

Investigation of the Key Role of Customer Relationship Management (CRM) on E-banking in Order to Maintain Customers (Case Study: Northern Branches of Melli Bank)

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ABSTRACT

The present research aims to investigate the key role of customer relationship management on e-banking in order to keep customers in northern branches of Iranian National Bank. Data were collected by means of questionnaires. Sample size was 291 employees. Structural equations modeling method was used for data analysis. The results showed that elements of CRM influence e-banking and elements of customer relationship management had significant and positive impacts on keeping customers by mediating role of e-banking. Further, e-banking had positive and significant influence on keeping customers. Moreover, customer relationship management elements did not influence keeping customers.

KEYWORDS: e-banking, customer relationship management, customer satisfaction

INTRODUCTION

For decades, the real value of a company was measured in terms of assets, tangible properties, factories and equipment of the company. However, researchers found that the real value of a company lies something beyond, in potential purchasers' minds (Heidarzadeh et al, 2011). In any organization, whether a production or a service company, the main factor for survival of the organization is customer, and if an organization fails to attract customers' loyalty will not reach long-term growth (Rahnama et al, 2012). Transition from industrial economy and elimination of geographical borders of business and fierce competition have made customer as the main pillar of organizational activities. Organizations know that keeping the current customers is cheaper than attraction of new customers and satisfaction is the best way for keeping customers (Burnett, 2001). Further, studies show that customer's satisfaction can lead to a valid brand and profitability. CRM was introduced and developed in 1990s along with development of ICT and defined as an important approach to business (Ejaz, 2005). The present era is full of unpredictable transformations and companies are confronted with the harshest competitive conditions due to factors like unclear borders of markets, fragmentation of markets, short products lifecycles, and rapid changes in customers' purchase desires and awareness of customers (Rahnama et al, 2012). Moreover, complex competitive environment has increased customers' demands. The customer orientation itself is not that important but parameters and abilities which should be present to keep customer and improve performance are important. In internet era when customers have access to diverse products and services, banks survival is difficult. When customers' needs are not met properly or if financial transactions become complex, they will certainly look for new services and will select only institutes which provide faster and high quality services in ATMs, answering systems, internet banking and branches. Virtual transactions and money transfer via a mouse click or sending a message by a cellphone have facilitated transactions for customers and they can do transactions without being present in bank branches physically. However, it must be noted that only technical capabilities cannot guarantee customers' services but analysis of business situation and knowing real needs of customers are important for services automation (Muhamamdi, 2009). Therefore, customer relationship management is an instrument by which banks can achieve competitive advantage in their e-business. Now the question is that how Iranian national banks use customer relationship management in their e-banking services for customer keeping or in other words, how customer relationship management is conducted in national banks?

Customer satisfaction

Within the past years, customers' needs in relation to levels of service quality have received a lot of attention. High levels of service provision are a means for reaching competitive advantages. As customers' awareness of bank services increases, they become more and more sensitive to the quality of services they receive. In order to maintain a long-term relationship along with customers' satisfaction, banks should know how they can provide high-quality services (Tavanazadeh and Aligholi, 2014). Satisfaction/dissatisfaction is a sentimental response to evaluation of a product or service which has been received (Roosta et al, 2004).

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Satisfaction is a customer's evaluation of a service or product considering whether it has met the customers' needs and expectations or not. Failure to satisfy customers' needs results in dissatisfaction with the product or service. Feeling is a function of inconsistency and ratio of output to input. In fact, customer's satisfaction is a feeling or attitude towards a product or service after using it. Customer's satisfaction is the main activity of a marketer and acts like a link between different stages of consumer's purchase behavior. Satisfied customers possibly repeat their purchases.

Customer satisfaction concept

Customer satisfaction is a feeling or attitude towards a product or service after using it. Customer's satisfaction is the main result of a marketer's activity which acts like a link between purchase stages. For instance, customers may repeat their purchases if they are satisfied. Satisfied customers tell others about their successful experiences and are good resources for word of mouth marketing. In contrast, dissatisfied customers get involved in negative word of mouth advertising and end their relationship with the firm. Moreover, behaviors like purchase repetition and word of mouth advertisements affect survival and profitability of a company. In relation to customer satisfaction concept, many definitions have been presented by marketing experts. Kotler defines customer's satisfaction as a degree of real performance of a company which satisfies customers' expectations.

Customer

All organizations believe that customer is the boss or king. Customer orientation process starts with saying hello and when a relationship is established, both sides become familiar. A customer is the receiver of a message and this is the start of global commerce and customer-focused management. Everyone is a potential customer and we should remember that customer is the boss and we cannot reach stable development without customers. Our development and growth depends largely on customers (Ali Muhammadi, 2010). In customers' strategy, customer's loyalty is of strategic importance for any organization. Increase in customers' loyalty is a popular subject of study among managers and scholars (Haghighi et al, 2012).

Different types of customers

Customer's classification based on his or her presence in purchase process is as follows:

1. Real customer: individuals who take part in purchase process with their own real and personal identity are called real customers. Many daily purchases are made by real customers.
2. Legal customers: these include firms, institutes and organizations which take part in purchase process within the framework of their legal personalities. Purchases made by ministries and institutes and companies are done by real persons (Camarero, 2011).
3. Organizational customers: from a producer organization's viewpoint, customer is defined into two classes: intra-organizational and extra-organizational customers. In production and service chains, customers are those who are addressed by the result of work. For instance, in a car production line, the assembly unit is the customer of part manufacturer. These customers are called intra-organizational customers. In this very organization, car consumer is an extra-organizational customer.
4. Geographical customer: another classification of customers is based on geographical area. If a customer lies in a particular geographical area (district, city, country), he or she is an internal customer and if he or she or it is outside an area, it is an external customer (Burnett, 2001).

E-banking

Electronic or internet or online banking is provision of facilities for employees to increase speed of action and efficiency in providing bank services in branch area and also inter-branch processes all over the world and provision of hardware and software facilities for customers to do their financial transactions without need for being physically present in a bank branch in a 24-hour manner via safe channels. In other words, e-banking is use of advanced technologies based on network and telecommunications for trading resources and financial data electronically and without the need for being present physically in a branch. In e-banking, customers are allowed to conduct their financial, credit and virtual transactions on a safe website. In general, e-banking is provision of facilities for employees to increase speed of action and efficiency in providing bank services in branch area and also inter-branch processes all over the world and provision of hardware and software facilities for customers to do their financial transactions without need for being physically present in a bank branch in a 24-hour manner via safe channels.

Customer relationship management

Many different definitions have been presented for CRM. Some define customer relationship management as a strategy, some believe that it is a technology, some consider it as a process and some others regard it as an information system. Some definitions of customer relationship management are presented in the subsequent

sentences: customer relationship management is a business strategy for attracting and keeping relationship with the most valuable customers. Customer relationship management needs a customer-focused philosophy and working culture to strengthen service provision processes, marketing and sales. CRM programs can allow for effective management of relationship with customer, on condition that the organization requires an appropriate leadership, strategy and working culture. Customer relationship management is a word for a collection of methodologies, processes, software and systems which help companies with managing their relationships with customers (Burnett, 2001). Customer relationship management is a process made up of supervision over customers (like data collection), management and evaluation of data and finally creation of a real advantage from extracted information from interactions (Park Chung and Kim Young, 2009). Customer relationship management is an organizational strategy for creation and keeping long-term relationship with customers. Successful customer relationship management programs start with an organizational philosophy which integrates its activities around customers' needs. Considering the above definitions, customer relationship management is generally a process of designing an organization based on customers. In operational level, customer relationship management investigates creation and development of applied software for sales, marketing and their merger. In another level, it considers the way of formulating strategies and policies for reaching them. Customer relationship management can help identify customers' needs even before they are stated. Using this advantage, companies can increase customer's loyalty and increase their incomes and reduce their operational and service costs. CRM is made up of the following three dimensions:

Customer

Customer is the only resource for organizational growth. Of course, recognition, absorption and keeping a customer is difficult because of high level of customer's awareness and changes in their expectations and fierce competitions. Proper use of IT can allow for recognition and management of customer (Hill, 2006).

Relationships

Relationship between a customer and its customers is a long-term, mutual, active and valuable relationship. This relationship can be short-term or long-term, continuous or discontinuous, it may happen one time or several times. Even if the customers have positive viewpoints towards the organization and its products, their purchase behavior is again difficult to predict and depends highly on conditions and situation.

Management

Customer relationship management is not an activity which takes place only in marketing unit but it involves continuous change in processes and corporate culture and requires a comprehensive change in organization and its individuals (Elahi and Heidari, 2005)

Research conceptual model

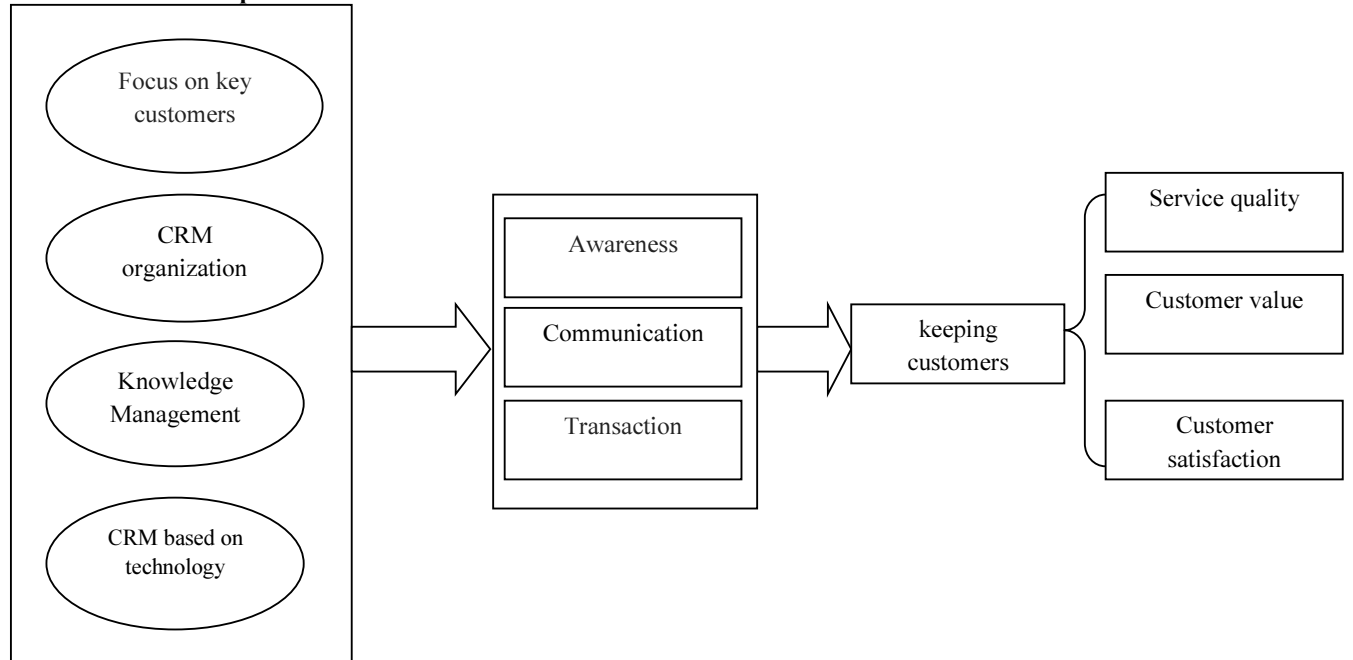


Figure 1: research conceptual model

- H1: elements of customer relationship management have positive and significant impacts on e-banking.
H2: elements of customer relationship management have positive and significant impacts on keeping customers by mediating role of e-banking.
H3: elements of customer relationship management have positive and significant impacts on keeping customers.
H4: e-banking has a positive and significant impact on keeping customers.

MATERIALS AND METHODS

Questionnaire was used for data collection. All questions had 5-point Likert scale. After preparation of the questionnaire, 30 questionnaires were distributed among employees of national bank as a pretest. Cronbach's alpha coefficient was used for investigation of reliability. This coefficient was above 0.9 for all variables and total questionnaire. Furthermore, the validity of the questionnaire was also verified by scholars. Therefore, the questionnaire has enough reliability and validity for distribution among employees. Statistical population of this research included all employees of Northern Tehran branches of Iranian National Bank. They were 1200 people in number according to Human Resource Management Department of Melli Bank Central Office in Tehran. Formula for determination of sample size in limited population was used for determination of sample size. Cucheran's formula was used for determination of sample size. Simple random sampling method was used for sampling.

Table 1: demographic variables

Variable	dimensions	frequency	Frequency percentage
gender	male	258	88.7
	Female	33	11.3
age	Below 25	48	18
	26-35	78	29
	36-45	91	34
	46 and above	51	19
	Highs school and below	49	16.8
education	Associate's degree	58	19.9
	Bachelor degree	127	43.6
	Master and above	57	19.6

Data analysis and hypotheses tests

Considering the fact that the research model evaluates relationships between several latent variables, we used structural equations modeling technique for data analysis. This is a method which embraces other statistical techniques like multivariate regression, factor analysis, and path analysis. Its main concentration is on latent variables which are defined by measurable and observable variables. this method's advantage is that it evaluates relationships among variables simultaneously. Structural equations model has two sections: 1-measurement model, and 2. Structural model. measurement model links observable variables to latent variables and in contrast, the structural model links latent variables via a collection of direct and indirect relationships. In fact, the present research we used structural section for testing the hypotheses. Before testing the hypotheses, fitness of model should be investigated. This is done by means of final output of LISREL software. Table 2 depicts fit indices for research model.

Table 2. model fit indices

indices	Appropriate value	Calculated numbers	
Kai-squared on df ratio	$\chi^2_{/df < 3}$	2.75	Good fit
Root mean square error approximation	RMSEA < 0.08	0.078	Good fit
CFI	Above 0.9	0.99	Relative good fit
Normalized fit index)NFI(Above 0.9	0.98	Good fit

An investigation of fit indices of the model depict that all indices of model fit show that the model is fit enough. Therefore, the model has an appropriate fitness for investigation of relationships among variables. we used LISREL software calculations in two states of the model: standard model (figure 2) and significance model (figure 3) for investigation of the hypotheses.

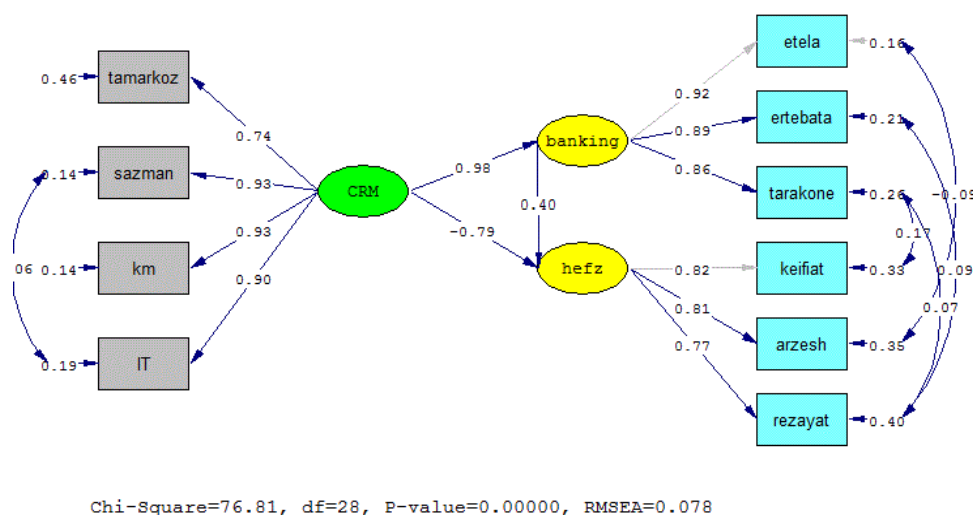


Figure 2.research model in standard state

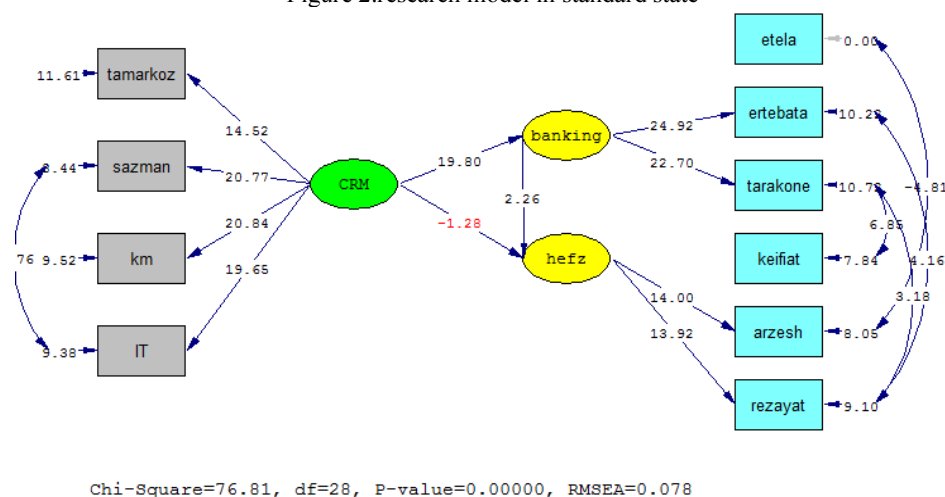


Figure 3.research model in significance state

As it was mentioned, we used structural model for investigation of research hypotheses and we actually investigated latent variables relationships as follows:

H1: the first hypothesis of this research investigates the influence of customer relationship management on e-banking. Considering path coefficient (0.98) and t number which is greater than 1.96, it can be said that elements of customer relationship management have positive and significant influence on e-banking in 95% certainty level. Therefore, the first hypothesis of the research is supported.

H2: the second hypothesis of the research evaluates the mediating role of e-banking in relationship between elements of customer relationship management and keeping customers. Considering the path coefficient (0.39) and t number which is greater than 1.96, it can be said that elements of customer relationship management influence customers' maintenance in 95% certainty level by mediating role of e-banking. Therefore, the second hypothesis of the research is also supported.

H3: the third hypothesis of the research evaluates the influence of elements of customer relationship management and customers' maintenance. Considering the path coefficient -0.79 and t number which lies in interval -1.96 and 1.96, it can be said that elements of customer relationship management do not have significant influence on keeping customers. Therefore, the third hypothesis is not supported.

H4: the fourth hypothesis of the research evaluates the influence of e-banking on keeping customers. Considering path coefficient (0.4) and t number which is greater than 1.96, it can be said that e-banking has a positive and significant influence on keeping customers in (95%) certainty level. Therefore, the fourth hypothesis is supported.

The summary of research hypotheses tests are presented in table 3.

Table 3.summary of the results of the hypotheses tests

hypothesis	Path coefficient	Significance number	result
Hypothesis 1	0.98	19.8	supported
Hypothesis 2	0.39	2.24	supported
hypothesis 3	-0.79	-1.28	rejected
Hypothesis 4	0.4	2.26	supported

CONCLUSION AND DISCUSSION

Transition from industrial economy and elimination of geographical borders and therefore intensification of competition have made customer as the main pillar of organizational activities. Organizations have found that the best way for satisfying customers is maintaining long-term relationship. Banks understanding and perception of customer relationship management and e-banking should be investigated in order to help understand the importance of customer relationship management. Considering the results of the research, 3 hypotheses were supported and one of them was not supported. In other words, the influence of customer relationship management elements on e-banking, the mediating role of e-banking in relationship between elements of customer relationship management and keeping customers and influence of e-banking on keeping customers were supported but the influence of customer relationship management elements on keeping customers was not supported.

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