

A Conceptuality Approach to Relationship Marketing and Customers Loyalty to Banks

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ABSTRACT

Today, most markets are at their maturity, Intense competition and rising costs of attracting new customer is also increasing (Kotler et al, 1999). It is considered vital to maintain customer loyalty and to attract more business. The banking industry is not the exception to the rule. Therefore, banks should also seek different management strategies to improve their customer loyalty (Ehigie, 2006). Today, the bank managers to avoid tendency of customer's competitors more than any time they should seek to understand customer's needs and wants until to better meet their needs and their long-term relations with establishing their business. Relationships marketing as a new approach in research and practice have proved that it is one of the most successful approaches (Chiu et al, 2005). Also, the proven benefits of relationship marketing for various organizations are led to the tendency of this approach unprecedented (Izquierdo et al, 2005).

KEY WORDS: Relationship Marketing, Customer Loyalty, Customer Relationship Management (CRM).

INTRODUCTION

Today, in the service sector has undergone such changes that it has not experienced during its history. These changes also have affected on industry structure and competitive nature not surprisingly in this challenging environment with accelerating change, financial institutions and services have been force to respond to changing market and focused less on products and more on customers and competition and rather than short term view have long term vision.

Today, to achieve a complex and a competitive market driven technology, researchers have been enthusiastic to find the key issues to reacting loyal customers. One of the key issues influence on customer relationships with organizations to obtain information about the advantages and better understanding of customer needs and provide appropriate services to them. The current era is a period of accelerating change and unpredictable.

Today, the only organizations have the opportunity in the competitive situation that are appropriate to the main activities have met their demands and satisfied their needs (Kazazi, 1999, 21). With the vast changes in marketing, relationship marketing was replaced by the traditional relationship marketing mix is based on four elements. Relationship marketing strategy is based on creating, developing and maintaining relationships with buyers. To achieve this goal, organizations must establish and maintain relationships between organizational elements and measuring the element necessary to improve customer relations with the arrangements nature of banking industry requires a move towards customer orientation and customer retention, because their durable and survival depends on customers and how customers are able to retain existing customer will be more successful. It should be noted that applying and improving strategies and appropriate guidelines for attracting and retaining customers in the banking industry to ensure the long-term profitability and their survival.

Importance and Necessity of the Subject

Today, customer loyalty is well known as a significant factor in a business of a successful organization. Therefore many researchers have shown that just having satisfied customers is not enough for organization. Because there is no guarantee that customers are satisfied with the purchase of the company. Therefore, it is clear that the success of customer loyalty in a business organization is significantly more important than customer satisfaction. Sense of loyalty to an organization means that commitment had its customers and tries to continue with the purchase of the mouth and advertizing for it, show your loyalty. Marketers are looking for ways and information through its loyal customers which to react for themselves, because this will reduce

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marketing costs and increase profitability, if organizations can reduce 5 percent of its customers lost, it will be increased 25% to 85% profit (Kotler, 2003). The companies are dealing with two groups of customers, new and old customers. Are search shows that new customer costs five times the cost of maintaining current customers? Today all banks are trying to gain a greater share of the market and the market leader in their own hands. Customer orientation is one of the factors that can help in this way to the bank. Marketing researchers are believed that the customers are a source of profitability of organizations. They should be viewed as assets of organization and in this regard bank job will increase recruiting, maintaining and improving relationship with customers. In recent years, banks competition has increased to attract customers. This competition after creating private banks is more in creating this atmosphere of competition; different marketing strategies will be discussed. The most useful strategy for the bank is customer oriented strategy, because the foundation of the banking system is the customer and the customer at least is equal to an asset in the bank.

Theoretical Issues

The concept of relationship marketing to be first time in 1983 AD by Berry were used in services and as strategy has mentioned for attracting, maintaining and improving relationships with customers (Berry, 1983). Kotler knows to take the concept of relationship marketing, customer and other stakeholders to maintain and improve the firm (Kotler et al, 1999). Gronroos has introduced our relationship marketing as a process of identifying, creating, maintaining, strengthening and if necessary to end the relationship with customers and other stakeholders in a mutually beneficial, so that goals of all groups will be provided in this regard (Gronroos, 1994). Kotler et al. believed that the market increasingly moving away from individual transactions and move toward building relationships with customers and marketing networks. Long-term relationship marketing approach has the benefit that is main purpose to provide value in long-term customer and the success criteria is the result for long-term customer satisfaction and loyalty (Kotler et al, 1999). Kotler defines the term loyalty as the commitment sustained of loyalty of family and country and believes that the term first entered the marketing literature with emphasis on brand loyalty (Kotler, 2003). but Oliver having a deep commitment to the concept of customer loyalty and continued to purchase a product or service known preferred (Oliver, 1999). Conceptually, loyalty includes three dimensions of behavioral loyalty, attitudinal loyalty and a combination. Behavioral loyalty emphasis on customer behavior. Attitudinal loyalty is reviewing the concept of good and favorable attitude towards a service provide. Finally, the combined view of loyalty are combined definitions, dimensions and behavior (Zins, 2001). Kotler believes in discussing about customer loyalty that building customer loyalty is required to discriminate between different customer and no company can expect the same attention to non-profit able customers that have profitable customers. (Kotler, 2003)

The Foundation of Relationship Marketing

Different researches have been considered different foundations for relationship marketing. Chiu has introduced three variables in their research as the foundations of relationship marketing for banking industry that including financial bonds, social bonds and the structure bond (Chiu et al, 2005). Sin and Colleagues at their research trust communication shared value, mutual sympathy and are trying to identify the most important foundations of relationship marketing (Sin et al, 2005).

Rashid has been introduced in his study trust, commitment, social relationships, sympathy, positive experience, commitment and communication as the main variables of inters forming a relationship marketing.

Life Cycle Curve of Relationship

The theoretical curve relating life expectancy was raised by Dawyer Schurr in 1987. This model shows how to create and develop of relationship from the Knowledge to deterioration (Palmer, 2000, 121).

- 1- Awareness Stage: At this stage one of the parties to draw attention to his and the other with the proper incentives are entered the next step
- 2- Exploration stage: At this stage, each party tries to bargain with the others side of the personality, characteristics, power, norms and his expectations are familiar.
- 3- Expansion stage: At this stage, satisfactory results of the relationship cause expansion relationship and it is getting longer. Otherwise the relationship falls in to the phase of decline.
- 4- Commitment stage: this stage, as long as, the parties have not reached the appropriate options or the parties hope to continue to achieve their goals. Otherwise the relationship falls into the phase of decline.
- 5- Dissolution stage: At this stage, one party or both parties assume that the relationships between them will not create value and they weak or stop it immediately.

Relationship Marketing and CRM

However the decline of commitment depends on the rate of commitment of one side to the other side the goal is to have relationship marketing. To improve the profitability of trading through changing the company vision of marketing and emphasis on attracting new customers towards maintaining and holding customers through the effective application of relationship with customers. Consistent communication requires that the parties overlap in the plans and processes of parties. And close economic ties the emotional and structural. Suggests between them. Companies are following currently applying strategies through applying appropriate technology when seeking information about the customers, until to stable and long term relationships with their customers' satisfaction and loyalty, they are seeking. Our relationship marketing strategies are exploiting successful companies today and to achieve its goal and can use the optimal of them as a sustainable competitive advantage in today's business world.

CRM is a business strategy with the technology advances that reinforced through its organizations, creating connections to help organizations optimize the value received on the basis of perceptual processing customers in order to implement right marketing, CRM are considered the roots of our relationship marketing customer relationship management can be sought it.

In fact CRM by creating database of customer data and customer classification of different criteria such as the amount of purchases, tastes and interests and lifestyle,... and analyzing this information, loyal and profitable customers of organization has identified and paid communication and marketing relationship with our customer and finally the results and achievements will be assessed and controlled. These steps are shown in figure 1.

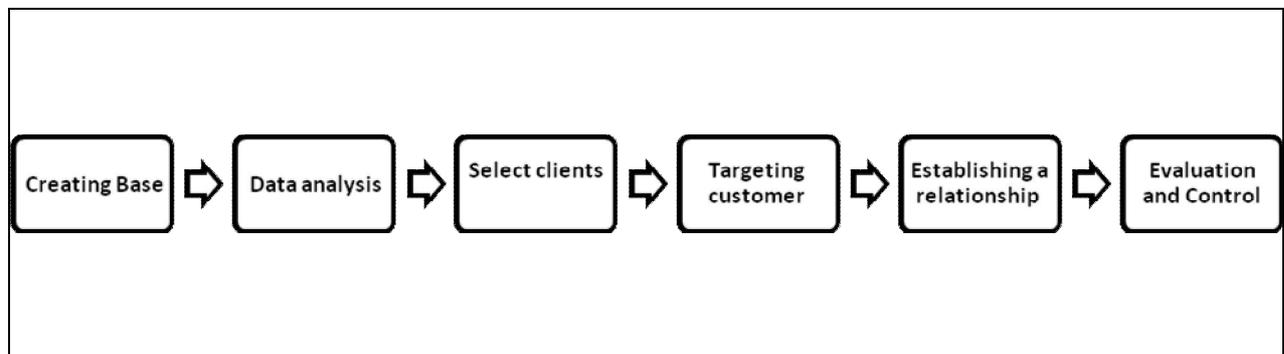


Figure1: Implementation of Management Process.

CONCLUSION AND DISCUSSION

Considering the services of the banks relative to banks is the most difficult to distinguish these services to competitors. So, many world's banks have tended to be finding a market approach (Speece et al, 2000), interested in applying marketing research in relation to the banking industry is over in early 1990. Adamson and others in their study concluded that further attempts at failed banks succeed in comparison to banks applying the right marketing strategy and creating long term relationships with their customers (Adamson et al, 2003).

Thurau et al, in their research that consider the service sector, had concluded that the benefits need to include social benefits, confidence, commitment, specific behaviors and satisfactory of consumers have a significant positive relationship between customer and satisfaction and customer loyalty is a reciprocal and positive word of mouth advertising has been effective(Thurau et al,2002).

Using relationship marketing while creating long-term relationships with customer, the customer can see activities which are important and cause worthy, strengthen and improve and attract more customers and build loyalty to the organization. Thus, while organizations can take advantage of the benefits of customer loyalty to maintain their position in the competitive market because of the bank's customers one of the reasons could be the most profitable customers are loyal to the banks. Hallowell has carried out 12000 banks, to review relationship between customer satisfaction loyalty and profit payments. The result shows positive and significant relation between customer satisfaction and loyalty with profitability (Hallowell, 1996).

Reinartz and Kammer in their studies found that a significant percentage of customers who have had long term relationship with the other customers to have higher profitability (Reinartz, 2002). Given today's understanding of the importance of the bank that have found to fulfill the needs and wants of customers, gradually have found establishing and maintaining long term relationship with major customers. Relationships marketing approach would seek to establish long term relationships that are supportive. Due to the significant benefits of our relationship marketing banks are moving towards selecting interaction. Traditional interactions

are short term. In contrast to interactions are long term relationships. Consequently our understanding of relationship marketing is essential factor for building loyal customers and increase competitive power of banks.

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