

Research Article

THE STUDY OF THE EFFECTIVENESS OF RELATIONSHIP MARKETING STRATEGIES ON CUSTOMERS` LOYALTY (CASE STUDY: TEJARAT BANK OF SISTAN AND BALUCHESTAN)

***Sadaf Estantesti and Azadeh Jahangiri Abbas Abad**

Department of Management, University of Velayat, Iranshahr, Iran

**Author for Correspondence*

ABSTRACT

Regarding the fast and unpredictable changes of banking system nowadays, the necessity of marketing strategies utilization to market developing and presenting new banking services is unavoidable. The relationship marketing strategy needs to create, maintain and develop relationship with customers to keep more customers and lose less. After defining the most important concepts of relationship marketing, we focus on customers' loyalty. After all we investigate Tejarat Bank of Sistan and Baluchestan. For doing so we designed questionnaire and examine a sample of 230 random customers of this bank. At the end the data were analyzed and concluded.

Keywords: *Marketing Strategy, Relationship Marketing, Customer Loyalty, Banking*

INTRODUCTION

Today banks play important role in financial systems and are of the most important economical part of each country. Since private banking industry start to work, it is going to be like a competitive market in which presenting proper banking services from customers` perspective is one of the most crucial factors for development of this industry (Vargo and Lusch, 2004).

For making positive subjectivity in customers mind, most of the successful organizations follow constant marketing strategies. These strategies are helpful for organization if positive subjectivity sets align with organizations` proper performance in developing the service offering to customers (Agus and Banker, 2007).

Relationship marketing establishes relationships with customers and other parties at a profit, by mutual exchange and fulfillment of promises.

Relationship strategy in marketing deals with creation, keeping and reinforcing relationship with customers (Gronroos, 1994). The relationship marketing strategy needs to create, maintain and develop relationship with customers in order to fulfill the needs of each side. Rashid (2003) defines the components of relationship marketing as follow:

Trust, social connection, communication, sympathy and understanding each others` need, keeping employees and make them satisfy, loyalty, leaving customers with good experience to encourage them to return which causes customer loyalty and satisfaction.

In this article we tried to investigate the effects of relationship marketing strategies on customers` loyalty in Tejarat Bank`s customers.

The Literature Review

Marketing Strategy

Marketing strategy tackles with providing scientific plan for production, distribution, development of markets and product price in target market. This strategy states the best way of resource applying and tactics of supplying in fulfilling the aim of an organization (Islam, 2006). The main core of marketing strategy is to attribute and set marketing resources with organization activities in order to provide operational purposes (Walker *et al.*, 2001). For assigning and having proper control over marketing strategy, marketing agents should focus on duties like recognizing and evaluating surrounding factors, analyze market`s opportunity, running strategy, effective management of market activities...

Marketing strategy is regarded as a determination for future objective of banks and financial institutes. This strategy is often stated by keywords which indicate the organizations` final goal (Nora and Oryan,

Research Article

2007). Besides, financial institute needs to support human resources and using potentiality of institutes in running the process of organization to achieve successful goals (Berry, 1999).

Relationship Marketing

Relationship strategy in marketing deals with creation, keeping and reinforcing relationship with customers with aim of customer oriented relation (Gronroos, 1994).

Relationship marketing functions as new trend to absorb more customers in developing world of these days. There is no doubt that customers are the most important sources for industry's benefit but losing good customers are also is unavoidable because competition on marketing and customers absorption are so competitive. Industries should focus on keeping current customers and try to make strong and long life relationship with them to have more benefit.

The main viewpoint for maintaining customers is the fact that industries should offer constant services to meet the customers` need (Kotler and Armstrong, 2001). Rashid (2003) defines the components of relationship marketing as follow:

Trust, social connection, communication, sympathy and understanding each others` need, keeping employees and make them satisfy, loyalty, leaving customers with good experience to encourage them to return which causes customer loyalty and satisfaction.

Relationship market was introduced by some scholars in 1980 but the basis of this kind of marketing which has very tight correlation with customers' behavior has emerged from research pertain to relationship between supplier-customer in small and rather big businesses. There is no hostile viewpoint to bargaining in this paradigm. Instead of bargaining there is a reciprocal agreement between supplier-customer to gain their objective and their relationship forms based on reciprocal responsibilities (Palmer *et al.*, 1994).

The relationship marketing looks at customer as an asset which never worn out. Although he has no position on companies` balance sheet, he has more value than any part of companies. Relationship marketing doesn't mean just to provide services at right time and place and by demanded price from customers and target market but it means to establish strong relationship with target market to motivate its customer to come back again and attract more and more customer. It seeks to attract more customers and losing less ones (Goodwin and Gremler, 1996).

Customers beneficial by being presented to better services are the main importance of relationship marketing. One of the main purposes of relationship marketing is to establish and develop life long relationship with customers by offering specific and personalized services to them but it needs to understand the perceived value of customers (Festus and Maxwell, 2006).

Walsh, 2004 defines marketing relationship as banking activities to attract more customers, reciprocal cooperation with them and try to keep profitable customers by satisfaction. Relationship marketing seeks more customers' profitability via presenting better services. Marketing strategy is also known as the strategy of absorb, maintenance and reinforcement of relationship with customers. Rap and Calinz (1990) state that relationship marketing is to create and maintain constant relationship among economical unit and customers with respect to each side`s benefit.

Loyalty and Loyalty-Building Strategy

During the past decade financial markets have faced keen changes which cause very tight competition between different industries and less development in primary demand. Effective and undertaking relationship between banks and customers is extremely declining in these kinds of markets so most of the banks and financial services are designing new strategies in order to attract and maintain more customers (Bloemer and *et al.*, 1998). On the other hand the high cost of attracting new customers has caused little benefit for financial service at initial level of customer absorption. This relationship will be beneficial for financial services only at further levels when customers build loyal relationship with services (Wang and *et al.*, 2004).

Many marketing scholars define different classification for customers` loyalty and loyalty building and classify them based on different levels of loyalty. Customers have different thoughts so strategies should be planed align with the level of loyalty of current customers and attraction of new customers.

Research Article

Kopland and Cherchil had a lot of attention to customers' loyalty in forties. The concept of loyalty had received a lot of attention in this time and was looked as a scientific subject in world's literature. Many experimental researches have done to explain and run these concepts. But unfortunately noticeable works and articles about marketing and related concepts haven't done these days.

Larsen and Solana (2004) believe that loyalty is the creation of commitment in customers to motivate them to purchase and to do business with financial institute constantly.

Asael (1992) defines loyalty as a behavior toward a brand. Loyalty to brand causes constant purchasing of that brand (Wang and *et al.*, 2004).

Naser and Jamal defines customer satisfaction as customer feeling and tendency to a production or to services after sale. They believe that customer satisfaction is the main result of marketing agent activity that is the main connection between different levels of business. If the customers feel satisfy by after sales services, he probably will continue his purchasing. The satisfied customers may talk about their satisfaction with the others and it advertises orally the company's services. On the other hand, if the customers are not satisfied by services, they will involve on negative oral ads. Besides, behaviors like constant purchasing and oral ads affect the benefits of businesses directly (Jamal and Naser, 2002).

The main purpose of marketing specifically for service providing institutes is to increase the loyal customers during long time. Making the customers feel loyal not only causes constant relation with organization but also they function as ads agent in society. Companies all efforts to enhance their products' quality and competitive capability are to gain and to maintain more customers. In the other words they try to make their customers more loyal. Loyal customers not only return frequently for purchasing and after sales service but also play important role in advertising organization's services and goods and as a result the benefit and organization's image in people's mind will highly increase (Kawusi & Saghayi, 2005).

The advantages of loyal customers are:

1. The benefit from more purchasing
2. Decrease in operational costs and therefore more benefit
3. Profitability derived from return of other customers
4. Profitability derived from higher price purchasing

Below are some strategies to make loyal customer:

-Financial Programs: running positive financial program affects the economical value perceived by customers

-Social Program: running social program and developing the relationship between customers and financial institutes make customers more loyal. Constant relation with customers and having knowledge about him and his need and keeping the relationship positively have more importance among practitioners of loyalty-building strategies.

-Fundamental Programs: designing and running fundamental programs is third strategies to build loyalty among customers. Banks and financial organizations provide benefits with added value for their own target customers. Providing added value is expensive and is not accessible easily. Generally fundamental programs try to provide valuable services to maintain customers.

In new generation of marketing atmosphere, companies are trying to increase more loyal customers beside the maintenance of former customers and creation of permanent relation with them. Real loyalty needs having matured relation to a brand, production or specific company (Craft, 1999; Day, 1969).

Marketing agents are looking for new ways and information by which they can find more loyal customers and by doing so, marketing costs will decrease and profitability of organization will increase (Own and Lihchen, 2001).

MATERIALS AND METHODS

Methodology

The current research is descriptive and practical and is done via distributing questionnaire among Tejarat Bank's customers. The purpose of present research is the study of relationship marketing strategy on

Research Article

customers` loyalty. The statistical community of this survey consists of 230 people of banks` customer who selected by cluster sampling. The survey instrument for measuring hypothesis is 20 questions questionnaire.

Purpose

The main purpose of present survey is to study of the effects of relationship marketing on customers` loyalty of Sistan and Baluchestan Tejarat Bank`s customers. Four factors of commitment, communication, trust and taking care of oppositions which effect communication of staffs and customers` loyalty are recognized and hypotheses are set based on these factors. The secondary purpose of this survey is to study the effects of these factors.

Survey Hypotheses

First hypothesis: there is a meaningful relation between commitment and customers` loyalty

Second hypothesis: there is meaningful relation between communication and customers` loyalty

Third hypothesis: there is meaningful relation between customers` trust and customers` loyalty

Forth hypothesis: there is a meaningful relation between taking care of opposition and customers` loyalty

Hypotheses Testing Method

In order to test the hypotheses, spearman correlation coefficient and linear regression applied and data were analyzed by SPSS.

RESULTS AND DISCUSSION

Result

First Hypothesis

After analyzing the collected data, it is noticed that employees` commitment and taking responsibilities enhance customers' loyalty for this bank. The spearman correlation coefficient and mutual meaningful level are respectively 0.605 and 0.000. With regarding the measure of spearman correlation coefficient which is lower than 0.05 it is inferred that zero hypothesis is rejected and there is a meaningful correlation between commitment and customers` loyalty.

Table 1: Result of Survey Hypotheses

Hypotheses	correlation coefficient	p-value	p-value<0.05	Result
First hypothesis	0.605	0.000	0.000<0.05	Accepting hypothesis
Second hypothesis	0.543	0.000	0.000<0.05	Accepting hypothesis
Third hypothesis	0.604	0.000	0.000<0.05	Accepting hypothesis
Forth hypothesis	0.546	0.000	0.000<0.05	Accepting hypothesis

Second Hypothesis

The study of questions of this part reveals that employee`s proper communication with customers will increase customer`s loyalty. On the other words it is concluded that customers are loyal. The spearman correlation coefficient and mutual meaningful level are respectively 0.543 and 0.000. With regarding the measurement of spearman correlation coefficient which is lower than 0.05 it is inferred that zero hypothesis is rejected and there is a meaningful correlation between employee`s proper communication and customer`s loyalty.

Third Hypothesis

The study of questions of this part shows that customers feel safe with their personal information and it makes them more loyal and the hypothesis of customers` trust is accepted. The spearman correlation coefficient and mutual meaningful level are respectively 0.604 and 0.000. With regarding the measurement of spearman correlation coefficient which is lower than 0.05 it is inferred that zero hypothesis is rejected and there is meaningful correlation between trust and customers` loyalty.

Forth Hypothesis

Data analysis of this part indicates that proper communication of bank`s staffs during offering services and taking care about unsatisfied customers will enhance customers` loyalty to bank. So the claim for

Research Article

taking care of unsatisfied customers is proven and thus it can be inferred that customers are loyal. The spearman correlation coefficient and mutual meaningful level are respectively 0.546 and 0.000. With regarding the measurement of spearman correlation coefficient which is lower than 0.05, it is concluded that there is meaningful meaning between taking care of unsatisfied customers and customers` loyalty.

Discussion

Comparing the current result with similar surveys, it is highly noticeable that the nature of services are very clear to customers in banking industries thus the product should sounds more attractive in customers view comparing to other competitive industries` products. Therefore the need of relationship marketing is felt more necessary in customers` view.

Technology plays important role in relationship marketing and it gives relationship marketing a successful plan. Banks which are the most user of this technology can present services like websites in order that they have better connection with their customers and by feedbacks they receive, they can understand customers` need better. Using desirable educational system for customers and employees to enhance the quality of banking system can be the main factor to increase the customers` satisfaction. Managers and employees` creativity and innovation in banking system also can help to present better services.

Our practical suggestions are:

Managers should emphasize on factors which increase the offer of better services

Managers must clarify the unclear factors for customers

Recruiting more skillful staffs

Running all-embracing ads to make stronger brand

ACKNOWLEDGEMENT

We are grateful to Tejarat bank of Sistan and Baluchistan, for their useful collaboration.

REFERENCES

- Agus A and Banker S (2007).** An exploratory study of service quality in the Malaysian Public Service Sector. *International Journal of Quality & Reliability Management* **24**(2) 177-190.
- Berry LL (1999).** *Discovering the Soul of Services* (Cambridge University: Editura the Free Press).
- Festus O and Maxwell K (2006).** A Typology analysis of service quality, customer satisfaction and behavioral intention in mass services. *Managing Service Quality* **16**(2) 106-123.
- Goodwin C and Gremler D (1996).** Friendship over the counter: how social aspects of service encounters influence consumer service loyalty. *Advances in Services Marketing and Management*, London, **5** 247-282.
- Gronroos C (1994).** From marketing mix to relationship marketing: towards a paradigm shift in marketing. *Asia-Australia Marketing Journal* **2**(1) 9-29.
- Islam A (2006).** Marketing planning: concepts, structures, paradigms, strategies, experiences, documents, *Bazargani pub*, pub (2) 34.
- Jamal A and Naser K (2002).** Customer satisfaction and retail banking: an assessment of some of the key antecedents of customer satisfaction in retail banking. *European Journal of Marketing* **20**(4) 146-160.
- Kawusi S and Saghay A (2005).** *Ways of Measuring Customers` Satisfaction* (Sabzan Pub).
- Kotler P and Armstrong G (2001).** *Principles of Marketing* (Prentice, Hall) New Jersey.
- Larson S and Susanna H (2004).** Managing customer loyalty in the automobile industry. *Department of Business Administration and Social Sciences*.
- Nora M and Oryan M (2007).** Strategies de marketing in domeniul serviciilor. *Revista de Marketing Online* **1**(3) 54-59.
- Palmer Adrian B, Wray D and Bejou C (1994).** Using neural network analisis to buyer -seller relationship. *European Journal of Marketing* **28** 32.
- Rashid T (2003).** Relationship marketing: case studies of personal experiences of eating out. *British Food Journal* **105**(10) 742-750.

Research Article

Vargo SL and Lusch RF (2004). The four service marketing myths-remnants of a goods-based, manufacturing model. *Journal of Service Research* **6**(4) 324-335.

Walker Orwel C, Boed Harper W and Zhan C (2001). *Marketing Strategy with Decision Oriented Approach*, Translated by Arbi & Izadi, 1383.

Wang Y, Hing P and Yar H (2003). The antecedents of service quality and product quality and their influences on bank reputation: evidence from the banking industry in China. *Marketing Service Quality* **13**(1) 72-83.