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INVESTIGATING THE EFFECTS OF MANAGER'S COMPETITIVE INTELLIGENCE ON CUSTOMER'S LOYALTY TOWARDS BANKING SERVICES (CASE STUDY: WEST AZERBAIJAN'S MELLI BANK)

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ABSTRACT

The main purpose of the present study is to investigate the effects of manager's competitive intelligence on customer's loyalty towards banking services in West Azerbaijan's Melli bank. In terms of nature and method, this study is a descriptive-survey research and in terms of purpose, an applicable study. The population of the research includes managers and experts of West Azerbaijan's Melli bank as 187 individuals in addition to customers of West Azerbaijan's Melli bank. Based on the Cochran's formula, the sample size for managers was calculated as 121 individuals and for customers it was determined as 120 individuals. Sampling is carried out through a stratified random sampling method and the data collection instrument is a researcher made questionnaire. The validity of the questionnaire was determined in a formal method and the reliability was determined via Cronbach's alpha for questions of manager's competitive intelligence and customer loyalty. In order to test the research hypotheses, the Kolmogorov-Smirnoff test, linear regression test and multiple regression tests were implemented. The results indicate that the competitive strategy and organizational competitive structure have a significant positive effect on customer's loyalty.

Keywords: *Competitive Intelligence, Customer Loyalty, Banking Services*

INTRODUCTION

We live in a world in which there is a high level of competition and changes are evident everywhere. Therefore, the need for rapid data transferring is inevitable for a dynamic competition and a smart business and without competitive knowledge; an organization cannot be sure about its strength or weakness in terms of competition. On this basis, the present time is a suitable time for making use of competitive intelligence. Competitive intelligence is the process of analysis and collection of news from competitive environments and manager's competitive intelligence enables every large or small firm and organization to make aware decisions in terms of marketing and research and development as well as suitable tactics regarding long-term strategies. Competitive intelligence enables the organizations to analyze their surrounding environment in a faster and more precise fashion and also to beneficently save the yielded results and expose them to decision makers in time. This accelerates the flow of knowledge and data in an organization and significantly improves the effectiveness of thinking and team decision making processes (Dishman and Kalf, 2008).

In fact, competitive intelligence develops the systematic programming and is related to learning, analysis and management of external and internal information and knowledge for improvement of organization's decision making abilities (Tarekh and Lankarani, 2011).

On one hand, today's institutes and organizations have found out that only customer satisfaction is not sufficient for sustaining them on the market and they have make sure that their satisfied customers are also loyal to them. In fact, for preserving competitive advantages, they need something more than just customer satisfaction, something that enables them to keep their customers even if a competitor provides similar or better services, in other words something that makes the costumers loyal to the firm.

Nowadays, customer satisfaction has increasingly turned into a prevalent structure in marketing (Sunderland, 2006). Customer loyalty significantly effects organization's performance and is also stressed out as a highly important competitive advantage in most organizations. Consequences of increased customer loyalty in service providing organizations include increased income, reduced customer

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attraction cost and a reduced cost for repeated services which leads to higher profitability (Paskert, 2008). Therefore, recognition of elements which influence customer's loyalty towards organization's services is a main purpose for researchers, scholars, organizations and their managers.

In the present era, it is not sufficient to have mere concentration on facts and analyses of past incidents, but an exact analysis of the working environment grants continuity to the organization's business environment. In the present era, achieving a competitive intelligence is an undeniable necessity for most managers in order to be able to increase their capabilities through collection and analysis of information as well as increasing knowledge and awareness. At present, most successful organizations in developed countries implement competitive intelligence as a powerful apparatus for gaining more awareness from the environment. The future of implementing competitive intelligence is promising and with no doubts, in an environment which brings up new challenges every day, organizations can rely on the capabilities of competitive intelligence and successfully analyze information and also they can dominate lack of assurance of competitive outlooks in order to feel more secured (Beik Zadeh and Eskandari, 2010).

In this regard, it seems that advancement of organization's competitive intelligence can help a better recognition of customer's changing needs as well as providing a better estimation of customers and increased customer loyalty. The purpose of competitive intelligence which is a knowledge management domain is nothing but supervision and analysis of the organization's external environment in order to obtain information related to decision making processes. With respect to increased complexity and dynamicity of the environments, it is necessary to provide a suitable pragmatic intelligence for the organization. For this purpose, many organizations have tried to establish a completely structured unit termed as competitive intelligence. This unit or division is there to help managers with their crucial decision makings (Ericson, 2005). There are also organizations which are moving towards sustaining customers and achieving their loyalty through a better performance in different industries. Since most markets are in their maturity state, the competitions and costs of attracting new customers are rapidly increasing. Sustaining customers and obtaining their loyalty is a crucial matter for continued business. Therefore, organizations should also seek different managerial strategies in order to improve their customer's loyalty. Nowadays, for preventing customers from turning over to other competitors, organizations should understand the needs and requirements of their customers more than any time before in order to satisfy their needs in a better fashion and also to establish long term relations with them (Ranjbari and Barari, 2010). In today's competitive world, increasing customer's loyalty towards an organization's services requires an increased competitive intelligence in these organizations. According to Tarekh (2012), managers make their smart decisions regarding their organizations in terms of three dimensions (competitive strategies, technology domain and organization structure). In this research we also use the help of these three dimensions to investigate these competitive intelligence based factors in Urmia's Melli bank branches. We are also trying to determine the effects of three elements of competitive strategies, technology domain and organization structure on customer's loyalty towards organization's services.

MATERIALS AND METHODS

Methods

In term of nature and method, the present research is a descriptive-survey study and in terms of purpose, it's an applicable research. It is considered as a descriptive research because it tries to understand the concept of competitive intelligence in West Azerbaijan's Melli bank for aiding the process of decision making in providing new and competitive services for sustaining and preserving customers and also for improving their satisfaction level. Also the reason for considering this research as a survey study is that it tries to investigate the ideas of human resources experts in banking domain thorough analysis of answers given to questions which are justified for this very purpose. This research is carried out in West Azerbaijan's Melli bank. The time table includes six months which starts from the first of April 2014 and ends in October 2014. The population of this research includes managers and experts in the domain of marketing and research and development of all branches of West Azerbaijan's Melli bank which count as

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178 individuals in addition to the customers of West Azerbaijan's Melli ban. In order to calculate the sample size for managers, the Cochran formula was used as follows:

$$n = \frac{\frac{3/84 \times 0/5 \times 0/5}{0/0025}}{1 + 0/004587156(\frac{0/96}{0/0025} - 1)} \cong 121$$

$$n = \frac{\frac{t^2 pq}{d^2}}{1 + \frac{1}{N}(\frac{t^2 pq}{d^2} - 1)}$$

Also with respect to the fact that the population of this research could be the entire customers of West Azerbaijan's Melli bank, the sample size for customers could be calculated through the following formula. In this relation, (a) is the level of error.

$$n = \frac{(z^2 - \frac{\alpha}{2})p(1-p)}{e^2}$$

$$n = \frac{(1.64)^2 \times 0/5 \times 0/5}{(0/75)^2} = 120$$

Sampling method in this research is based on non-probability availability, for this reason a number of 120 questionnaires were handed out to customers of Melli bank who were selected based on non-probability availability sampling. The validity of questionnaires were previously approved by a number of management professors and scholars and also for calculation of reliability, the Cronbach's alpha was used which is shown in table 1.

Table 1: Questionnaire's reliability

| Competitive Organizational Structure | Competitive Technology | Competitive Strategy | Spectrum |
|--------------------------------------|------------------------|----------------------|------------------------------|
| 0/861 | 0/873 | 0/84 | Cronbach's alpha coefficient |

For the purpose of data analysis, the tests of Kolmogorov-Smirnoff, Pearson's correlation and multiple regressions are implemented.

RESULTS AND DISCUSSION

Results

The Kolmogorov-Smirnoff test

Table 2: Kolmogorov-Smirnoff test

| Customer Loyalty | Competitive Intelligence | Structure | Technology | Strategy | Variables |
|------------------|--------------------------|-----------|------------|----------|-----------------------|
| .836 | .521 | .538 | .759 | .740 | Smirnoff-Kolmogorov Z |
| .488 | .949 | .935 | .612 | .644 | Significance level |

Since the significance level for all variables is more than 0.05 percent, the H0 hypothesis is accepted and the H1 hypothesis is denied. As a result, the distribution of research variables is normal and parametric tests shall be used for analysis of data.

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First Hypothesis test: Manager's competitive intelligence is effective on customer's loyalty towards West Azerbaijan's Melli bank's services.

Table 4: Simple linear regression for determining the effect of manager's competitive intelligence on customer's loyalty

| Predicted standard deviation | Adjusted determination coefficient | Determination coefficient R ² | Correlation R coefficient | Model |
|------------------------------|------------------------------------|--|---------------------------|-------|
| 477570/ | 3190/ | 3250/ | 0/570 | |

Table 5: Standardized and non-standardized coefficients for significant independent variables

| Test | p | T statistic | Standard coeffs βcoefficient | Non-standard coeffs Standard error | βcoefficient | Model |
|-----------|------|-------------|------------------------------|------------------------------------|--------------|------------------------------------|
| Denied H0 | .233 | 1.199 | | .442 | .530 | constant |
| | .000 | 7.536 | 570. | .113 | .855 | Manager's competitive intelligence |

According to data from table 4, the significant influence coefficient for manager's competitive intelligence indicates a positive linear relation between dependent and independent variables.

Also with respect to information from table 5, the correlation and determination coefficients which are respectively equal to 0.570 and 0.325 indicate that 32.5 percent of the changes of dependent variable are explainable by the independent variable.

Therefore, it could be concluded that manager's competitive intelligence significantly effects customer's loyalty towards the banking services of West Azerbaijan's Melli bank.

The value of calculated F according to table 7 is larger than the F in the table (2.68) and is contrary to the assumption.

On one hand, the significance level is less than error value, therefore, the linearity of relation between the variables is approved and we are able to apply the multiple regressions test.

According to the information from table 6, the multiple correlation coefficient and determination coefficients which are respectively equal to 0.678 and 0.408 indicate that 40.8 percent of the changes of the dependent variable are explainable by the independent variable.

Table 6: Multiple linear regressions for investigating the relation between dimensions of manager's competitive intelligence and customer's loyalty

| Predicted standard deviation | Adjusted determination coefficient | Determination coefficient R ² | Correlation R coefficient | Model |
|------------------------------|------------------------------------|--|---------------------------|-------|
| 0/43074 | 0/446 | 0/460 | 0/678 | |

Table 7: Variance analysis test for evaluating the linearity of relation (ANOVA)

| Significance level | T statistic | Squares' mean | Freedom degree Df | Sum of squares SS | Change source | Model |
|--------------------|-------------|---------------|-------------------|-------------------|---------------|-------|
| .000 | 32.959 | 6.115 | 3 | 18.345 | regression | |
| | | .186 | 116 | 21.522 | residue | |
| | | | 119 | 39.867 | total | |

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Table 8: Standardized and non-standardized coefficients for significant independent variables

| Significance level | T statistic | Standard coeffs | Non-standardized coeffs | | Model |
|--------------------|-------------|---------------------|-------------------------|---------------------|------------------------|
| | | β Coefficient | Standard error | β coefficient | |
| .024 | 2.284 | | .419 | .957 | Constant value |
| .003 | 3.073 | .336 | .112 | .345 | Competitive strategy |
| .015 | -2.480 | -.232 | .124 | -.308 | Competitive technology |
| .000 | 3.604 | .486 | .201 | .726 | Competitive structure |

The direction and significance of simultaneous effect of independent variables is determined according to table 8.

As you can see, in terms of competitive strategy the significance level is less than the error level and the beta coefficient of 0.336 also indicates the significant positive effect of competitive strategy on customer's loyalty.

As a result, according to the conclusions of this study, there was a significant relation discovered between competitive strategy and customer's loyalty towards banking services of West Azerbaijan's Melli bank.

First subsidiary hypothesis test: competitive intelligence based strategy is significantly effective on customer's loyalty towards banking services of West Azerbaijan's Melli bank.

Table 9: Simple, linear regression for investigating the effect of competitive intelligence based strategy on customer's loyalty

| Predicted standard deviation | Adjusted determination coefficient | Determination coefficient R ² | Correlation R coefficient | Model |
|------------------------------|------------------------------------|--|---------------------------|-------|
| 450410/ | 3940/ | 4000/ | 0/632 | |

According to table 9, the correlation and determination coefficients which are respectively equal to 0.632 and 0.400 indicate that 40.0 percent of the changes of the dependent variable are explainable by the independent variable.

Second subsidiary hypothesis test: competitive intelligence based technology is significantly effective on customer's loyalty towards the banking services of West Azerbaijan's Melli bank.

Table 10: Simple linear regression for investigating the effect of competitive intelligence based technology on customer's loyalty

| Predicted standard deviation | Adjusted determination coefficient | Determination coefficient R ² | Correlation R coefficient | Model |
|------------------------------|------------------------------------|--|---------------------------|-------|
| 572700/ | 0210/ | 0290/ | 0/171 | |

As you can see, the significance level is larger than the error value. Therefore, the linearity of relation between the variables is disproved. On this basis, the H0 hypothesis is accepted with assurance level of 95% and respectively the H1 hypothesis is denied.

As a result, according to the results of this study, competitive intelligence based technology does not have any significant effects on customer's loyalty towards the baking services of West Azerbaijan's Melli bank.

Third subsidiary hypothesis test: competitive intelligence based structure is significantly effective on customer's loyalty towards the banking services of West Azerbaijan's Melli bank.

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Table 11: Simple linear regression for investigating the effect of competitive intelligence based structure on customer's loyalty

| Predicted standard error | Adjusted determination coefficient | Determination coefficient R ² | Correlation R coefficient | Model |
|--------------------------|------------------------------------|--|---------------------------|-------|
| 468930/ | 3440/ | 3490/ | 0/591 | |

According to table 11, the correlation and determination coefficients which are respectively equal to 0.591 and 0.349 indicate that 34.9 percent of the changes of the dependent variable are explainable by the independent variable.

Conclusions and Discussion

The purpose of this study was to investigate the effects of manager's competitive intelligence on customer's loyalty towards banking services. Results of this research indicated that manager's competitive intelligence is significantly effective on customer's loyalty towards the banking services of West Azerbaijan's Melli bank. On this basis related managers and authorities should pay special attention to this point and seek solutions towards amplification of their competitive intelligence in order to improve their customer's loyalty. Results of analyses of the first subsidiary hypothesis indicated that competitive intelligence based strategy is significantly effective on customer's loyalty towards the banking services of West Azerbaijan's Melli bank. Therefore, managers are recommended to pay attention to this issue in their macro strategies and make changes in their competitive strategies in order to attract more customers and clients compared to other banks.

Results of analyses of the second subsidiary hypothesis indicated that competitive intelligence based technology does not have any significant impacts on customer's loyalty towards the baking services of West Azerbaijan's Melli bank. On this basis it is recommended to provide a clear definition of the concept of competitive intelligence in Melli bank and also technologies must be implemented which are related to the factors of competitive intelligence.

Results of analyses of the third subsidiary hypothesis indicated that competitive intelligence based structure significantly affects the customer's loyalty towards the banking services of West Azerbaijan's Melli bank. Therefore, managers are recommended to take this issue into their accounts while they design organizational structure. They are also recommended to hold special units for competitive intelligence and take steps towards improvement of competitive business. With respect to the fact that obtaining information from the external environment of the business is effective on organization's competitive status and since information are the main elements of obtaining power, organizations should pray for simple processes through technologies of information systems in order to achieve competitive advantage against other organizations.

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