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INVESTIGATION OF IMPACT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY (JOINT STOCK COMPANY OF MOBILE COMMUNICATION OF IRAN "HAMRAHE AVAL")

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ABSTRACT

The main objective of the present study has been investigation of relation between relationship marketing (trust, commitment, communication, conflict handling, and competence) and customer loyalty. Statistical population of study includes mobile users in Ahvaz. The number of users has been determined equal to 600 through cluster sampling method that 234 members was obtained out of them as the sample size using Cochran formula. In total, 234 questionnaires were distributed and 210 valid questionnaires were gathered from respondents. 2 standard questionnaires were conducted to gather research data. The data analysis was done using SPSS and LISREL software. The obtained results of modeling of structural equations have shown a significant impact of relationship marketing and its types on customer loyalty. Subsidiary results of the present study has expressed that communication has the most effect on customer loyalty and the least effect is related to conflict handling.

Keywords: Relationship Marketing, Customer Loyalty, Joint Stock Company of Mobile Communication of Iran "Hamrahe Aval"

INTRODUCTION

Today, the attitude of firms and institutions in terms of the development of competitive environment has been concentrated on taking more customers' attraction in order to gain more interest. By passing the traditional economy and development of competition in new methods, customer has considered as a main basis of all activities of firms. From competition view the survival of companies depends on attraction of new customers and keeps existing customers (Taherpour and Tayyebi, 2000). Customer is the main factor in every production or service organization in order to remain. If a company is successful in achieving customer's satisfaction and loyalty, it will be able to prepare terms of development and its long-term survival (Caruana *et al.,* 2000). It can be seen that, the marketers are about to find ways and information to create customer loyalty in order to decrease the costs of marketing and increase the profit. In today marketing, the loss of one customer means the loss of all interests related to required services in entire life of that customer. Customer orientation is an important factor in Banks and customer satisfaction is a challenge in service organizations. Today, companies are aware enough that keeping a customer is more low cost than attracting a new customer. Studies have proved that institutions and organizations are able to increase their profitability up to 25 percent by adding 5 percent to costs of customer retention (Amini and Sohrabi, 2000).

Relationship marketing can lead customer loyalty and low cost in a company through finding customers' needs. Investigations have shown that cost of service to a loyal customer is much more less than the cost of providing services to a new customer (Amini and Sohrabi, 2000). Relationship marketing includes activities with the aim of creating long-term and beneficial links between an institution and its customers in order to provide mutually beneficial (Ghazi *et al.,* 2000). Relationship marketing is an art of business. It would be crucial to create a proper relationship with customer in order to customer retention. Traditional marketing theory was about to do transaction and had no consideration towards customer retention. Development of competition, market saturation and constant changes in environment and demographics has brought a wide range of awareness for companies. Today, companies are not only faced a developing economic system and markets but every customer has special value and they have to

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compete in order to gain more market share. Hence, the cost of new customer attraction is increasing (Amirsahi and Seyfanian, 2007). Abratt and Russell believed that customer retention is absolutely vital for long-term profitability and also has a special situation in relationship marketing. Protection and reinforcement of relationship with customers has a key role in creation of competitive advantage (Noorbakhsh and Pashang, 2011).

It would be crucial for existing organizations in Iran to consider customers in order to recognize their needs and demands in terms of gaining customer loyalty. Through using relationship marketing approach it could be managed to have long term relationship with customers and also make progress in such activities that are really considered by them. All of mentioned actions would lead to customer's attraction and loyalty (Ranjbarian and Barari, 2009). Hence, this paper has investigated the impact of relationship marketing including 5 factors of trust, commitment, communication, conflict handling and competence on customer loyalty using Ndubisi and Wah model (2005).

Relationship Marketing

The world contains a lot of changes including transformation in technology, information, people demands, consumers and global markets. One of the important changes in business is changing in disposable values to customers that are expressed as a key factor of success in present organizations. Developing organizations in every industry are dependent to their ability of supply and providing more value to customers compared to competitors. Relationship marketing is about to make a great relationship with customers in order to make them buy from company again and also persuade others to do that. The best approach in terms of customer retention is to make more satisfaction and considering customer value to create more loyalty of them (Ghafari, 2010). Relationship marketing is an art of business. It is nesseccary to be skillful in making accurate relationship with customer with the aim of important customers' retention (Noorbakhsh and Pashang, 2011). Relationship marketing creates beneficial relationships for both sides through protecting the constant relation between economic sector and its customers (Amini and Sohrabi, 2001). Ndubisi and Wah (2005) presented the relationship marketing model including 5 factors trust, commitment, communication, conflict handling and competence that is shown in figure 1.

Trust: trust is defined as the belief of one side in commitments of the other side of the relationship (Dwyer *et al.,* 1987). Creation of trust in any relationship can lead to assurance about the accuracy of promises and words of the opposite side (Morgan and Hunt, 1944).

Commitment: commitment is defined as a clear or implied obligation to constant relationship between both sides (Dwyer *et al.,* 1987). In other words, sustainable tendency of business partners to keep valuable relationships is defined as commitment. The mentioned commitment is formed under the condition of the trust of both sides in importance of relationship and their attempts to improve the relationship (Morgan and Hunt, 1944).

Communication: communication is expressed as a procedure of exchanging and on-time sharing of the reliable information in official and unofficial form between both sides of a relationship (Sin *et al.,* 2002). Communication in marketing is an instrument to present reliable information (Ndubisi & Wah, 2005).

Conflict handling: conflict handling is related to control the overall level of disagreement in working relationship (Dwyer *et al.,* 2005).

Competenc: competence is the understanding of any sides of relationship about the requierd skill, ability and knowledge of opposite side for effective performance (Ranjbarian, 2009).

Customer Loyalty

Customer is a key factor in organizations in developed countries and all goals, strategies and organizational resources are used to customer attraction and retention. Therefore, the issue of keeping and improvement of customer loyalty has been a strategic challenge for those companies that are worried about keeping and development of their competetive situation in market. The mentioned companies bear a lot of costs to recognize the concept of customer loyalty and achieve sterategies for improving this concept. Improvement of quality of goods and services along with increase in competition has made companies to produce goods and services that are more accepted by customers in order to make them fix

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customers (Aarabi and Varzashkar, 2005). Customer loyalty could be defined as a deep commitment to an excellent product or service that causes frequent shopping of a brand in future considering conditional factors and marketing efforts that will change customer behavior potantially.

Customers are motivational factor for profitable growth and customer loyalty can lead to profitability. To a customer behavioral loyalty is a positive tendency toward frequent shopping of a brand in future (Haghighi *et al.,* 2012). Hence customer loyalty is related to a long term shopping of a product or service. The percentage of customers that introduce a brand to their friends and relatives could be a strongest proof to the loyalty of customers (Azizi *et al.,* 2012).

Attitudinal loyalty means to prefer a brand for shopping and a long term commitment of customers and their tendency to suggest that brand to others. Of course, this approach would be valuable only if there is a behavioral loyalty. Therefore, attitudinal approach includes indices such as trust, commitment and interest toward a brand (Azizi *et al.,* 2012).

Relationship between Customer Loyalty and Relationship Marketing

Nowadays, companies in different industries with superior performance are tending to keep customers and obtain their loyalty because most of the markets are on the top, competition and the cost of customer attraction has been increased. It is vital to keep customer and attract their loyalty in order to continue the business (Ranjbarian and Barari, 2009). Customer loyalty is a concept that has brought success for companies in competitive world today.

A loyal customer have a tendency to buy and spend more time and money thanks to this trait companies try to keep the customer close to the institution through loyalty programs (Beerli *et al.,* 2004). Customer loyalty has a lot of interests including more income, more customers that are familiar with the company and products, ability to sell products via internet, reduction of costs and increase in products' consumption (Duffy, 2004). Relationship marketing as a new approach has proved that is one the most successful approaches in research and action (Ranjbarian and Barari, 2009) and also an effective strategy to improve the loyalty and retention of customers (Kotler & Armstrong, 1999).

The results of research conducted by Jesri *et al.,* proved that factors of relationship marketing including trust, commitment, communication, conflict handling and competence has a significant impact on customer loyalty (Jesri *et al.,* 2013).

Findings obtained by Lages *et al.,* showed a significant relation between customer loyalty and relationship marketing and its factors (Lages *et al.,* 2008). Ndubisi and Wah stated that banks can create customer satisfaction in some ways including creating reliable behavior, demonstrating real commitment to services, communicating through information exchange, conflict handling by presenting competent services and making more qualified communication with customer (Ndubisi & Wah, 2005).

The obtained results of Ndubisi study proved that creation, reinforcement, retention and development of marketing programs with the aim of making trust, commitment and communication with customers can lead to customer loyalty in service industries (Ndubisi, 2006).

The results of study by Adamson proved a significant relation between relationship marketing and trust and commitments of customers (Adamson *et al.,* 2003). A study by sin showed that relationship marketing and its factors can effect on the business performance (Sin *et al.,* 2002). Accordingly, following hypotheses can be mentioned:

Main hypothesis: relationship marketing has a significant impact on customer loyalty.

Secondary Hypotheses

Hypothesis 1: trust has a significant impact on customer loyalty.

Hypothesis 2: commitment has a significant impact on customer loyalty.

Hypothesis 3: communications against change has a significant impact on customer loyalty.

Hypothesis 4: conflict handling has a significant impact on customer loyalty.

Hypothesis 5: competence has a significant impact on customer loyalty.

Conceptual Model

According to the theoretical literature and background of the present study, the following conceptual model has assessed in order to investigate the impact of relationship marketing on customer loyalty.
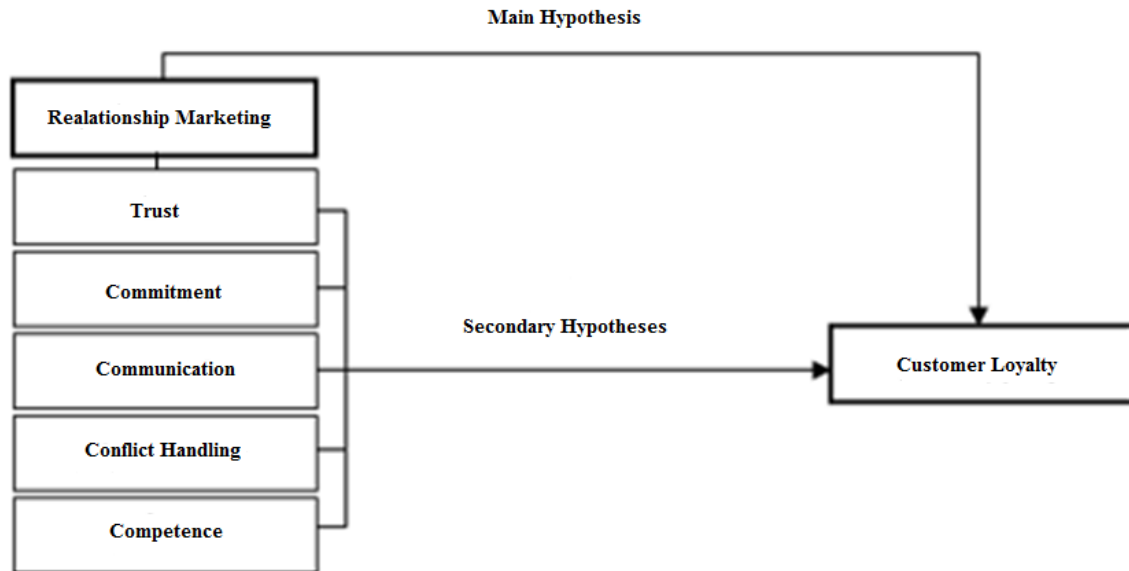
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Figure 1: Conceptual Model

MATERIALS AND METHODS
Methodology
The present study is applied research in terms of objective; in terms of data collecting is descriptive, in terms of the relationship between variables is causal and also is based on structural equations. Statistical population includes 600 members of mobile phone users in Ahvaz that 234 members out of them have been selected using Krejcie-Morgan table and simple random sampling. 234 questionnaires were distributed and 210 questionnaires were collected. Questions were divided to general and specialized parts. General questions were about demographic features of the sample and specialized questions were presented in two formats of relationship marketing and customer loyalty. The assessment tool of relationship marketing has been designed by Ndubisi and Wah (2005). This questionnaire includes five factors as follows trust, commitment, communication, conflict handling and competence. This tool includes 20 items and has been rated based on five point Likert scale rating as follows strongly disagree, disagree, neither agree nor disagree, agree and strongly agree.

The questionnaire of customer loyalty retrieved from standard questionnaire by Tylor *et al.,* (2004) contains two parts of attitudinal loyalty and behavioral loyalty. This questionnaire has been rated based on five-point Likert scale rating.

The Cronbach Alpha method and statistical software of IBM SPSS Statistic 19 have been conducted to determine the stability of mentioned questionnaires. Cronbach Alpha coefficient of relationship marketing was equal to .965 percent and it was equal to .854 percent for customer loyalty that shows stability and reliability of applied tool. In order to test the validity of questions, to methods of content validity and factor validity conducted through study. The ideas of some scholars, exerts and professionals was used to test the validity of the questionnaire's content and it was cleared that questionnaire was assessing the considered feature. Factor validity test of questionnaire was done using confirmatory factor analysis and LISREL software. According to the LISREL results in table 1, it could be seen that two measurement models are suitable and meet the mentioned conditions.

RESULTS AND DISCUSSION
Findings
This part of study has evaluated findings obtained from confirmatory factor analysis of measurement models through SPSS and LISREL softwares.

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Measurement Model

It would be vital to be sure about the accuracy of measurement models in structural equations modeling. Hence, the obtained results from confirmatory factor analysis of measurement models and variables have been presented as follows:

Table 1: Confirmatory factor analysis of measurement models

Measurement Model	Types of confirmatory factor analysis	χ2	Df	χ2/df	ρ-value	RMSEA	GFI	AGFI	CFI	NFI	NNFI
Relationship marketing model	Second order	366,41	165	2,22	0,00000	0,076	91%	90%	98%	97%	985
Customer loyalty model	Second order	64,82	25	2,56	0,00002	0,070	91%	90%	96%	94%	95%

According to table 1, it could be found that the obtained results of confirmatory factor analysis of measurement models of relationship marketing and customer loyalty shows that the main indices of variables are in an appropriate and accepted domain. In other words, conceptual models of study are greatly compatible with observed data.

In order to better recognition of variables of study some components were evaluated including mean, standard error and correlation coefficients between relationship marketing and customer loyalty (Table 2). It could be seen that all variables of study are in an ideal situation. Compared to relationship marketing, customer loyalty has obtained the more grades and among factors of variables trust and behavioral loyalty have gained the more grades. The obtained results of correlation analysis indicate a significant correlation between relationship marketing and customer loyalty.

Table 2: Mean, Standard error and pearson correlation coefficients between variables

10	Mean	Standard error	1	2	3	4	5	6	7	8
1 Trust	3,9937	.85465	1					1		
2 Commitment	3,7155	1,06698	.852**	1				0.852**		
3 Communications	3,4476	.95421	.780**	.837**	1			0.780**		
4 Conflict handling	3,8286	1,.3384	.750**	.800**	.817**	1		0.750**		
5 Competence	3,6857	1,14297	.796**	.827**	.802**	.834**	1	0.796**		
6 Attitudinal Loyalty	3,9610	.77977	.715**	.739**	.715**	.696**	.741**	1		
7 Behavioral loyalty	3,9274	1,06758	.617**	.703**	.693**	.643**	.608**	.720**	1	
8 Relationship marketing	3,7342	.93127	.901**	.938**	.918**	.915**	.931**	.783**	.731**	1
9 Customer loyalty	3,9442	.85832	.708**	.773**	.756**	.716**	.771**	,902**	.949**	.810**	1

. *Correlation is significant in confidence level of 0.01*

Structural Model

Structural equations model and path analysis has been conducted in order to test the hypotheses of study. In performance of structural equations model to main hypothesis testing, the outputs of software shows the proper structural model as follows: (χ^2/df= 1/11; RMSEA=0/041; GFI=. /97; AGFI=. /95; NFI=1/00; CFI=1/00).in other words, the observed data are greatly match with the conceptual model of study. The obtained results from structural model in standard estimation (β= 0/92) and also significant coefficients (t= 13/93>1/96) have proved the effect of relationship marketing on customer loyalty. Hence, the structural model has shown that relationship marketing can effect on customer loyalty in joint stock

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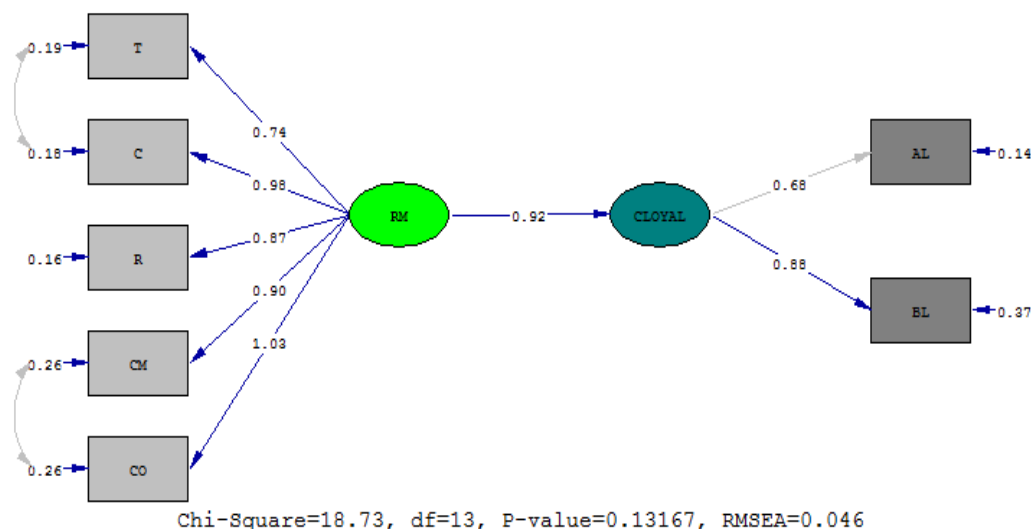company of mobile communication of Iran "Hamrahe Aval". Therefore the main hypothesis of study was approved.

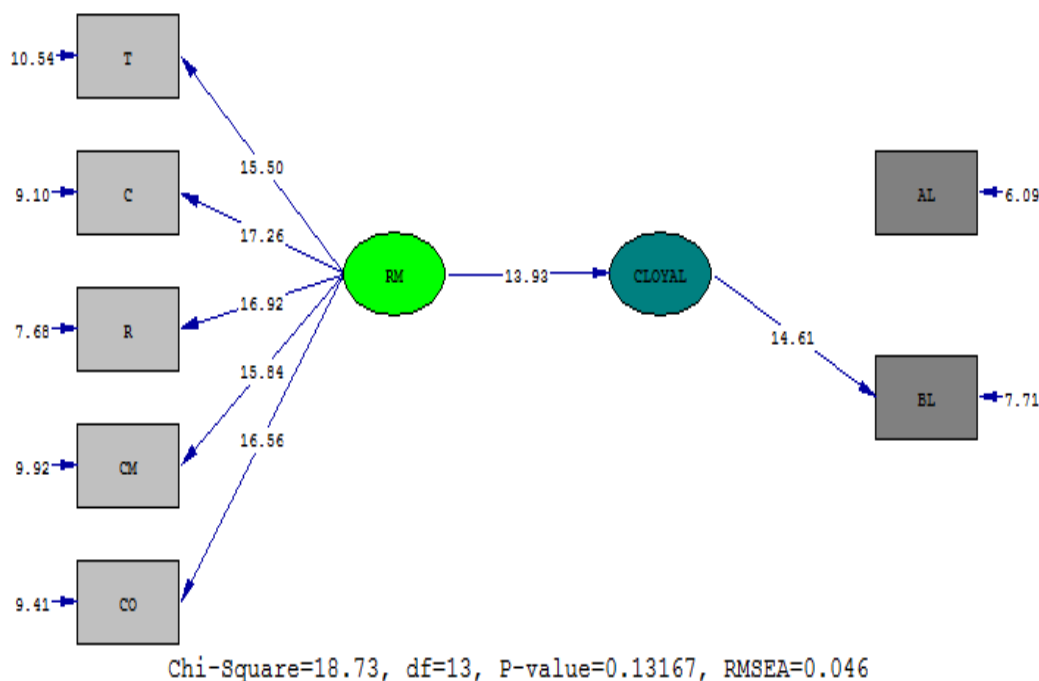**Figure 2: Diagram of Structural model in standard estimation state**


Figure 3: Diagram of Significant coefficient values of structural model

Through conducting structural equations model to test the secondary hypotheses, the obtained outputs of software showed the proper structural model as follows: ($\chi2/df=1/68$; RMSEA=0/056; GFI=0/90; AGFI=0/89; NFI=0/97; NNFI=0/99; cfi=0/99). The obtained results proves that different factors of relationship marketing including trust, commitment, communications, conflict handling and competence have a significant impact on customer loyalty. Among these variables communications has the most effect on customer loyalty (t=9/18; β=0/97) and the least effect belongs to conflict handling factor (t=8/74; β=0/40).

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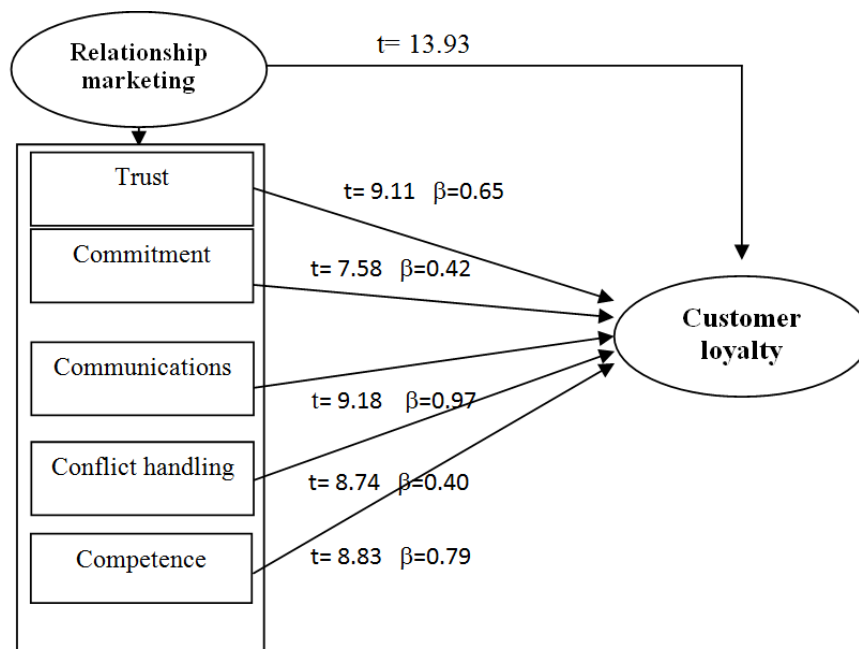
Chi-Square= 609.94; df= 362; P-Value=0/00000; RMSEA=0/057
Figure 4: Structural model to hypotheses testing

Conclusion

The main goal of companies in creation long term relationship with customers is to gain their loyalty. For marketers today it would be absolutely important to achieve this goal using relationship marketing. Relationship marketing techniques as practical factors can lead to customer retention through a high quality relationship that will attract trust and satisfaction of customers along with their loyalty. Loyal customers have frequent shopping and bring more profitability despite the existence of conditional factors, competitors' advertisements and fluctuating market (Haghighi *et al.,* 2012). As it was stated in Momeni and Mir study in 2013, relationship marketing considers the recognition of factors that are effective in relationship between customers and companies and also leads to customer retention. Companies try to be committed to their customers using relationship marketing so the customer satisfaction and value of the company promotes from the customer's view (Momeni & Mir, 2013). This paper has investigated the effect of relationship marketing on customer loyalty in the joint stock company of mobile communications in Iran "Hamrahe Aval" with the aim of improving relationship marketing in customer loyalty creation. With this purpose, structural equations modeling have been applied to test hypotheses of study. All factors of relationship marketing including trust, commitment, communications, conflict handling and competence) have significant impact on customer loyalty. The analyses proved that relationship marketing in joint stock Company of mobile communications in Iran "Hamrahe Aval" can affect reinforcement of customer loyalty. The obtained results of study can be mentioned as follows:

• Relationship marketing leads to a successful communications with customers and successful communications have a highly important role in old customers' retention.

• Relationship marketing is responsible for commitments of executive tasks in company. Serving to customers is an effective tool to customer retention.

• Relationship marketing creates commitment towards customers. The company tries to be committed to customers through relationship marketing.

• Relationship marketing can be noticed as an ability of business to effect and control the customers' behavior.

• Relationship marketing can effect on customers satisfaction. In fact, relationship marketing is another meaning of creation of relationship with customers in any level and point.

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Therefore, organizations must be able to attract, keep and improve the relationship with customers constantly through effective strategies of marketing. It would be essential to attract new customers along with the old customers' retention. In this way, customers would be convinced to introduce the products and services to others. The competitive advantage is obtained by keeping and improvement of relationship with customers. Abratt and Russell believed that keeping the existing customers is essential for long term profitability and also is considered by relationship marketing (Noorbakhsh & Pashang, 2011). Accordingly, it can be said that relationship marketing prepares the required infrastructure to improvement of customer loyalty. Following suggestions are presented to achieve the mentioned goal:

- Managers should concentrate on components of relationship marketing as follows: trust, commitment, communication, conflict handling, and competence. The more investment in mentioned components, the more customer attraction would be.

- Managers must employ skillful and expert staff and creative and knowledgeable executive managers in order to benefit from their effective performance in all marketing activities.

- Presenting constant trainings to staff in terms of how to deal with customers and how serve them.

- High quality relationship to improve long term relationship. High quality relationship can increase customer reliability and leads an interaction between service providers and customers. This relationship can create long term and stable transactions that are beneficial for both sides.

- Allocating sufficient budget in order to make effective advertisements in terms of products and services of company.

- Stablishing a special club for loyal customers to join and benefit from services and special advantages.

- Creating special and competitive projects to customer attraction and retention. Customers compare the obtained interests from services to paid costs and then judge the value of consumption. Service organizations with better suggestions present more values. These companies keep their customers and make them to have frequent shopping through increasing obtained benefits and reduce lost values.

- According to successful marketing strategies (trust, commitment, communication, competence and conflict handling) applied by Hamrahe Aval it is suggested to use other strategies and components related to customer loyalty in order to attract more customers.

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