \times 0.5 \times 0.5}$$

$n = 46$

This study uses the customer's point of view whether the customer is aware of relationship management practices or not. Ming and Chen (2002) found that customer needs for customer relationship management operation include different service channels, more trust in banking services, reduction of service costs, easier access to services, increased hours of service, full support and led services. This study moderates and uses variables as customer relationship management (CRM) variables to evaluate customer's knowledge on customer relationship management operation in banks.

Relationship quality (RQ) is an important indicator for strong relationship between supplier and customer. Many researchers believe that customer's trust, satisfaction and commitment are key factors in evaluating the relationship quality (RQ). For example, Tam and Wong (2001) noted that satisfaction and trust are the key aspects of relationship quality (RQ). According to Sanchez (2007), trust and commitment are the key factors in evaluating relationship quality (RQ).

Chakrabarty (2007) believed that relationship quality (RQ) is formed by satisfaction, trust and commitment. As a result, mentioned research integrates these three items to measure relationship quality (RQ).

Kim and Cha (2000) evaluated the customer life cycle value (CLV) based on customer point of view. Thus, quality of service use, loyalty, desire to refer, verbal promotions (words of mouth) are indicators to measure relationship quality (CLV).

To ensure content validity, professors and experts' opinions in management field have been utilized. In order to determine the reliability, Cronbach's alpha has been used. Cronbach's alpha for the questions of customer relationship management, relationship quality and customer life cycle value has been achieved 77 percents, 78 percent, and 76 percent, respectively. Since all of them are greater than 70%, so the findings express the reliability required for the research tools.

Data Analysis

Linear regression test was used for data analysis. In linear regression, first we verify the model using ANOVA (regression linearity), Durbin-Watson (autocorrelation of disruption terms) and residuals' normality and model non-linearity tests. Non-standardized coefficients are then used to obtain the regression line equation thereby to predict the dependent variable from the independent variables.

A) The regression test's results for the impact of customer relationship management on relationship quality and customer lifecycle value dimensions

Hypothesis	Significance level	T-statistics	Standardized coefficient	Non-standardized coefficient
1. CRM effect On RQ	0.000	7.001	0.330	0.244
2. RQ effect on the level of service use	0.041	2.049	0.095	0.080
3. RQ effect on the loyalty	0.000	7.980	0.0334	0.339
4. RQ effect on the verbal promotions	0.000	4.492	0.228	0.176
5. RQ effect on the desire to refer	0.011	2.562	0.128	0.112

Discussion

Based on the research results, the greater the customers' awareness on customer relationship management, the better their relationship quality and reciprocally when relationship quality was better, 4 aspects of the customer life cycle had higher level.

Thus, more attention to customer relationship management in various branches of the Bank, the better their relationship quality. And this had a significant effect on the image of mentioned branch particularly and Saderat Bank in general. Thus, customer's loyalty to the Bank increased. By further customers' trust in bank, verbal promotions are increased unconsciously, so it causes a significant increase in the amounts of customers.

Like most researches, this study also had faced with limitations and problems that most important are customer's reluctance to answer questions or respond incorrectly to the questions of the questionnaire, the latter made some questionnaires not to have competence of assessment.

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