Relationship Marketing Strategy and Customers’ Satisfaction in the Third Millennium Organizations

(Case Study: Banking Industry)

Firouzeh Azizi¹, Ghase Bagherzadeh², Hossein Mombeini³

1Associate Professor, Department of Management and Economic, Tarbiat Modares University(Corresponding Author)
2MSc Student in Industrial Engineering, Amirkabir University of Technology
3Department of Financial Management, Islamic Azad University, Dubai Branch, U.A.E

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Abstract

In recent years, banking industry has witnessed extreme competition along with numerous opportunities and threats. In such completion, those banks can win that acquire more market share with the lowest costs. It requires formulating and executing proper marketing strategies. Relationship marketing approach is an effective strategy in keeping the competitive situation and success of organizations. The main purpose of present paper is to study the impacts of relationship marketing aspects on banks’ customer satisfaction. It tests six hypotheses. Noteworthy, present study is a causal research in terms of its method and nature while it is a survey in terms of execution and an applied one in terms of purpose. It uses structural equation modeling to study the relations between model components. Its population consists of the customers of Qom banks in 2011. To meet research aims, 300 questionnaires were distributed among the customers of Qom banks of which 270 ones were analyzed. Except than the impact by relationships and empathy on customer satisfaction, other hypotheses are supported. The results indicate that using relationship marketing strategy in banks leads into customers’ satisfaction and gratification.

Keywords: Trust, Link, Empathy, Relationships, Mutual Relations, Joint Values.

Introduction

In today competitive and challenging environment, organizations emphasize on sustainable and profitable relations with customers more than anything else. In both theory and practice, traditional marketing emphasized on attracting new customers and increase in sales while such insight is changed today and marketers are now facing to new realities. Population combinations in different levels of societies have led to remarkable changes. On the other hand, economic growth and development of advanced countries is moving forward slowly. The behaviors of rivals are too complicated and many industries are facing with surplus capacities. Therefore, companies are not able to attract customers like before. In such climate, modern marketing guides companies to retain existing customers and to establish permanent relationships to them in addition to their attempts to acquire new customers (Hamidizadeh, 2009).

Today, business world is based on customer satisfaction and customer orientation so that expanding business services without such principle is not only difficult but also impossible. Relative increase in the costs of attracting new customers has urged marketing experts to improve the profitability of their operations and to retain current customers (Harrison, 2000). Relationship marketing is a long term approach that its main aim is to provide the customer with a long term value and its success criterion is customers’ long term satisfaction (Kotler, 2001).

Customer satisfaction can be considered as the final pillar in modern marketing. In principle, customer satisfaction and loyalty are the factors on keeping the on operations by service firms and it is considered as the main component of their success. Inspired by such insight, the author has studied the positive impacts of relationship marketing (i.e. trust, link, communications, joint values, and empathy and mutual relationships) on customer satisfaction.

Different studies have addressed the associations between relationship marketing approach and customer satisfaction. In their study in 1998 on financial services, Barnes and Howelt concluded that emotional interaction is vital in relations between a firm and its customers. Such relationships are less imitated by rivals and such feelings are highly important for customers. Travatanaveng et al. (2007) studied the impact by relationship marketing components (i.e. dependency, trust, commitment, norms based on cooperation and conflict management) on customer satisfaction in the lifecycle of the relationship. The findings indicated that trust and dependency associate with satisfaction in the steps of building and maturity of the relationship while commitment associates only with the maturity step of satisfaction (Terawatanavong, 2007). Likewise, conflict management has no impact on satisfaction studied the impact of customers’ long terms relations with banks and their satisfaction. The findings indicated that customers’ trust associated significantly with customer satisfaction (Molina, 2007).

Relationship Marketing

Although the quality of marketing providing customers with quality is often managed separately, they have close relations. Relationship marketing integrates these three elements (Payne, 1998). Grooners define relationship marketing as the process of identifying, creating, keeping, enforcing and, if necessary, terminating a relationship with customers and other stakeholders in a mutual interest so that the aims of all groups are met (Ranbadian, 2009). In present study, relationship marketing has six components including trust, link, communication, joint values, empathy and mutual relationship explained below.

Trust

When organizations put their employees and customers in their own priorities, these employees and customers trust the organization, are loyal to the organization and increase its profitability and cusses. In any period of business, trust is an
infrastructural concept for transactions and exchanges (Javanmard, 2009). Trust is a key component of a trading relationship and shows that to what extent each part can count on the other party. Trust is a central variable in long terms exchanges. According to Morgan and Hunt, the success of a relationship is in fact highly depended on the trust between customer and service provider (Wiley, 2004).

**H1:** trust impacts on customer satisfaction positively.

**Links**
Link is another element of a trading interaction established between both parties of a relationship (seller and buyer) and plays a vital role in an integrated status to achieve desired aims. Its existence in relationship marketing develops customer’s loyalty and it directly creates the feeling of belonging to the relationship an indirectly to the organization (Chattananon, 2009).

**H2:** links impact on customer satisfaction positively.

**Empathy**
This component of marketing allows both parties of a relationship to study the status quo in the view of other party. Empathy is to understand demands and aims of the other party. Empathy is a necessary condition to foster mutual relations. Tendency to answer other people’s emotional mood by a similar emotional mood is called empathy. It means that an individual can understand the problems of other people even when he/she is not under such circumstances and to respect and value their opinions and feelings (Chattananon, 2009).

**H3:** empathy impacts on customer satisfaction positively.

**Communications**
Gamson concludes that relationship marketing is profitable when the management of interactions, relations and networks are changed to a fundamental issue. Relationship marketing plans to communicate targeted customers and to keep and foster such relationship by which the goals of both parties are met (Amini et al, 2010). Hence, one can say that the initial core of relationship marketing is communication process.

**H4:** Communications impact on customer satisfaction positively.

**Mutual relations**
Another component of relationship marketing is the mutual relation which causes that each party provides special facilities in next steps based on received advantages. As Elis (1993) states, relationship marketing is determined by mutual impacts and long term commitments. Mutual relations include formal and informal interactions which lead into a meaningful and on-time exchange between seller and buyer (Sin, 2005).

**H5:** Mutual relations impact on customer satisfaction positively.

**Joint values**
Joint values include joint beliefs of both parties one behaviors, goals and policies whether they are important, proper and right or lower important, improper and wrong. Such joint values and goals lead into more commitment to relationship (Taleghani, 2011).

**H6:** joint values impact on customer satisfaction positively.

**Customer satisfaction**
Customer satisfaction is considered as an internal activity of organizations directed toward satisfying customer needs and promoting the quality of goods and services (Maleki, 2008). Those companies that cannot satisfy their customers would not stay in the market for long term (Samadi, 2011). According to Juran, customer satisfaction is a state by which customer feels that goods’ features are compatible to his/her expectations (Maleki, 2008). According to Oliver, customer satisfaction is a response to realization of consumer pleasure. It is a judgment on whether the feature of a product or service has created an enjoyable level of consumer pleasure or not (Kazemi, 2009). In present research and inspired by the model of Hao and Ngo (2012), trust, link, communication, joint values, empathy and mutual relations are considered as the affecting variables on customer satisfaction (Hau, 2012). Research conceptual model can be drawn as below.

![Conceptual Model](image)

**Methodology**

**Research methodology**
Research methodology is a set of norms, instruments and valid and systematic ways to study the realities, to explore unknowns and to achieve a solution for problems (Khaki, 2007). Present study is a casual research in terms of purpose, methodology and nature while it is also a survey – type. Its population consists of all customers of Qom banks. Since it was impossible to gather the information of all population (even if possible, it couldn’t be conducted due to limited time, costs and other needed facilities), a
sample was selected. Due to lack of cooperation by some Banks in Qom in providing databases used by their customers, available sampling method was used to collect data. Therefore, in the central branches, questionnaires were distributed among customers who had severally used bank’s services. To the same reason, each person should be asked whether he/she is a customer of the or not.

Since SEM methodology is highly similar to some aspects of multivariable regression, one can use the principles of sample sizing in multivariable regression to determine the volume of sample in SEM. In multivariable regression, the ratio of samples (observations) should not be less than 5. Overall, in SEM methodology, sample size can be between 5 and 15 compared to each measured variable (Abdulvand, 2009).

\[5q \leq n \leq 15q\]

Where: \(q\) = the number of observed variables (questionnaire items) and \(n\) = sample size. Research questionnaire consists of 25 items. By considering the mean namely 10 observations for each item, needed sample is calculated 250. For more confidence, authors consider sample size over 300 of which 270 plausible questionnaires were measured.

In present study, data is collected through a field study. In field study, questionnaire is one of the most common methods of data collection. To collect information and to achieve the aims of the questionnaire, 25 unanimous questionnaires were used and filled by customers. Initially, some questions are mentioned to recognize the personal traits of the population. Questions are based Likert five – point scale including very low, low, medium, high and very high and they are categorized based on research eight hypotheses. Since a standard questionnaire is used, used measurement tool had proper validity. In fact, validity is achieved through content. For more confidence on questionnaire validity, several thematic experts and connoisseurs were discussed and consulted. To evaluate questionnaire reliability, internal compatibility and Cronbach’s \(\alpha\) value are used. By initial distribution of 30 questionnaires, reliability value is calculated as 0.911 which indicates that its reliability is very well. Overall, Cronbach’s \(\alpha\) value for total 270 filled and analyzed questionnaires was 0.890 which shows its plausible reliability.

### Table 1: calculated Cronbach’s \(\alpha\) value for each aspect of the questionnaire, the number of questions and their sources

<table>
<thead>
<tr>
<th>Row</th>
<th>Variable</th>
<th>Questions</th>
<th>Cronbach’s value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trust</td>
<td>5</td>
<td>0.755</td>
</tr>
<tr>
<td>2</td>
<td>Link</td>
<td>3</td>
<td>0.801</td>
</tr>
<tr>
<td>3</td>
<td>Communication</td>
<td>3</td>
<td>0.840</td>
</tr>
<tr>
<td>4</td>
<td>Joint values</td>
<td>3</td>
<td>0.585</td>
</tr>
<tr>
<td>5</td>
<td>Empathy</td>
<td>3</td>
<td>0.720</td>
</tr>
<tr>
<td>6</td>
<td>Mutual relations</td>
<td>3</td>
<td>0.817</td>
</tr>
<tr>
<td>7</td>
<td>Customer satisfaction</td>
<td>5</td>
<td>0.772</td>
</tr>
</tbody>
</table>

### Data analysis method

To study the relations between model components, SEM is used in present study. Meanwhile, the author has used SEM for confirmatory factor analysis. It is an important aspect of SEM in which certain hypotheses are tested on the structure of factor loads and mutual correlations among variables.

### Model fitness

Before testing research hypotheses, one should measure overall fitness of the model. Overall fitness indicators show a desired status. Chi2 indicates that one cannot consider difference between observed and reproduced covariance matrices as significant. Relative indicators are close to 0.9 which mean model is getting farther an independent model and is getting closer to matured model in terms of defined criteria.

### Findings

**Testing researches**

In SEM methodology, research hypotheses are tested by using gamma value and t – test. The findings are depicted in table 2.

### Table 2: results of testing research hypotheses

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path ratio</th>
<th>T – statistic</th>
<th>Table statistic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust impacts on customer satisfaction positively.</td>
<td>0.17</td>
<td>2.11</td>
<td>1.96</td>
<td>Supported</td>
</tr>
<tr>
<td>Links impacts on customer satisfaction positively.</td>
<td>0.17</td>
<td>2.28</td>
<td>1.96</td>
<td>Supported</td>
</tr>
<tr>
<td>Communications impact on customer satisfaction positively.</td>
<td>0.02</td>
<td>0.13</td>
<td>1.96</td>
<td>Not supported</td>
</tr>
<tr>
<td>Joint values impact on customer satisfaction positively.</td>
<td>0.18</td>
<td>2.06</td>
<td>1.96</td>
<td>Supported</td>
</tr>
<tr>
<td>Empathy impacts on customer satisfaction positively.</td>
<td>0.02</td>
<td>0.15</td>
<td>1.96</td>
<td>Not supported</td>
</tr>
<tr>
<td>Mutual relations impact on customer satisfaction positively</td>
<td>0.25</td>
<td>2.47</td>
<td>1.96</td>
<td>Supported</td>
</tr>
</tbody>
</table>
Conclusion and recommendations
Due to their conception on the importance of satisfying customers’ needs and demands, today organizations have gradually tended toward establishing creating and keeping long term relations with customers. In contrary to traditional marketing, relationship marketing approach looks for building such supportive long term relations. By studying previous researches on relationship marketing, six variables including trust, link, communication, joint values, empathy and mutual relations are considered as the foundations of relationship marketing and their associations with customer satisfaction in Qom banks are analyzed. The findings show that in terms of priority, joint values, mutual relations, trust, link and so on associate with customer satisfaction from banking services significantly.

Based on the results from the first hypothesis, banks are recommended to try to provide their customers with services in the best and secure manner. Also, banks are recommended to establish ad hoc information units in their branches so that customers can achieve full information on their services and can resolve their probable problems through these units which can lead into customers’ trust to bank and, ultimately, to their satisfaction.

The results from the second hypothesis indicate the crucial role of links in building effective trading relations. Therefore, banks’ managers are recommended to organize CRM courses for their staff in order to train hem the best demeanor with customers and try to establish close and mutual relations to customers so the customer is inspired that customers and bank are relied upon each other in addition to customer satisfaction. It would establish customers’ long term relations with banks. On the other hand, developing strong relations among customers and banks would make termination of the relationship so hard even when one of the parties likes to terminate the relationship. High level of link with customers would increase bank’s capability in limiting rivals through barriers against imitating its services.

Based on results from 4th hypothesis, banks are recommended to identify the purposes and values of their customers to devise their strategies in a manner that they can satisfy customers’ proposes/values in addition to achieve their own goals and to create such understanding among customers that they have joint assets with their bank. It would lead into customer satisfaction.

Based on the 6th hypothesis, banks are recommended to determine their banking services proportionate to customers’ needs and expectations by identifying customers’ needs and expectations. Likewise, to increase mutual relations between customers and banks, it is proposed that banks establish information systems to obtain feedbacks from customers and to receive their opinions/suggestions on their current services, employees’ demeanor and other issues in order to improve their services and to provide their customers with better and more qualitative services which would cause that customers feel that their opinions are important for bank and there is a mutual relationship between them and bank. Additionally, banks can plan their communications with customers in a manner by which customers feel that bank cares customers’ interests initially and to assure the customers that this bank compared to other banks try to meet customers’ needs in the best manner and achieve customer satisfaction from long terms relations in future.

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