

Evaluate the Effectiveness of Customer Relationship Management in the Banking System (Case Study: Melli Bank of Arak)

Seyed Mohammad Hossein Lotfi Ashtiani¹, Seyed Mohsen Lotfi Ashtiani², Seyed Ahmad Lotfi Ashtiani³

¹Master of Business Administration, Arak Branch, Islamic Azad University, Markazi, Iran, ²Master of Business Administration, Arak Branch, Islamic Azad University, Markazi, Iran, ³Master of MBA, Industrial Management University of Markazi, Iran

Abstract

The aim of this study was to evaluate the effectiveness of customer relationship management in the banking system. This research is applied in the aim and is in the range of causal studies. To evaluate proposed hypotheses and statistical analysis was used of field study method and a questionnaire to collect data. This research statistical society concludes Melli bank customers of Arak city and was used the proportional sampling method for sampling and was finally completed 236 questionnaires because lack of accountability of some respondents and incompleteness of some questionnaires. To test the hypotheses, it has been used the structural equations modeling and LISREL software. According to the data analysis, the results indicate that the effectiveness of customer relationship management has a positive impact on customer satisfaction and customer loyalty. Customer satisfaction has a positive effect on customer loyalty, cross buying. And on the other hand, customer loyalty has a positive impact on cross buying.

Key words: Effectiveness of customer relationship management system, Customer satisfaction, Crosses buying, Customer loyalty

INTRODUCTION

On the eve of the twenty-first century, the pace of change is so great that it is simply impossible to understand. Today, the survival condition of the institutions is the ability to attract and retain informed customers. Today, customer satisfaction is not enough and the organizations such as banks should not be happy from the satisfaction of their customers. They must ensure that their satisfied customers are loyal too (Sabzaii and et al., 2014). Recovery of customers data, its precise and targeted analysis with an emphasis on putting the customer as the core focus of the organizations activities lead to the organizations achieve their goals. Obviously, for the development of e-commerce in the country and entry into global markets

and membership in organizations such as WTO, the basic requirement is customer relationship management. The serious attention to clients requires continuity in today's competitive markets. The organization can decrease their productive costs and increase their earnings through customers' satisfaction (Dehmordeh and et al, 2010). The main goal of this study is to validate the research hypotheses with theoretical arguments in the matter of research, as well as it is the suitable ground for future research in other educational and research centers.

Problem statement

Over the past few decades, changes in delivery channels has changed banking industry. For more than 28 years, the banks have used the branch operations. Since 1980, with entry to the relationship business, and its multiple uses, the changes resulted, and the banking industry was affected it.

The advent of delivery channels and payment systems, including ATM machines instead of delivery, call centers instead of bank branches, online banking and credit cards instead of the traditional financial transactions, have led banks to emerging electronic markets. In today's

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Corresponding Author: Seyed Mohammad Hossein Lotfi Ashtiani, Master of Business Administration, Arak Branch, Islamic Azad University, Markazi, Iran.

competitive market, to adopt different strategies of competitors strategies, have to collect customers behavioral data, even customers are happy and loyal, because finally on the change highway, if we stand, others will reject on us (Peter Drucker), an excellent example of this, banks competition is to adjust their interest rate (Alvandi and Karimi, 2009).

Firms and institutions attitude has inevitably been focused on the customer satisfaction attraction for sales and gaining more profit in terms of competitive space expansion. With the transition from the traditional economy and strongest competition in modern aspects, the customer is the central pillar and the axis of all activities of organizations, so that from a competitive point of view, survival of organizations depends on identification and attraction of new customers and existing customers maintain. Today, the country trade and economic development depends on the development of the banking industry along with other country industries and also other developed countries banking industries. At the moment, we have a high percentage of government ownership in this industry, but with the advent of some private banks, the competition has also started in this industry but, however, it is far from the level of global banking. Competitive advantage access is necessary to improve the services provided. With the discovery of marketing performance relationship and management of customer relation, different banks are better able to realize their weaknesses and thus are better able to realize the customers' needs and try to fix it (Kalantari and Tayebi Tloo, 2010). According to this principle, this study is to evaluate the effectiveness of customer relationship management from the perspective of clients in the banking system and investigate how the relation among the effectiveness of customer relationship management or variables such as customer satisfaction, loyalty and buying cross?

Research studies background

In connection with customers' relationship management subject, it can be summed up the history of the emergence of subjects and issues related to the field of customer relationship management in the three periods, the industrial revolution (manual production to mass production), quality revolution (mass production to continuous improvement) and the customer revolution (continuous improvement to mass customization) (Khaleghi Baigi and et al., 2014). From two decades ago until now, the customer relationship management is important as an organizational important matter, although meaningful use of this term returns to the 1990s, but its principles had been established a long time ago (Khaleghi Baigi and et al, 2014). Kasyanov (2000) defines the customer relationship management as a strategy in the organization level to optimize profitability and

revenue and to satisfy the customers with organizing based on different groups of customers, promote consensual behavior and associate processes from customers to suppliers, and states that the investment in customer relationship management

Leads to better understanding, more accessible and more effective interaction with customers through various channels (Salivate et al, 2011).

Studies have shown a correlation between satisfaction and loyalty, and it is known as a main determinant of loyalty. The interests of customer satisfaction can benoted to the increase of trades, the desire to increase purchases, decreased sensitivity to prices and transactions cost (Samadi et al, 2014). Ngobo (2004) has reported a slight relationship between customer satisfaction and Interactivity. Reinartz et al (2009) considered the direction and strength of the relationship between loyalty and cross-buying using a Granger causality test and found that the loyalty influences on cross-buying but customer cost level is different in grouping of various products.

Sang Long et al (2013) showed in their study that customer relationship management has a positive relationship with dependent variables (satisfaction and customer loyalty) is the (Sang Long et al, 2013). In the year (2015) Sharifi Tehrani and colleagues' showed in their study that there is a meaningful correlation between customer loyalty and customer relationship management, customer knowledge management and organizational innovation. The obtained results of this study showed that the organizational innovation must be considered the first priority to implement loyalty strategy of organization (Sharifi Tehrani et al, 2015).

THE THEORETICAL FRAMEWORK OF RESEARCH

Customer eelationship management

The importance and status of customer relationship management in the new business trends is obvious and, it is necessary to design and implement a system to attract and retain customers in organization, the system that can manage relations between the organization and customers as well as. Today's, these systems are known as customer relationship management, and software have come to market named customer relationship management that can build more capable organization in customer satisfaction. The aim of appropriate and long-term relationship with clients is to lose fewer customers and attract more of them to gain more profit for the organization (Khaleghy Baygy et al, 2014).

The highly competitive space of markets in the domestic and international levels requires the public and private organizations put more attention to customer relationship management and increase of provided services quality to them regarding to environmental features and customers' needs and demands. Good communication with customers leads to increase of customer satisfaction, increase of their loyalty and increase of competitiveness and is along with increase of average profitability. Researchers believe that the failure rate or failure of customer relationship management projects is more than sixty to seventy percent that this rate is very high and considerable rate. However, creation of coherence between the programs associated with customer relationship management and reforms in different sectors of organizations on the one hand, the needs and desires of customers and clients on the other hand, requires the implementation of a comprehensive system for communicating effectively with customers that the organizations despite of the high failure rate, interest to implement their CRM projects too. However, the benefits of appropriate and effective communication with customers such as increased customer retention, reduce marketing costs, improve service, increase employee productivity and finally build sustainable competitive advantage, makes the organizations always consider customer relationship management as one of the most important organizational programs (Kaleigh beige and et al, 2014).

Customer Satisfaction

Customer satisfaction is an expected outcome of complementary marketing activities, so that by providing of satisfied services and products succeed in today's highly competitive world of trade. Satisfaction can be revised as supplementary pleasurable activities when the consumer feels it in consumption (Haghighi et al, 2012). Customer satisfaction can be defined the customer achievement to the goal that has before predicted. That is, the products and services that meet customer already has in mind (Javanmard and Husseini, 2013).

Jamal and Nasser define customer satisfaction as feeling or attitude of a customer towards a product or service after they use it. For example, if customers are satisfied by a particular service, they will high likely repeat their buy. Satisfied customers also probably talk to others about their experiences and as a result of they engage in word of mouth (oral- verbal) positive advertisements. In contrast, unhappy customers will probably cut their ties with the company and engage in negative word of mouth advertisement. Furthermore, the behaviors such as purchase repeat, and word of mouth advertisements directly affect the survival and profitability of company (Mehrani et al, 2013).

Customer loyalty

In customer strategy, customer loyalty has strategic importance for any organization. Increased customer loyalty has become a hot topic among managers, consultants and academic scholars. Anderson and Narooos (2004) believe that customer retention for the organization is much more efficient strategy than trying to gain new customers to replace lost customers. Therefore, in the face of crowded and super competitive markets, service providers in many industries, have changed its emphasis on marketing strategies to retain existing customers than acquiring new customers (loyalty). Loyalty returns to Jacoby and Kinezdefinition in 1971. Loyalty is intolerance to brand and behavioral response during time that the person prefers the special brand rather than other brands and decides about it as a psychic commitment. The loyalty happens when the customers strongly feel that desired organization can meet their needs in the best possible way. So that the competing organizations go out from the clients considerations. Therefore, it is important to examine and understand the customer loyalty indexes that customer loyalty or disloyalty determines the success or failure of financial firms. Maintain and strengthen customer loyalty to a company's products or services is generally main and central point of marketing activities. Customer loyalty can lead to lower marketing costs, and attract more customers, and affect the dealing. In addition, loyal customers spread the word of mouth world quickly, and are against of competitors' strategy (Derakhshani and Mahmoudi, 2014).

Cross-buying

Verhoeff et alin 2001, introduced the term cross buying for the first time and defined it as purchase of different products and services from one provider. In other words, cross buying is defined as various products purchase from a single vendor. In fact, cross selling and its benefits is just the time that the buyers interest to buy cross. Identification of cross selling opportunities is on the one hand and on the other hand is the successful execution of this method. Implementation of cross selling depends on the factors such as manpower training, encouragers, advertising campaigns, knowledge transfer between different parts of the company, and teamwork. In some of the services, customers tend to use multiband relations, for example, many the banking industry customers have multiple accounts at several different banks. Therefore, the side purchase is complementary for side selling that the providers of services and products perform to increase the services and products that the customers receive of that firm (Golrokh and Khanlari, 2014).

Customer purchase intent for multiple financial services depends on the level of their overall satisfaction from their shopping experience of the bank. In addition, the

customer relationship with the service provider affects the cross-selling and their future purchasing behavior. But various studies has showed contradictory findings of weak relationship or low importance of this relationship between satisfaction and cross-buying.

Reinartz et al (2008) evaluated the direction and strength of relationship among loyalty and cross-buying using Granger causality test and found out that the loyalty affects the cross-buying but the customer cost level is different in grouping of various products. Finally, based on the theoretical framework of the research hypotheses are as follows:

- H1:** Effectiveness of customer relationship management has a positive impact on customer satisfaction.
- H2:** Effectiveness of customer relationship management has a positive impact on customer loyalty.
- H3:** Customer satisfaction has a positive impact on customer loyalty.
- H4:** Customer satisfaction has a positive impact on cross buying.
- H5:** Customer loyalty has a positive impact on cross buying.

RESEARCH MODEL

According to the proposed model, variable (effectiveness of customer relationship management system) is as model independent variable and variables (customer satisfaction, customer loyalty and cross buying) are as the dependent variables of the model. Thus, according to the description provided, the analyses of the conceptual model are as follows:

RESEARCH METHOD

This research is functional in research directions and is casual in method and nature, because the researcher tries to evaluate the impact of customer relationship management effectiveness on customer behavior in banking system. In

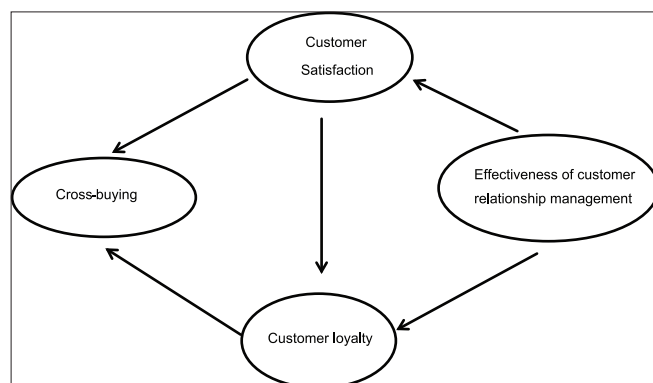


Figure 1: conceptual model

this path, it has been used the statistical technique of structural equations that is a way to evaluate causal relations between the variables. In the present research, according to the objectives and its executive procedures, statistical society is Melli bank customers in the city of Arak. The questionnaire used in this research has 24 questions that has been designed and developed by paper of Padmavasy et al (2012). It has been used of Likert five-item scale to measure indices in questionnaire. The initial validity of the questionnaire was provided by the opinions of experts and university professors and questionnaire reliability has been used of Cronbach's alpha scale method. At this stage, the numbers of 27 questionnaires were distributed to assess the reliability, then the software SPSS was used to determine the credit.

Table 1: Cronbach's alpha coefficients of the variables

Dimension	Cronbach's alpha
Effectiveness of customer relationship management	0/762
Customer satisfaction	0/814
Customer loyalty	0/753
Cross-buying	0/867

Findings analysis

The demographics of the respondents is provided in the table (2). To evaluate the research model, before verification of the structural relationships must be ensured the appropriateness and model good fitness. The model developed in this study were evaluated based on most important of the fit indices (Asfydany and Mohsinin, 2013) which its results have been reported in Table (3).

In the software output for a general consensus about being good or bad of the fitted model, must consider several indicators to draw conclusions. According to obtained values in the table (3), the present research model demonstrates excellent fit and is approved in total. After confirming proper fit of the model and factorial loads, the results derived from the analysis of measurement model will be considered now. Regarding to path coefficients and meaningful numbers (in parentheses) obtained in Figure (2) and (3), the research hypotheses tested that its results is provided in table (4).

Conclusions and research recommendations

In this article, we have tried to consider the impact of customer relationship management effectiveness on the customer satisfaction, the impact of customer relationship management effectiveness on the customer loyalty, the impact of customer satisfaction on the customer loyalty. To do called research, 250 questionnaires were collected from customers of Arak city Mille bank and were finally completed

Table 2: The demographics of the respondents

	Dimensions	Abundance	Percentage		Dimensions	Abundance	Percentage
Gender	Man	174	60.6	Age	18-25	40	13.9
	Woman	113	39.4		26-35	80	27.9
Education	High school and diploma	136	47.4	36-45	115	40.1	
	Associate degree	33	11.5	46-55	41	14.3	
	Bachelor	88	30.6	55-65	11	3.8	
	Master and higher	30	10.5				

Table 2: Evaluation of the indices of the fitness of the research model

Indices of fitness	Standard amounts	Amounts in this study
$df/\chi^2/df$	Less than 3	2.23
Root mean squared error of approximation (RMSEA)	Less than 0.08	0.072
Standardized root mean square residual (SRMR)	Less than 0.05	0.03
Normed fit index (NFI)	Up to 0.9	0.96
Non-normed fit index (NNFI)	Up to 0.9	0.97
Comparative fit index (CFI)	Up to 0.9	0.98
Incremental fit index (IFI)	Up to 0.9	0.98
Goodness of fit index (GFI)	Up to 0.9	0.92
Adjusted goodness of fit index (AGFI)	Up to 0.8	0.88

Table 4: Hypothesis and their results

Direction	Value	Standard	Result
CRM→SAT	7.25	0.79	Confirmed
CRM→LOY	3.68	0.49	Confirmed
SAT→LOY	2.54	0.33	Confirmed
SAT→CRB	4.29	0.51	Confirmed
LOY→CRB	4.19	0.46	Confirmed

236 questionnaires, then the research hypotheses were tested with research conceptual model test using structural equations technique. Regarding to obtained results, it is specified that the effectiveness of customer relationship management has the positive effect on customers' satisfaction and customers' loyalty of Arak city Mille bank, this means that the increase of the effectiveness of customer relationship management increases the customer satisfaction and loyalty. The recommendations in its line are recommended that:

- By training classes on the customers' relationship management, on power and skill of employees, and providing better services so that is needed and desired of customers, communicate with them.
- Also get feedback of customers about the service satisfaction, increase the services quality by fixing the weaknesses and reinforcing the strengths.
- Regarding to the specified results that customer satisfaction has a positive effect on customers' cross-buying of Arak city Mille bank, and this hypothesis is verified, that means that the increase of customer

satisfaction increases the customer cross-buying. The recommendation in line with the third and fourth hypotheses:

- It is recommended that ask about the level of the factors causing satisfaction and the factors causing dissatisfaction by survey up to then be able to resolve weaknesses and reinforce strengths, obtain the level of customer satisfaction in order to gain their loyalty.
- It is recommended that with setting up the banking new services such as online banking and electronic banking, responds to the demands and needs of customers because today, customers are looking for new and different services than before, and have demand for services that can do their banking affairs at home, at work and in general in absentia.
- It is recommended that the bank to meet its obligation to customers, and by fulfillment to these commitments increase the customer satisfaction and loyalty. And finally, about the last hypothesis, it has been specified that the customer loyalty has the positive effect on the cross-buying of Arak city Mille bank customers and this hypothesis is verified, that means that with the increase of customer loyalty, increase the cross-buying. The recommendations about the fifth hypothesis are recommended:
- By observing the customer-oriented principles has always been organized this attitude in customers mind that in association with customers, prioritize their demands, and with doing to its commitments and statements against customers include this slogan that always the right is with customer in customers belief, and create the necessary confidence.
- It is suggested that show the customers that their value is more than the financial profit for the bank. They can respect and value the customers ranging from young and old, or any type of personality of customers.

Among the limitations of this study are as follows:

Done research is in the level of Arak Mille bank and it is possible to obtain different results with displacement of statistical society due to cultural and attitudinal differences.

Some uncontrolled variables such as age, education, gender and cultural characteristics of individuals may be affected results.

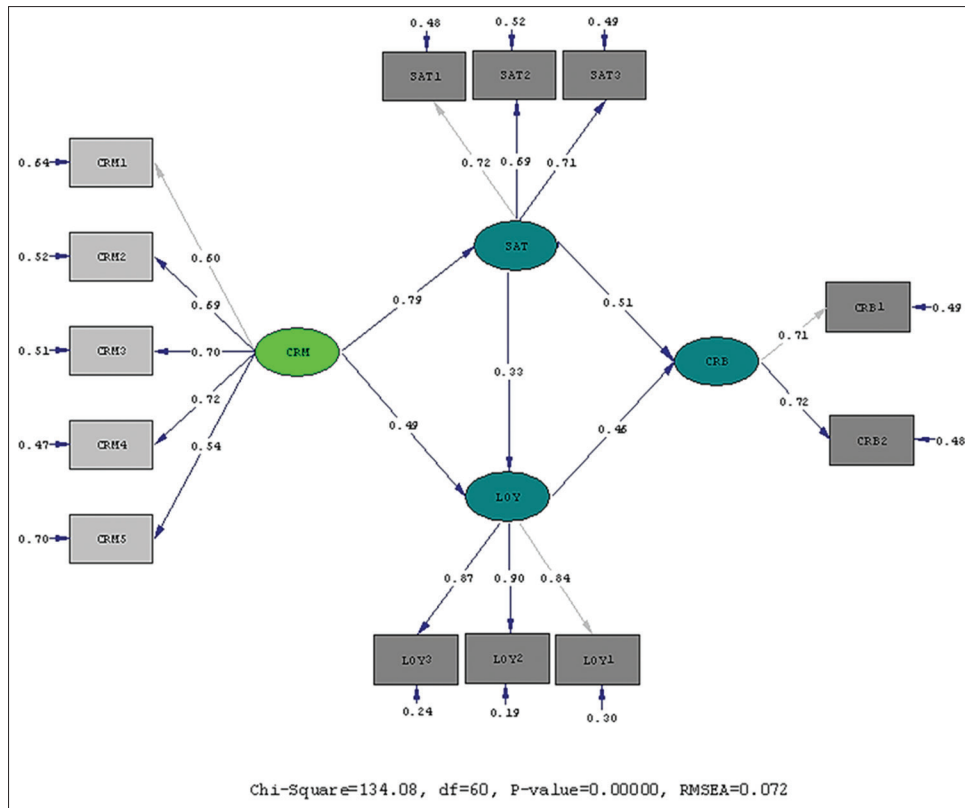


Figure (2): measuring the overall model and the results of relation in standard mode

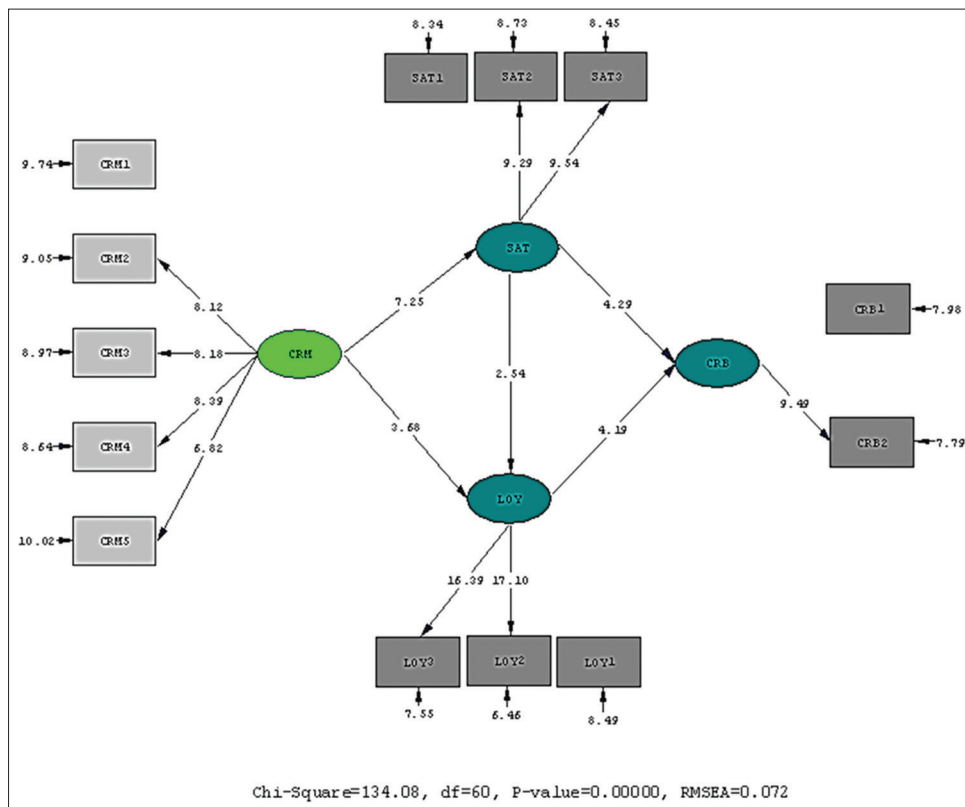


Figure (3): measuring the overall model and results of relations in the mood

In order to do the research projects in line of the present research, it is recommended that this study will be conducted in the field of manufacturing organizations and then the view of the results to compare the obtained results of service organization and manufacturing organization.

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