

Review Article

EFFECT OF INTEGRATED CUSTOMER RELATIONSHIP MANAGEMENT AND PUBLIC RELATIONS APPROACH TO MAINTAIN CUSTOMERS

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ABSTRACT

Business for remaining profitable must retain customer. While communication management emphasis in public relation (PR), customer relationship management (CRM) achieve retaining customers. The purpose of this research is investigating the effect of integrated theoretical framework of CRM and PR on customer retention in insurance companies. The statistical population include all customers of Esfahan Saman insurance companies. 204 customers were selected by using random method. A self-administrated questionnaire has been used to collect required data that contained 58 questions about research variables. In order to test the hypothesis and analyze the data, regression method and structural equation modeling have been used. The result indicates that applying integrated CRM and PR effect on customer retaining.

Keywords: *Public Relations, Communication, Trust, Loyalty, Commitment, Customer Relationship Management, Knowledge Management, Price, Attract and Keep Customers, Information Technology*

INTRODUCTION

The value of retaining customer became crucial to business success and profitability. The premise of a customer relationship management (CRM) strategy is to create, develop and maintain relationship with customers (Butle, 2006). While, within communication management, the business function of public relation (PR) is to manage communication between an organization and of its stakeholders to build and maintain successful relationships (Grunic and Huang, 2000).

It is apparent that almost all the core element of CRM and PR are similar. Basically the two disciplines strive same elements. If CRM's and PR's core elements are in essence the same and if the field of customer relationship management and relationship management in PR started to overlap, their strategies could be integrated to provide a competitive advantage in customers retention in long-term insurance industry (Stroh, 2005).

Literature Review

About twenty years ago, Kitchen (1993) stated that numerous commonalities and overlaps between customer relationship management (CRM) and public relations (PR) exist. Through comparison of core CRM and PR elements, the following similarities have been found.

- CRM and PR are consistent with system theory.
- CRM and PR view strategy as essential for effectively managing and retaining clients.
- CRM and PR have the same main of establishing, developing and maintaining mutual beneficial relationship.
- Building of relationship is an aim of CRM and PR.
- CRM and PR is the main influence relationships to create and manage loyalty.
- CRM and PR view strategy as essential for effectively managing and retaining clients.
- CRM and PR aim to trust, as trust assists with managing relationship retention of clients.
- CRM and PR regard satisfaction as essential in managing relationships, as satisfied clients will return.
- CRM and PR aim to increase profitability and competitive advantage through effectively relationships management.
- CRM and PR view the commitment as vital in maintaining quality relationships.

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The Component of Integrated CRM and PR

Customer relationship management and public relation consist different component. The Integrated CRM and PR have common elements. These elements are:

Price, knowledge management, effective communication, loyalty, customer satisfaction, commitment, trust, information technology

Price: The price is the only element of the marketing mix that will generate income. But other elements are costly (Bani Asad and Saeed Nia, 2006).

The price of an insurance policy influence customer retaining less than effective communication, trust, loyalty, and the consultant's knowledge. When clients are under financial stress, the situation changes immediately and customers will go to cheaper premium regardless of the relationship, loyalty or commitment to the insurance company.

Knowledge Management: Customer knowledge management refers to acquiring, sharing, and developing the customer knowledge among employees for making profit to the organization and customers.

In order to improve efficiency and effectiveness, Insure from delivering desirable product and services to the customers and acquire satisfaction, it is necessary to manage the organization's knowledge about customers. So, knowledge management influence client retaining (Salomoun *et al.*, 2005).

Effective Communication: Effective communication is the element that will influence customer to stay with the organization. It is a pro-active method of avoiding customers to from considering cancelling policies. Effective communication largely helps client retention (Farhangi, 2006).

Loyalty: Since the customers' expectations are increasing continually, the organizations forced to satisfy their needs and wants through delivering products and services and also making them loyal toward organization by creating long-term, reciprocal and profitable relation with customers. So, loyalty is one of the major elements that contribute to client retention (Dick and Bausu, 1994).

Customer Satisfaction: Satisfaction is the customer reaction or interaction with organization. Generally, satisfaction is the perceived differences between customer's expectation and actual performances of the product or organization.

The customer experiences the satisfaction from different aspects. These include overall satisfaction, key performance characteristic of products, customer interaction, pre-purchase and post-purchase interaction, and even external appearance of the organization.

Commitment: Organizational commitment refers to members' personal feeling toward organization and also is a perceived psychological status that ties individuals to activity method about goals and motivation of loyalty toward a method.

In fact, organizational commitment focuses on this issue that satisfies employee's needs by reciprocal action with organization. Commitment like loyalty is one the major elements for client retention (Betty *et al.*, 1988).

Trust: Customers' confidence toward insurer. Clients, who were of the opinion that their brokers/ insurer were honest, were inclined to implement their strategy more easily. Broken trust and undelivered promises impact negatively on the relationship as clients are left feeling uncomfortable and dissatisfied and they soon become disloyal (Zareee *et al.*, 2009).

Information Technology: Development of every organization in Information technology area improves its capability in collecting, saving, analyzing and sharing knowledge about customer.

This leads to increase the organization's capability in responding the customers' needs and maintaining them. The customer values analysis and services personalization, that are the results of advances in information technologies revolting from traditional approach to the integrated marketing system, can be accessible through customer information system and automation of customer support processes.

Customer relationship management refers to the information- based technologies for creating relationships with customers. These enable the organization to personalize its services with high quality and low costs and help retaining customers (Sin *et al.*, 2005).

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Conceptual Model

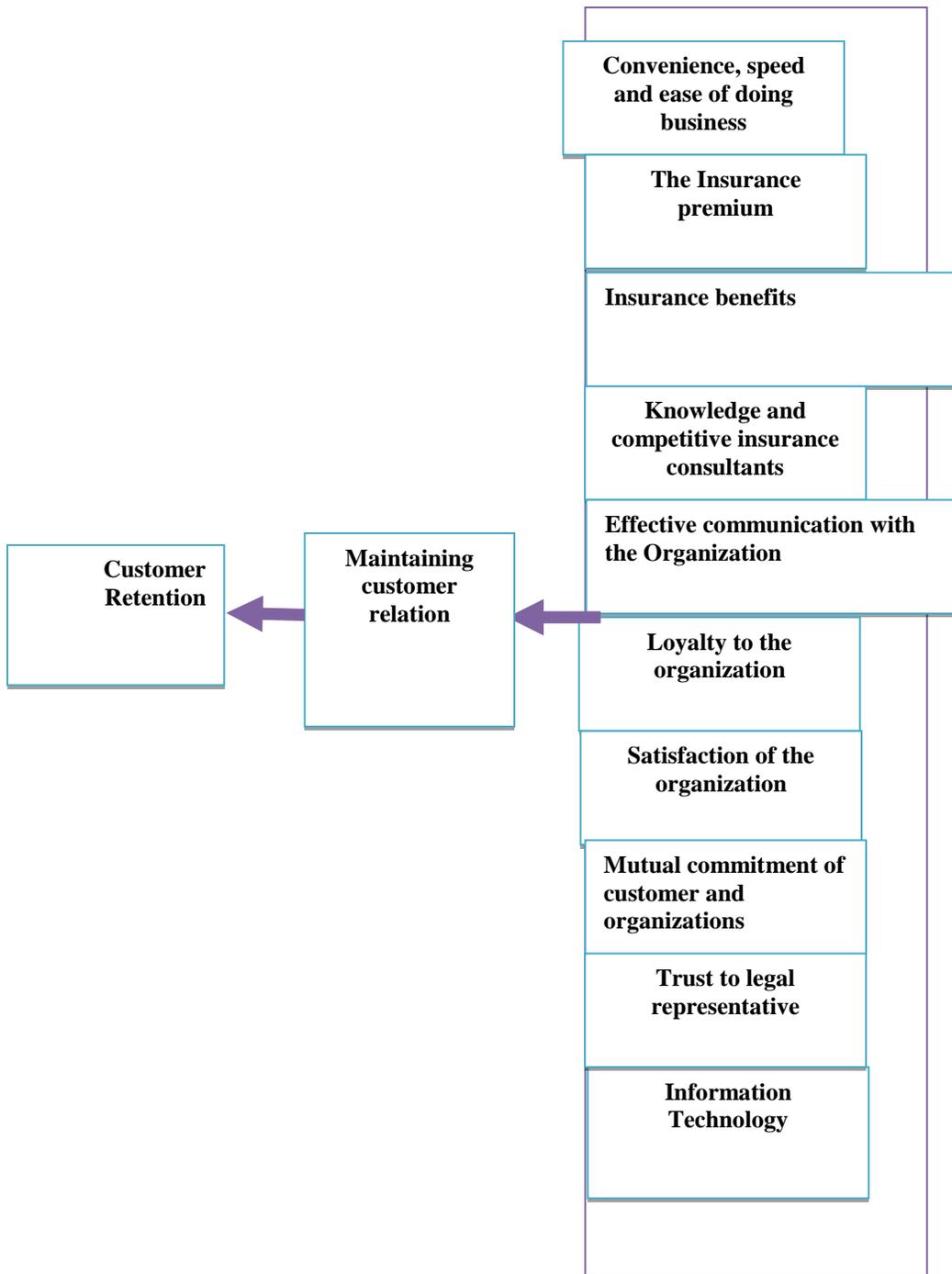


Figure 1: Conceptual Model

Research Hypotheses

Main Hypothesis:

Using integrated approach to customer relationship management and public relations has a significant impact on customer retention.

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Sub Hypothesis:

H1: Convenience, speed and ease of doing business have a significant impact on maintaining the relationship with the customer.

H2: Price policy has a significant impact on maintaining the relationship with the customer.

H3: The benefit of the insurance policy has a significant impact on maintaining the relationship with the customer.

H4: Knowledge and competitive of insurance consultants have a significant impact on maintaining the relationship with the customer.

H5: Effective communication with the customer to maintain relationship with a significant impact on the organization.

H6: Loyalty toward the organization has a significant impact on maintaining the relationship with the customer.

H7: Feeling satisfaction toward organization has significant impact on a client to stay in the relationship with the organization.

H8: Mutual commitment of customer and organization has significant impact on maintaining the customer relationship with the organization.

H9: Trust to legal brokers has a significant impact on a client to stay in the relationship with the organization.

H10: Information technology has a significant impact on maintaining the relationship with the customer.

H11: Maintaining customer relationship to organization has a significant impact on customer retention.

Validity and Reliability of the Questionnaire

Validity: In order to examine and test the validity of the questionnaire, face validity has been used. For this purpose, supervisor and professional experts have been asked to review and modify the questionnaire. The final version of questionnaire after their modification has been developed and thereby validity of the questionnaire has been confirmed.

Reliability: In order to test the reliability of the questionnaire, Cronbachs` Alpha coefficient has been measured for questionnaire. The coefficient alpha Cronbach was .9 for our questionnaire. As we know, coefficient of .70 is an acceptable value for reliability, so reliability of our questionnaire has been confirmed.

Demographic Features of the Respondent

To easily understood and interpreted the data, it is necessary to analyze their data. Means data classification, regulation, processing and summarizing the data to answer the research questions and test hypotheses.

Age: As shown in Table 1, 20 to 29 years (5.38 percent) constituted the study sample and most members of the community. Also with 1.6% of those age 50 years and older members of society least statistical form.

Table 1: Describe the Target Population According to Age

Age	Frequency	Percent
Less than 20 Years	31	16.6
29-20	72	38.5
39-30	63	33.7
49-40	18	9.6
50 Years and Over	3	1.6
Total	187	100

Sex

As Table 2 shows, 62 percent of respondents were male and 38 percent of them are female.

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Table 2: Describe the Target Population According to Sex

Sex	Frequency	Percent
Man	116	62
Woman	71	38
Total	187	100

Marital Status

As Table 3 shows, the percentage of respondents 66.3 to 33.7 of married and single people have formed.

Table 3: Describe the Target Population According to Marital Status

Marital status	Frequency	Percent
Single	63	33.7
Married	124	66.3
Total	187	100

Education

As it is shown in Table 4, those with a bachelor's degree with highest statistical population constitutes 56.7 %. On the other hand, those with graduate degrees or higher with a minimum of 5.0% of the population have formed.

Table 4: Describe the Target Population According to Education

Education	Frequency	Percent
Less than High School Diploma	11	5.9
Diploma	27	14.4
Diploma	42	22.5
License	106	56.7
Master's Degree or Higher	1	0.5
Total	187	100

Job

According to the table, self-employed persons with 85% of the population and the largest number of employees in the private sector by 3.7 percent to make up the minimum number of target population.

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Table 5 : Describe the Target Population According to Job

Job	Frequency	Percent
Private Sector Employees	7	3.7
Public Sector Employees	21	11.2
Free	159	85
Total	187	100

Data Analysis

First part of the normal distribution of data in variables through Kolmogorov-Smirnov test will be discussed. After that, the first order confirmatory factor analysis results will be presented. Then, hypothesis, sample using path analysis and multivariate linear regression analysis will be assessed. Normal distribution of data to evaluate claims about the issues on the ballot test data distribution of a continuous variable Kolmogorov-Smirnov test (KS) is used. In this test, the null hypothesis, the data distribution is an assertion about the issues on the ballot (Momeni, 2007). In the present study, the normal distribution of data was evaluated using the KS test. The results in Table 6 indicate that all of the samples follow a normal distribution because they are more than 5% significance level the null hypothesis is not rejected. To test parametric statistical tests can be used.

Table 6: Kolmogorov-Smirnov Test

Variable	Normal	Significant (P-Value)
Ease of Doing Business	0.85	0.081
Price Policy	0.099	0.058
Policy Interests	1.25	0.144
Knowledge Management	1.16	0.063
Communications	1.31	0.061
Loyalty	.077	0.065
Customer Satisfaction	1.06	0.188
Commitment	0.89	0.174
Trust	1.18	0.056
Information Technology	0.91	0.075
Maintain Communication with the Customer	1.06	0.209
Customer Care	.088	0.067

- H0: Data distribution is normal.
- H1: Data distribution is not normal.

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The Research Hypotheses

Main Hypothesis Testing

The main hypotheses: application of integrated approaches to customer relationship management and public relations has a significant impact on maintaining customer. The main hypothesis of the model and its subsidiary hypotheses are tested.

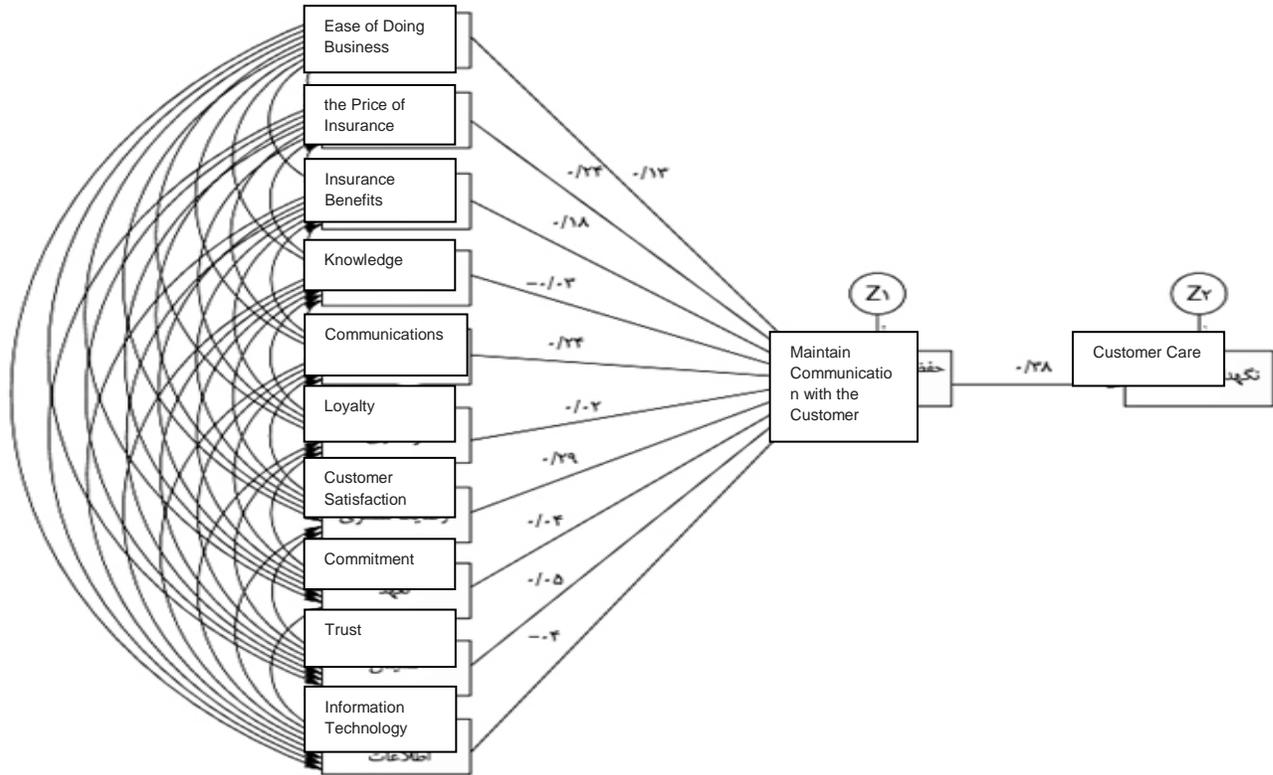


Figure 2: Research Model (Path Analysis)

Sub-hypothesis testing based on test results of the structural equation model: H1: Convenience, speed and ease of doing a business have a significant impact on maintaining the relationship with the customer.

The results in Table 7 show that the ease of doing business index is positive and significant impact on maintaining customer relationship with the organization's standard. 126 The first sub-hypothesis is confirmed.

Table 7: The First Sub-Hypothesis Test

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E	Standard Rate	Secondary Hypothesis
Verification Result	.015	2.44	.036	.126	H1 Maintain communication with the client <--- Ease

*** Indicates that the P value is less than 0.001

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H2: Price policy has a significant impact on maintaining the relationship with the customer. Table 8 shows the results of the coefficient is positive and significant impact of price policy on maintaining a customer relationship with the organization's standard 0.244. The second sub-hypothesis is confirmed.

Table 8: The Second Sub-Hypothesis Test

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Verification Result	***	3.492	.061	.244	H2	Maintain communication with the client <--- price policy

*** Indicates that the P value is less than 0.001

H3: The benefit of the insurance policy has a significant impact on maintaining the relationship with the customer. Results Table 9 shows the positive impact of the policy interest rate of 0.179 standards maintaining customer relationship with the organization. The third sub-hypothesis is confirmed.

Table 9: The Third sub-Hypothesis Test

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Verification Result	.004	2,85	.056	.179	H3	Maintain communication with the client <--- insurance benefits

*** Indicates that the P value is less than 0.001

H4: knowledge and competent of the insurance consultants have a significant impact on maintaining the relationship with the customer. Table 10 shows the results of the competition, insurance consultants significantly positive effect on maintaining communication with the client organization. The fourth sub-hypothesis is not confirmed.

Table 10: Sub-Fourth Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Not Approved	.554	-.592	.042	-.035	H4	Maintain communication with the client <--- Knowledge

*** Indicates that the P value is less than 0.001

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H5: Effective communication with the organization to maintain a relationship has a significant impact on the customers.

Table 11 shows the results of effective communication with the positive impact of the standard rate of 0.235 to maintain contact with the client organization. The fifth sub-hypothesis is confirmed.

Table 11: Sub-Fifth Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E	Standard Rate	Hypothesis Subsidiary	
Verification Result	***	3.729	.047	.235	H5	Maintain communication with the client <--- Communications

*** Indicates that the P value is less than 0.001

H6: loyalty toward organization has a significant impact on a client to stay in the relationship with the organization.

Table 12 shows the results of a significantly positive effect on maintaining customer loyalty to the organization. The sixth sub-hypothesis is not confirmed.

Table 12: Sub-Sixth Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Not Approved	.778	.282	.044	.016	H6	Maintain communication with the client <--- Loyalty

*** Indicates that the P value is less than 0.001

H7: Feeling satisfaction toward organization has significant impact on the customer relationship with organization.

Table 13 shows the results of the satisfaction of the positive impact of the standard rate of 0.286 to maintaining the customer relationship with the organization. The seventh sub-hypothesis is confirmed.

Table 13: Sub-Seventh Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Verification Result	***	4.257	.055	.286	H7	Maintain communication with the client <--- Customer Satisfaction

*** Indicates that the P value is less than 0.001

H8: mutual commitment of customer and organization has significant impact to maintain the customer relationship with the organization.

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Table 14 shows the results of the mutual commitment and positive impact on customer retention customer relationship with the organization. The eighth sub-hypothesis is not confirmed.

Table 14: Sub-Eighth Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Not Approved	.602	.521	.056	.036	H8	Maintain communication with the client <--- Commitment

*** Indicates that the P value is less than 0.001

H9: Trust to legal brokers has a significant impact on client to stay in the relationship with the customer. Table 15 shows the results of a positive and significant impact on maintaining confidence in the legal representative of the client organization. The ninth sub-hypothesis is not confirmed.

Table 15: Sub-Ninth Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Not Approved	.487	-.696	.056	-.049	H9	Maintain communication with the client <--- Make

*** Indicates that the P value is less than 0.001

H10: Information technology has a significant impact on maintaining the relationship with the customer. Results Table 16 shows the positive impact of information technology on maintaining a client relationship with the organization. So do not confirm sub-hypothesis.

Table 16: Sub Test my Hypothesis

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Not Approved	.509	-.066	.052	-.039	H10	Maintain communication with the client <--- Information Technology

*** Indicates that the P value is less than 0.001

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H11: Maintaining customer relationship to organization has a significant impact on customer retention. The eleventh secondary hypothesis is confirmed.

Table 17: Sub-Hypothesis Testing

Result	Significant P	The Critical Ratio C.R.	Standard Error S.E.	Standard Rate	Hypothesis Subsidiary	
Verification Result	***	5,679	.073	.384	H11	Maintenance of client <--- maintain communication with the customer

*** Indicates that the P value is less than 0.001

Ranking of Variables (Friedman Test)

Friedman test is to check whether the same priority (ranking) depends on a number of variables used by people. In this section, the following hypotheses are tested.

H0: Average rating of variables are equal.

H1: At least a couple of average rating variables are significantly different.

Friedman test has two outputs. First output, Table 19 Descriptive statistics show that the mean scores of each variable. Whatever the average rate is higher, the variable is more important. The variable of customer retention has rated better than other variables.

Table 18: Results of Friedman Test (Mean Rank of Variables)

Variables	Average Rating
Ease of Doing Business	7.33
The Price of Insurance	6.22
Insurance Benefits	5.26
Knowledge	6.93
Communications	5.73
Loyalty	4.53
Customer Satisfaction	4.70
Commitment	7.11
Variables	7.09
Ease of Doing Business	7.34
The Price of Insurance	5.78
Insurance Benefits	9.98

The second output, Table 19 show the chi-square statistic, degrees of freedom and provides meaningfulness. Because its significant is less than the threshold of 5%, H0 hypothesis is rejected similar claims of the mean scores of the variables will not be accepted.

Table 19: Friedman Test (Significant Result)

Test Result	Error Rate	Significant	Degrees of Freedom	χ^2
Reject H0	0.05	0.000	11	360.116

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Conclusion

In general the finding of this research indicated that all of fundamental elements of the integrated framework were necessary for effective client retention in Saman Insurance company, with some elements being more important than others. The five most relevant elements were: effective communication, satisfaction, loyalty, trust, information technology and knowledge management. The following client retention strategies from integrated CRM and PR affirmed: the value of relationship, clients are willing to pay more for a relationship, and the role of effective communication.

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