

The Study of Relationship Marketing with Customer Satisfaction and Loyalty

(Case Study: Customers of Ghavamin Bank in Sistan and Baluchestan Province)

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Abstract – This paper studies the relationship of relationship marketing with customer satisfaction and loyalty among customers of Ghavamin Bank in Sistan and Baluchestan Province. This is a functional research in terms of objective and a survey research in terms of methodology. The study population was composed of all customers of Ghavamin Bank in Sistan and Baluchestan. Cluster sampling was used with a sample size of 385 people determined by using Morgan table due to the unlimited statistical population. Data analysis was performed using descriptive and inferential statistics by means of SPSS software. The results indicated that there is a significant, direct relationship between the relationship marketing and customer satisfaction and loyalty.

Keywords – Relationship Marketing, Satisfaction, Loyalty, Ghavamin Bank, Sistan and Baluchestan.

I. INTRODUCTION

Today firms with superior performance in different industries are moving to retain customers and gain their loyalty, as most markets are at their maturity stage, competition is growing and the cost of attracting new customers has greatly increased (Kotler and Armstrong, 1999, p. 231). Customer satisfaction is the main factor of success in many organizations. Various literatures indicate the relationship of customer satisfaction with loyalty, repeating purchases and increasing profitability of the organization (Fernandez- Gonzalez and Prado, 2007, p. 500). In service industries where service provision requires communication and interaction with customers (Law et al, 2004, p. 545), full knowledge of the customer, his/her needs and demands require establishing close relationships with him/her. Relationship marketing is a new approach in the banking industry in which main objective is to establish long-term and close relationships in order to fully understand customers and gain their satisfaction (Ndubisi and Wah, 2005, p. 543).

The first and most important marketing principle is to pay attention to the customer demand. Organizations cannot continue to exist regardless of customer demand. Considering customer demand and preference results in his/her satisfaction and loyalty and, hence, leads to increased reputation and profitability. Due to increased competition among banks in the world, relationship marketing is considered a very good way to create and maintain long-term relationships with customers: Services provided at commercial banks are relatively uniform and it is difficult for most banks to distinguish services compared to competitors. Therefore a large number of banks worldwide have tended to adopt relationship

marketing and implement its foundations (So and Speece, 2000, p. 315).

Now that we see an intensified competition in the Iranian banking industry with the emergence of private banks along with state banks, we have to try and retain customers and establish long-term relationships with them: unfriendly relations with customers will result in a loss of position and disappearing from the competitive scene. Thus, according to the explanation given, we seek to answer the basic question in this study: what is the relationship between relationship marketing and customer satisfaction and loyalty?

II. THEORETICAL FUNDAMENTALS

Relationship Marketing

Banks, like other institutions, are subject to great changes. According to existing conditions for survival and profitability, they need to remove obstacles and correct deficiencies, follow modern methods of marketing and adopt new constructive ways for their survival and profitability. Relationship marketing is one of the most successful approaches in this area. Relationship marketing, which is defined as a series of marketing activities to attract, develop, retain and expand customer relationships, changes marketing focus from short-term and transient customers to maintain long-term, stable, sincere and deep relationships with customers. It is based on the formation of links between banks and customers.

In relationship marketing, banks try to recognize the needs of customers and, at the same time, offer their services to them. They create loyalty by customer satisfaction so that long-term relationships are established between banks and beneficiary groups related to the organization. In fact, institutes in this kind of marketing seek to gain and retain more customers. They also intend to build up ties so that customers will also benefit from banking services and encourage others to do so in the future.

Relationship marketing includes 4 dimensions as follows:

Trust

Trust in a number of researches is considered one of the key foundations of creating relationship in the relationship marketing. Moorman et al (1993) define trust as: "Willingness to rely on an exchange partner in whom one has confidence."

Commitment

Commitment is one of the most important variables to understand the marketing power and also a useful tool to

measure the probability of customer loyalty and predict customer's future purchases. It has been argued that commitment is the most general dependant variable which is used in the literature on the relationship between the seller and buyer. Moorman et al (1992) have defined commitment "an enduring desire to maintain a valued relationship".

Informing

Informing means the ability to provide reliable and timely information. It tells the unhappy customer what the organization will do to resolve his/her dissatisfaction.

Conflict management

Conflict resolution indicates the ability of the supplier in minimizing negative consequences of potential or actual conflicts. Conflict management is the ability of the supplier in avoiding potential conflicts and resolving actual conflicts before becoming a problem, and finding a solution when problems arise.

Definition of customer loyalty

Customer loyalty is a deep and inner commitment which leads to repurchase or reuse of a specific product or service. It occurs when customers strongly feel that the desired organization can best meet their needs, so that competing organizations are excluded from customers' considerations, and customers only purchase from their desired organization (Shoemaker and Lewis, 1999).

To gain loyal customer's satisfaction, firms need to go beyond their expectations; otherwise, customers may tend to other suppliers and, eventually, change the mind of other customers based on the quality of products and services that they have received from competitors. Despite all that, going beyond the expectations of customers is not indicative of all dimensions of loyalty.

Loyalty of an individual to a bank consists of a targeted behavioral reaction that is created in that individual as a result of psychological factors. It also leads to selecting a bank from among different banks. Loyalty of an individual to a bank is composed of two parts:

- a. Behavioral, such as purchases and revisits in a targeted manner due to the fact that this behavior is not accidental.
- b. Psychological, which includes the assessment of the decision-making process in the mind of the individual.

Satisfaction

Satisfaction/dissatisfaction is an emotional response to the assessment of a good or service which is consumed or offered. Satisfaction is the customer assessment of a product or service, depending on whether that product or service has met the needs and demands of customers or not. Failure in satisfying the needs and expectations of customers leads to feelings of dissatisfaction with the subjective evaluation.

Customer satisfaction provides many advantages for companies. Higher levels of customer satisfaction lead to more loyalty. Finally, it is more beneficial to maintain a good customer than constantly replacing a customer who has left the company with new one. Customer satisfaction is psychologically a feeling that occurs as a result of comparison between specifications of the product received and customers' needs or demands and their social expectations about the product (Kavoussi et al, 2001). An

interesting point in the concept of customer satisfaction is that customer satisfaction does not depend on the type of commercial activity of an organization nor on the situation of the organization in the market, rather it depends on the ability and capacity of the organization in providing the quality expected by the customer (Dick and Basu, 1994).

Literature review

Uksel et al (2010) studied the effects of customer satisfaction and knowledge on customer loyalty. The results of structural equation modeling in this paper indicate that customer positive feelings can increase customer loyalty. Adamson et al (2003), in a research entitled "Relationship marketing: customer commitment and trust as a strategy for the smaller Hong Kong corporate banking sector", investigated the impact of independent variables of customer-oriented strategy, long-term approach, relationship benefits, communication, relationship norms and negative reputation on dependent variables of trust and commitment. In this research, correlation method (correlation coefficient) was used. Adamson et al concluded that customer-oriented strategy, long-term approach, and relationship benefits are positively correlated with trust, and variables such as communication, and relationship norms are positively correlated with commitment, while negative reputation are negatively correlated with trust. Anne De Biasi (2005), in a research entitled, "Factor analysis and audit of the foundations of relationship marketing and customer satisfaction using correlation method (factor and audit analysis)", studied the impact of dependent variables of trust, commitment, communication, conflict management, and competence on dependent variables of satisfaction and relationship quality. They finally concluded that five foundations of relationship marketing have been distinguished between customers based on perceived quality relationship and customer satisfaction. Anne De Biasi (2007), in a research entitled, "Relationship marketing and customer loyalty", investigated variables such as trust, commitment, communication, and conflict management through correlation technique (regression analysis). The results show that these variables have significant impact on loyalty. Lages et al (2008) examined dependent variables such as relationship procedures and guidelines, commitment, bilateral cooperation, and relationship satisfaction on the dependent variable of loyalty. In the research entitled, "Providing a relationship marketing theory for relationship procedure using correlation (factor analysis, correlation coefficient), a positive and significant relationship between independent and dependent variables became clear.

Ranjbarian and Barari (2008) used a survey method to perform a descriptive study on the impact of relationship marketing foundations on customer loyalty. The results showed that four foundations of relationship marketing in state banks had a significant and positive effect on customer loyalty. In private banks, except for communication variable, other variables have had positive and significant impact on customer loyalty. Mehdi Kazemi and Gholamreza Khojasteh (2009) conducted a research on the impact of relationship marketing on customer trust

and loyalty (Bank Saderat in Fars province), in which they used random cluster sampling of Pearson correlation test analysis. The results indicate that the fundamentals of relationship marketing, as a dependent variable, impact directly on customer trust, as dependent variable, and impact indirectly (through customer trust) on customer loyalty, as another dependent variable.

III. RESEARCH METHODOLOGY

The present study is an applied research in terms of objective. On the other hand, according to the method of data collection, it is classified among descriptive (non-experimental) researches. Among the various methods of descriptive research, the method used in this paper was the correlational research method. The study population was composed of Ghavamin Bank customers in the province of Sistan and Baluchistan. Cluster sampling was used with a sample size of 385 people determined by using Morgan table. Figure 3 shows a conceptual framework for this paper:

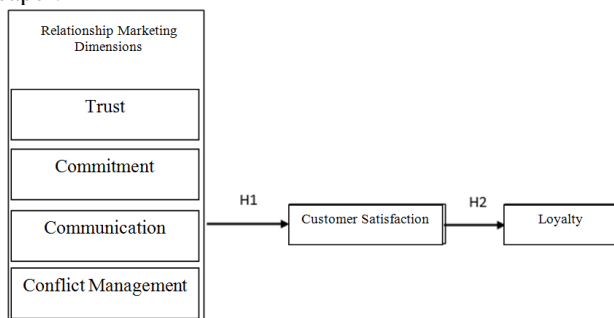


Fig.1. The research conceptual model (adapted from the Anne De Biasi, 2007)

Data collection tool in the present study was a questionnaire. By descriptive statistics, demographic items were examined, and then, data analysis was performed by Pearson correlation and regression testing.

Findings

Table 1: Findings of descriptive statistics for demographic data related to subjects

	Dimensions	Frequency
Sex	Male	250
	Female	135
Age	20-29	192
	30-39	80
	40-49	85
	Over 50	26
Education	Diploma and lower	50
	Associate degree	63
	Bachelor's degree	172
	Master's degree and higher	100
Monthly Income	Under 400 Thousand Tomans	54
	400-699 Thousand Tomans	73
	700-999 Thousand Tomans	171
	1-2 Million Tomans	57
	More Than 2 Million Tomans	20

As depicted in Table 1, most people in the studied sample are male, holding a bachelor's degree and aged between 20 and 29 years old (young people) and most of them have incomes between 700-999 thousand Tomans.

IV. TESTING OF RESEARCH HYPOTHESES

First main hypothesis: Is there a significant relationship between the dimensions of relationship marketing and customer satisfaction with bank?

According to the results of the Pearson correlation test as shown in Table 2, it was found that correlation coefficient between the two variables of relationship marketing and customer satisfaction is $r = 0.657$ which with considering a significance level of less than 0.01 and at the 95% probability level there is a significant relationship. Due to this positive correlation coefficient, it can be said that there is a direct and significant relationship between the two variables.

Table 2: Pearson correlation coefficient test between relationship marketing and customer satisfaction

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.657	0.000	385	Direct and significant relationship

Second main hypothesis:

Is there a positive and significant relationship between customer satisfaction and customer loyalty?

According to the results of the Pearson correlation test as shown in Table 3, it was found that correlation coefficient between the two variables of customer satisfaction and customer loyalty is $r = 0.629$ which with considering the significance level of ($\text{sig} = 0.000, p < 0.01$) there is a significant relationship.

Table 3: Pearson correlation coefficient test between customer satisfaction and customer loyalty

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.629	0.000	385	Direct and significant relationship

First sub-hypothesis: Is there a positive and significant relationship between customer trust and customer satisfaction with the bank?

As illustrated in Table 4, it was found that correlation coefficient between the two variables of customer trust and customer satisfaction is $r = 0.422$ which with considering a significance level of less than 0.01, there is a significant relationship. As the correlation coefficient is positive, it can be said that there is a positive and significant relationship between customer trust and customer satisfaction.

Table 4: Pearson correlation coefficient test between customer trust and customer satisfaction

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.422	0.000	385	Direct and significant relationship

Second sub-hypothesis: Is there a positive and significant relationship between customer commitment and customer satisfaction with the bank?

As shown in Table 5, it was found that correlation coefficient between the two variables of customer commitment and customer satisfaction is $r = 0.499$ which with considering a significance level of less than 0.01, there is a significant relationship. As the correlation coefficient is positive, it can be said that there is a positive and significant relationship between customer commitment and customer satisfaction.

Table 5: Pearson correlation coefficient test between customer commitment and customer satisfaction

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.499	0.000	385	Direct and significant relationship

Third sub-hypothesis: Is there a positive and significant relationship between communication with customer and customer satisfaction with the bank?

The results in Table 6 indicate that correlation coefficient between the two variables of communication with customer and customer satisfaction is $r = 0.480$ which with a significance level of less than 0.01, there is a significant relationship. Also, as the correlation coefficient is positive, it can be said that there is a positive and significant relationship between the communication with customer and customer satisfaction.

Table 6: Pearson correlation coefficient test between communication with customer and customer satisfaction

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.480	0.000	385	Direct and significant relationship

Fourth sub-hypothesis: Is there a positive and significant relationship between conflict management and customer satisfaction with the bank?

The results in Table 7 indicate that correlation coefficient between the two variables of conflict management and customer satisfaction is $r = 0.712$ which with considering a significance level of less than 0.01, there is a significant relationship. As the correlation

coefficient is positive, it can be said that there is a positive and significant relationship between conflict management and customer satisfaction.

Table 6: Pearson correlation coefficient test between conflict management and customer satisfaction

Variable	Customer satisfaction			
	Pearson correlation test			
Relationship marketing	R	sig	N	Test result
	0.712	0.000	385	Direct and significant relationship

The findings of the analysis of research hypotheses by Pearson correlation coefficient test indicate that there is direct and significant relationship between relationship marketing and its components with customer satisfaction. But the strength of this relationship or the impact of each of these factors and that which factors has more impact were determined by multiple regression analysis. Note that the entry of predictor variables in the regression analysis was done in a stepwise method and researcher has had no intervention in this regard. Rather, each variable is entered into the equation according to the correlation coefficient.

First output of Table 8 contains R^2 coefficient of determination which indicates the amount of variance of the dependent variable and is expressed by independent variables. In the first model, conflict management singly explains 50% of the dependent variable of customer satisfaction with the highest impact on the latter. In the second model, customer commitment component enters the equation and increases the explanatory power to 60% along with the conflict management. Other variables have not entered the equation due to less effectiveness.

Table 8: Summary of the regression model related to components of relationship marketing and job satisfaction

Model	Multiple correlation coefficient (R)	The coefficient of determination (R^2)	Adjusted coefficient of determination
1	0.712	0.507	0.506
2	0.729	0.604	0.603

Given the significance table (Table 9), the smaller the sum of residual squares than the sum of regression, the higher will be the explanatory power than dependent variables in explaining changes of the dependent variable. In this research, both steps of the model indicate a higher value of regression source than the value of residual source. This indicates the high explanatory power of relationship marketing components with regards to customer satisfaction. F-value indicates whether or not the regression model of the research is an appropriate model. In other words, are the independent variables able to well explain the changes of the dependent variable? In this paper, according to the results indicated in Table 9, the values obtained for F in first and second steps are equal to 393.77 and 217.3, respectively. These values are significant at an error level of less than 0.01. This suggests that the independent variables have an explanatory power and are able to explain the amount of changes and the variance of dependent variable of customer satisfaction.

Table 9: Analysis of variance (ANOVA); or model’s significance related to the impact of relationship marketing components on customer satisfaction

Model	Sum of squares	Degree of freedom	Mean squares	F	sig
1. Residual regression	71.13	1	71.13	393.77	0.000
	69.19	383	0.181		
2. Residual regression	74.63	2	37.31	217.03	0.000
	65.194	382	0.172		

According to Table10, to recognize the significant impact of the independent variable on the dependent variable, in hypothesis testing through regression method, we can look to *t*-value. If the absolute value of this statistic is higher than 2.33 for a variable and the error is less than 0/01 or 0.05, we say that the said variable has statistically a significant impact on explaining the changes of the dependent variable. The interpretation of regression

coefficients is performed based on (Beta) coefficient, because this statistic indicates a standardized regression coefficient of the independent variable on the research dependant variable. We specify the relative share of the independent variable in this model based on the same statistic. Therefore, the most important predictive factors of customer satisfaction at every step are shown in the Table below:

Table 10: Coefficient Table: the table of joint factors in the regression equation

Model	Non-standard coefficients		Standard coefficients	t	sig
	B	Standard Deviation	Beta		
1. Fixed value of conflict management	0.974	0.117	0.712	8.30	0.000
	0.664	0.033		19.84	0.000
2. Fixed value of conflict management and commitment to customer	0.879	0.116	0.618	7.55	0.000
	0.557	0.038		15.19	0.000
	0.122	0.027		0.184	4.51

V. CONCLUSION

In this paper, we investigated the relationship of relationship marketing with customer satisfaction and loyalty among Ghavamin Bank customers in Sistan and Baluchistan province. The results showed that there is a positive and significant relationship between the relationship marketing dimensions with customer satisfaction and loyalty. Also, using a one-sample *t*-test between relationship marketing components, it was found out that conflict management and trust had the least impact on customer satisfaction. Therefore, the trust must be improved. The results of the research and hypotheses testing were consistent with the findings of research conducted by Yüksel et al (2010), Ann De Biasi (2007), Lages et al (2008), Ranjbarian and Barari (2008), Kazemi and Khojasteh (2009) ... etc. Obviously, this research was conducted on Ghavamin Bank customers in the province of Sistan and Baluchistan and under the conditions of this bank and it is necessary to act confidently when it is to generalize the results to other banks.

PRACTICAL SUGGESTIONS

1. Continuous training of bank officers in the case of dealing with customers and the provision of services to them.
2. Receiving customers' comments periodically concerning the method and quality of services provided to them which leads to identification and resolution of their problems and reduction of conflicts.

3. Regular introduction of new banking services to loyal customers indicating the commitment of the bank to provide service to the customer and increasing customer trust in banks.

Also suggestions for future studies are presented below:

1. The relationship between relationship marketing and customer loyalty and satisfaction can be studied in other banks in Sistan and Baluchestan province.
2. The relationship between relationship marketing and customer loyalty and satisfaction can be studied in different provinces.
3. The relationship between relationship marketing and customer loyalty and satisfaction can be studied with regard to intervening and moderator variables.

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