Effects of Relationship Marketing (RM) on Customer Loyalty (Case Study: Mehr Bank, Kermanshah Province, Iran).

Peyman Jesri
MA in MBA in Islamic Azad University, Sanandaj, Iran

Freyedon Ahmadi
Department of public management, payeme Noor University, Tehran, Iran

Motreza Fatehipoor
Department of management sanandaj Branch, Islamic Azad University, sanandaj, Iran

Abstract
The main objective of this study is to investigate the relationship between the components of relationship marketing and customer loyalty. In terms of implementation, this study has been a correlation and conducted as field. Statistical population of present study is all customers with an account in Mehr Bank in the province of Kermanshah. Sampling method is simple random systematic, method of data collection is field and data collection tool have been Ndubisi & Wah (2005) standard questionnaire. After the questionnaires distributed, 384 questionnaires were analyzed. Method of data analysis was the correlation coefficient and regression that performed by using spss software. Research findings indicate that there is a relation between relationship marketing components including trust, commitment, communication quality, conflict handling and competence on customer loyalty and also to regression testing that all variables were examined simultaneously on customer loyalty; results showed that all components have an impact on customer loyalty.

Keywords: Relationship Marketing, Customer Loyalty, Mehr Bank, Kermanshah, Iran.

1. Introduction
The transition from a traditional economy and intense competition in modern dimensions, customer as the person who organization is willing to create values that influence on their behavior, as main element and the center of all activities of organizations. So that in terms of competitiveness, viability and survival of organizations in identifying and attracting new customers and retaining existing customers is expressed (Gilaninia et al., 2011). On the other hand improving communication, the evolution of the information age and the advent of new communication tools, organizations have made facing with a host of different customers, and many choices that as results additional providing customers and market instability (Rahbarinia, 2011).

There is undoubtedly a growing interest in the subject of relationship marketing. The strong rivalry characterizing today’s business environment has resulted to the building of stronger firm-customer relationships (Ndubisi, 2007). Webster (1992) noted that the phenomenon described by this concept is strongly supported by on-going trends in modern business. Ndubisi (2004) reported that more and more firms are capitalizing on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence, customer relationship building creates mutual rewards (Rapp and Collins, 1990) which benefit both the firm and the customer. By building relationship with customers, an organization can also gain quality sources of marketing intelligence for better planning of marketing strategy. It is important, therefore, to empirically examine the actual impact of the components of relationship marketing on customer loyalty. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of
loyalty among customers. The research study reported here investigates the impact of five components of relationship marketing – trust, commitment, communication conflict handling, and competence – on customer loyalty in Mehr Bank in Kermanshah Province, Iran in 2012.

2. Literature
Today’s banking industry is changing rapidly. With the development of international economy and competitive markets, banks are also affected (Gilaninia & et al, 2011). Among banks at the global level, relationship marketing is taken into consideration as the ideal way to create and maintain long-term relationships with customers; because deliverable services in commercial banks is relatively same and for most banks, to differentiate services towards competition is difficult. So many of the world's banks are oriented the use of relationship marketing approach and implementation of its foundations (So and Spece, 2000:315).
Development of industrial marketing and service marketing led to a new approach that emphasized long term and close relations with customers. Therefore transaction-based marketing that focus only on the selling of the product shifted to interactive marketing that focus on the establishment of sustainable and long term relations with customers (Abbasi and Torkemani, 2010, p.25). Berry (1983) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships (Berry, 1983). Gummesson (1993) defined the term as a strategy in which the management of interactions, relationships and networks is a fundamental issue. According to Gronroos (1994), the aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met(Gronroos,1994). Rapp and Collins (1990) suggest, similarly, that its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This is achieved by a mutual symbiosis and fulfillment of promises (Ndubisi 2003a, b). In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior(Oliver,1999). Blomqvist et al. (1993) proposed the following key characteristics of relationship marketing: every customer is considered an individual person or unit; activities of the firm are predominantly directed towards existing customers; implementation is based on interactions and dialogues; and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships(Blomqvist,1993).

The components of relationship marketing:
In the present study according to model of Ndubisi & Wah (2005) variables of trust, commitment, communication, conflict handling and competence as fundamental variables of relationship marketing have been studied.
Trust indicates that each person of relationship, to what extent can considered other person promise and is defined as the willingness to trust and reliance to audience (Wong & Shoal, 2002, 34-50). In this study trust variable is measured by factors such as bank security in transactions, bank service quality, reliability promises of bank, staff behavior towards clients and the bank commitment to our customers. So the hypothesis of trust and customer satisfaction can be expressed as follows:

1. There are relation between trust and customer satisfaction.

Commitment

Commitment is intention to continue or maintain a relationship with the other party (Rashid, 2003). In this study commitment is measured to compatible and consistent of bank services with customer needs and bank flexibility towards the customer and change services. So the hypothesis of commitment and customer satisfaction can be expressed as follows:

2. There are relation between commitment and customer satisfaction.

Communication

Communication is all formal and informal exchanges that make meaningful and timely information exchange between buyer and seller (Ranjbarian & Barari, 2009). In this study Communication is measured with factors such as timely and reliable information, providing information on new services and promises and accuracy in information. So the hypothesis of Communication and customer satisfaction can be expressed as follows:

3. There are relation between Communication and customer Satisfaction.

Conflict handling

Conflict handling is defined as cooperative supplier in minimizing negative results from significant potential involvement (Ndobisi & Wah, 2005). In this study conflict handling is measured with factors such as to avoid conflict, trying to solve problems before they occur, the ability to solve problems in time problem. So the hypothesis of conflict handling and customer satisfaction can be expressed as follows:

4. There are relation between conflict handling and customer satisfaction.

Competence

Competence has defined by perceptions of each of the party relationship amount of skills, abilities and knowledge needed the opposite party to effective function (Smith and Barclay, 1996). In this study competence is measured with factors such as necessary knowledge about bank service, market trends, consulting and planning about the investment to customers and
effective advertising. So the hypothesis of competence and customer satisfaction can be expressed as follows:

5. There are relation between competence and customer satisfaction

Loyalty
Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Kotler defined the term loyalty as a lasting commitment to family, friends or country and believes that it initially entered to the marketing literature by emphasizing on brand loyalty (Ranjbaran & Barari, 2009). One of the basic assumptions in relationship marketing is that long-term loyal customers are profitable. Storbacka et al. (1994) suggest that customer relationship profitability is achieved through a chain that starts with perceived value that creates customer satisfaction that, in turn, strengthens the relationships so that it lasts longer and thus becomes more profitable (palmer et al,2005) . It is assumed that it is cheaper to keep an existing customer than to acquire a new one ( Morgan &Hunt,1994).

3-Methodology
In terms of methodology and implementation, this study is descriptive - analytical research. We used Correlation analysis and Multiple Regression to predict the relationship between the five components of relationship marketing and customer loyalty.

3.1. Data collection procedure:
In order to gain Mehr Bank customers' views, Ndobisi & Wah (2005) standard questionnaire was used. All items were measured by responses on a five-point Likert scale of agreement with statements, ranging from 1 = strongly disagree to 5 = strongly agree

3.2. Sample
Sample of research was selected among Mehr Bank customers by systematic simple random sampling method .The sample size was 384 persons, determined by Cochran's formula.

3.3. Validity & Reliability
Because of we used, Ndobisi & Wah (2005) standard questionnaire, we can say that questionnaire is strongly valid. the questionnaire was composed of a subset of 24 items for five constructs of RM and 3 items for loyalty. All 384 questionnaires were completed by respondents. Internal consistency of constructs measured by Cronbach's coefficient of reliability is as follows:

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Cronbach’s a</th>
<th>Internal consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire</td>
<td>27</td>
<td>0.87</td>
<td>Good</td>
</tr>
<tr>
<td>Trust</td>
<td>6</td>
<td>0.86</td>
<td>Good</td>
</tr>
<tr>
<td>Commitment</td>
<td>4</td>
<td>0.87</td>
<td>Good</td>
</tr>
<tr>
<td>Communication</td>
<td>5</td>
<td>0.87</td>
<td>Good</td>
</tr>
<tr>
<td>Conflict handling</td>
<td>4</td>
<td>0.86</td>
<td>Good</td>
</tr>
<tr>
<td>Competence</td>
<td>5</td>
<td>0.86</td>
<td>Good</td>
</tr>
<tr>
<td>Loyalty</td>
<td>3</td>
<td>0.87</td>
<td>Good</td>
</tr>
</tbody>
</table>
4. Data Analysis
4.1 Description of Data
Demographic data show that a slight majority of respondents were male: 62, to 38 percent female. 57.1 percent were under 40 years of age. Graduates accounted for 66 percent of all respondents. Almost 10.7 percent had been with their current bank for 10 years or more, 27.6 percent for between 6 and 10 years, and 43.7 percent for between 2 and 6 years. And only 18 percent had been customers for 2 years or less. 51.8 percent of all respondents had government jobs to 48.2 nongovernment.

The results show that the mean of RM variable was 3.88. Well as the mean values obtained for the five components of RM and customer loyalty is as follows:
Trust = 4.01, commitment = 3.76, communication, = 3.84, competences = 3.84 and conflict handling = 3.62. The mean for the dependent variable (loyalty) was 4.18. All mean values, greater than a threshold (3.00). Thus, the relationship marketing and customer loyalty in the bank is good

4.2. Hypothesis Analysis
According to the research method, the Pearson Correlation Coefficient is used to test the hypothesis. The results of the correlation analysis have summarized in Table 2.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Pearson Corr.</th>
<th>Sig</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main H. There are relation between RM and customer Loyalty</td>
<td>0.75</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H1. There are relation between trust and customer Loyalty.</td>
<td>0.83</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H2. There are relation between commitment and customer Loyalty.</td>
<td>0.77</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H3. There are relation between communication and customer Loyalty.</td>
<td>0.75</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H4. There are relation between conflict handling and customer Loyalty.</td>
<td>0.66</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
<tr>
<td>H5. There are relation between competence and customer Loyalty.</td>
<td>0.73</td>
<td>0.00</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

Main Hypotheses: results of Pearson correlation test show that the sig = 0.000 <0.05, therefore this hypothesis is confirmed and There are relation between RM and customer Loyalty. Other results of hypothesis test are as follows:
First hypothesis: According to the results of the Pearson correlation test is observed that the sig = 0.000 <0.05. Thus research hypothesis is confirmed and there are relation between trust and customer loyalty.
Second hypothesis: According to the results of the Pearson correlation test is observed that the sig = 0.000 <0.05. Thus research hypothesis is confirmed and there are relation between commitment and customer loyalty.
Third hypothesis: According to the results of the Pearson correlation test is observed that the sig = 0.000 <0.05. Thus research hypothesis is confirmed and there are relation between communication and customer loyalty.

Fourth hypothesis: According to the results of the Pearson correlation test is observed that the sig = 0.001 <0.05. Thus research hypothesis is confirmed and there arent relation between conflict handling and customer loyalty.

Fifth hypothesis: According to the results of the Pearson correlation test is observed that the sig = 0.000<0.05. Thus research hypothesis is confirmed and there are relation between competence and customer loyalty.

Tables 3, 4 and 5 show the results of the multiple regressions analysis.

**Table 3: Results of Regressions ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regressions</td>
<td>29452.765</td>
<td>5</td>
<td>5890.553</td>
<td>2432.113</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>914.344</td>
<td>378</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>30367.109</td>
<td>382</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the table 3, we can see that the Mean Square of Regressions is more than Mean Square of Residual and the sig = 0.000 <0.05. Thus for this research Regressions is significant at a confidence level of 95%.

**Table 4: Results of Multiple Regressions Coefficient**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error</th>
<th>Durbin – Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.965</td>
<td>0.931</td>
<td>0.931</td>
<td>1.64</td>
<td>1.66</td>
</tr>
</tbody>
</table>

In table 4 it can be seen in multiple regressions that in examining independent variables (Variables of trust, commitment, communication, conflict handling and competence) on customer loyalty are acceptable and significant at a confidence level of 95%. Meanwhile, determine coefficient is equivalent to 0.931 that it means 93.1 percent of the independent variables can predict the dependent variable changes.

To determine the autocorrelation between observations we used Durbin – Watson test. Based on the number of observations (n=384), the number of independent variables in research (k=5) and the lower limit and upper limit of this test, value of 1.66 was obtained, Thus we can not conclude that there is autocorrelation between observations.
In the next step for the indication of loyalty explanation and prediction by five components of RM, we used the Stepwise Multiple Regression method. In Table 5, according to the Beta coefficient, it can be said that trust has the maximum impact (0.387) and Conflict handling has the minimum impact (0.244) on customer loyalty variable. Then the regression model can be written as follows in a significant 95%.

\[ \hat{Y} = 2.352 + 0.955 X_1 + 0.948 X_2 + 0.932 X_3 + 0.814 X_4 + 0.725 X_5 \]

In the regression equation, Trust variables \( X_1 \), Commitment variable \( X_2 \), Communication variable \( X_3 \), Competence variables \( X_4 \), Conflict handling \( X_5 \) and customer loyalty variable as the \( \hat{Y} \) is considered.

5. Conclusions and Suggestions

According to the result of testing Pearson correlation, it shows that there is a relation between the components of relationship marketing (trust, commitment, communication, competence, conflict handling) and customer loyalty. The result of regression test shows that all of the components of relationship marketing in the study have an impact on customer loyalty, and 93.1% of the independent variables can predict the dependent variable changes. Thus, according to the result obtained, suggestions are provided as follows:

1. Based on test results of the first hypothesis, it is suggested not to do something wrong and staff have complete information about matters and have polite behavior and create trust. The integrity and empathy will impact in increased confidence and also by making promises to customers and eliminate the worry of security transactions, provide quality service to customers and respect to customers by the staff and the obligations undertaken of the bank can cause trust in customers.

2. Based on test results of the second hypothesis, it is suggested that services will be provided according to customer requirements and banks can be done flexibly in providing services and changes.

3. Based on test results of the third hypothesis, it is suggested that information will give reliable and timely and completely to customers. Also be used by employees who have sufficient knowledge of banking operations in order to properly service providers.

4. Based on test results of the fourth hypothesis, it is suggested that Managers and Staff must have aware about subjects that make conflicts between them and their customers and be able to manage this conflicts by timely distinguish conflicts. To solve conflicts is better that all information be clear between bank and customers.

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std.Error</th>
<th>Beta</th>
<th>t-value</th>
<th>p-value</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.352</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.000</td>
</tr>
<tr>
<td>X1 = Trust</td>
<td>0.955</td>
<td>0.062</td>
<td>0.387</td>
<td>15.403</td>
<td>0.015</td>
<td>0.000</td>
</tr>
<tr>
<td>X2 = Commitment</td>
<td>0.948</td>
<td>0.052</td>
<td>0.325</td>
<td>18.231</td>
<td>0.032</td>
<td>0.000</td>
</tr>
<tr>
<td>X3 = Communication</td>
<td>0.932</td>
<td>0.037</td>
<td>0.306</td>
<td>25.189</td>
<td>0.021</td>
<td>0.000</td>
</tr>
<tr>
<td>X4 = Competence</td>
<td>0.814</td>
<td>0.069</td>
<td>0.298</td>
<td>11.797</td>
<td>0.036</td>
<td>0.000</td>
</tr>
<tr>
<td>X5 = Conflict handling</td>
<td>0.725</td>
<td>0.052</td>
<td>0.244</td>
<td>13.942</td>
<td>0.041</td>
<td>0.000</td>
</tr>
</tbody>
</table>
5- Based on test results of the fifth hypothesis is suggest that Staff have aware of market conditions and customer and able to assist clients in matters relating to investments in bank and provide Also effective and efficient advertising for their banking experience.
References