

Investigating the Effectiveness of Relationship Marketing Strategies in Sepah Bank Case Study: Tehran Branches

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ABSTRACT — The present study aims to determine the effectiveness of the relationship marketing strategies in Sepah Bank. The research method was practical in purpose and a survey in respect of method. The statistical population of the study included over 1,180,000 Tehran Sepah Bank customers who have had a relationship with the bank at least for 5 years. Then, 250 bank customers were chosen by using the random sampling method. The independent variables of this study were conflict management, communication development, competency development of the employees and bank investment in this relationship. The quality of the relationship (the customer's satisfaction with the relationship, the customer's commitment to the bank and the customer's trust to the bank) is the mediator variable of this study. Word of mouth advertising and the customer's loyalty were the dependent variables of this study and relationship was the mediating variable. Data collection was done by using a standard questionnaire. Then, the collected data were analyzed in LISREL environment by applying structural equation modeling analysis and confirmatory factor analysis with respect to hypotheses. The results showed that the development of the relationship between the bank and customer doesn't affect the quality of the relationship, however, the conflict management, the competency of the employees and the investment in the relationship affect the quality of the relationship in Sepah bank. Besides, the quality of the relationship affects the customer's loyalty and the word of mouth advertising.

KEY WORDS: strategies of the relationship marketing, quality of the relationship, word of mouth advertising, relationship-oriented, Sepah Bank

Introduction

When competition in the financial environment is increasingly growing, relationship marketing is a preferred method to create a long-term exclusive relationship with the customers in banking. Most of bank services are relatively public and similar to each other and for most banks only competition on these services has created some problems [8]. Therefore, understanding the importance of the relationship marketing, particularly in the financial services sector has grown in recent years. Preliminary studies on the relationship marketing in banking were done in 1990s. Today, in the new competitive environment, developing sustainable and close relationships with target customers is recommended as a strategic tool to limit the competition in the markets and to maintain long-term profitability of the banks. However, some business executives believe that investment in the relationship marketing creates a stronger and safer relationship with the customers and improves the financial performance which leads to spending high costs in the relationship marketing activities. Therefore, in the enforcement of the relationship marketing strategies, it is necessary to uncover their effectiveness in the form of functional consequences for the banks. According to the above-mentioned, the present study aimed to evaluate the effectiveness of the relationship marketing strategies in Sepah Bank.

Literature review

There have been a great number of debates on the origin of the relationship marketing in the literature of this subject, but most of researchers and authors believe that this issue was first applied by Anderson in 1990 [1] in connection with the professional services. However, there are other views on the emergence of the relationship marketing in 1980s, accordingly, the relationship marketing is not a new discovery, but it is an approach which is reconsidered as one of the principles in all successful businesses and has been accepted and regarded. Athanasopoulou, Pinelopi (2009) [2] stated that there have been a relationship between the

buyers and sellers since humans started to trade goods and services. According to Shet and Bagozzi, RP, & Yi, Y. (1988)[3], the roots of the relationship marketing should be sought in the pre-industrial era. Taylor, S. (2004) [4] introduced "*Making Friend Tradition*" book by Dale Carnegie as the Bible of concepts related to the relationship. Bijuu (1997) [5], in the framework of the rules of marketing, named Bugsy (1978) [6] as the first person who introduced the exchange relations as the marketing ink. He also mentioned Arendt (1979) [7] who used the long-term relationships between the seller and the buyer in the local markets. According to Bijuu, these authors and others have made great contributions to our understanding of the relationship marketing idea, although these theorists look at relational exchanges mostly as discrete and cross processes rather than the long-term processes. Nadzri et al. excavated consumer's experience and reveals consumer's emotion on national car brand consumption. The focus group was targeted on Proton and Perodua young urban adult car users between 18-35 years old with a minimum of one year car usage. It has been seen as series of attempts to understand the emotion of consumers with regards to their brand experience. Furthermore, contribution of the original knowledge through the development of new findings is a practical tool for a comprehensive brand experience.[15] Rubio et al. introduced consumer-company identification to better explain brand extensions and alliances' success. Findings confirm a moderator effect of identification on the effect of product fit on purchase intention, both for corporate brand extensions and alliances. [16] Obada found that flow is an important construct that can be used by marketers in order to increase the perceived quality of a brand website. Finally, we discussed the limitations of our study and offered suggestions for future research. [17] Chen et al. (2011) in his study titled "Investment in the relationship" studied the seller's expertise in the insurance industry and he came to the conclusion that investing on the seller's expertise significantly affects the quality of the relationship. [12] Ndubisi and Madu (2009) in their study of the relationship marketing strategies and actions examined the variables such as trust, conflict management, commitment, and communications in Malaysia bank and they found that trust, conflict management and commitment have a significant impact on the quality of the relationship. [13] Leonidou et al. (2006) in his study examined the conflict and the distance between uncertainty on American foreign trade and he found a significant impact of conflict on trust, cooperation, commitment and satisfaction. [14]

Relationship marketing in the banking industry

Relationship marketing activities are useful when the customers need specific services. Undoubtedly, it is used when complex products and services in the financial services sector which the customers prefer to use in making decisions about purchases benefit from the bank employees' expertise and knowledge. Steenkamp and Trijp (1991) [9] Wang, W., Liang, C., & Wu, Y. (2006) [10] believed that the relationship can reduce the competition among the competitors of the banks through the creation of a separate bank. Therefore, a more competitive environment can encourage the banks to focus more on the relationship with providing specific services based on the customers' needs. Although there is not a single definition for the relationship banking, but, since relationship banking is more than a sale approach, it is used as a strategic tool for accountability to multiple managerial considerations and there is consensus among authors. This means making the relationship banking needs the implementation of various elements such as mission, policies, planning, strategies and the organizational changes to accelerate the customer-oriented culture, and also to promote a continued investment in the relationship and to create an atmosphere of trust and loyalty. In addition to the emphasis on the profitability of the entire customers, the relationship banking includes an understanding based on knowledge of interdependence between the customer and the bank. However, this interdependence understood by the parties often resulted from the mutual trust, shared goals and commitment to the long-term exchange. Wilson (1995) [11]

Research Hypothesis

1. The development of communications between the customer and the bank has a positive effect on the quality of their relationship.
2. Application of conflict management by the bank has a positive effect on the quality of customer-bank relationship.
3. Development of the bank employees' competency has a positive effect on the quality of customer-bank relationship.
4. Investment in the relationship by the bank has a positive effect on the quality of customer-bank relationship.
5. The quality of the relationship between the bank and the customer has a positive effect on the customer's word of mouth advertising.
6. The quality of the relationship between the bank and the customer has a positive effect on the customer loyalty.

Methodology

The present study was an applied and causative research and to collect the data required for the presented variables in the theoretical framework of the study, a survey was used. Survey method is really exact since it has a more direct access to the opinions and the researcher has less control on the behavioral events and it is an exact instrument for the evaluation of the information related to the sample. The data were gathered from the customers of three branches of Sepah Bank in Tehran while they have had at least 5 years relationship with the bank.

Findings

Frequency analysis of the respondents regarding their gender

The frequency analysis of the completed questionnaires showed that 64 percent of participants were male and 26 percent were female. In addition, 10 percent of respondents did not answer to the gender question. The following table shows gender distribution of the participants.

Table 1: Distribution of respondents based on gender

Gender	Frequency	Percentage
Male	160	64
female	65	26
No answer	25	10
Total	250	100

Frequency analysis of the respondents regarding their education level

The frequency analysis of the completed questionnaires showed that 2 percent of the respondents had educations lower than high school diploma. 20 percent of participants had high school diplomas, 22 percent had colleague degree, 38 percent had bachelor degree and 16 percent had master degree and higher education. Also 2 percent of the respondents didn't mention to their education.

Table 2: Distribution of respondents based on level of education

Education level	Frequency	Percentage
Lower than high school diploma	5	2
High school diploma	50	20
Colleague degree	55	22
Bachelor	95	38
Master degree and higher	40	16
No answer	5	2
Total	250	100

Frequency analysis of respondents regarding their age

The frequency analysis of the completed questionnaires showed that 34 percent of respondents were between 25 to 34 years old, 36 percent 35 to 44, 20 percent 45 to 54, and 6 percent were 55 to 64. In addition, 4 percent of respondents did not mention to their age.

Table 3: Distribution of respondents based on age

Age	Frequency	Percentage
25-34	85	34
35-44	90	36
55-64	15	6
No answer	10	4
Total	250	100

Frequency analysis of respondents regarding the duration of using Sepah bank services

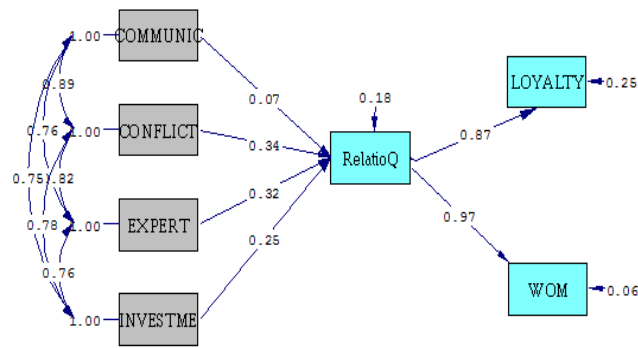
Distribution of the participants according to the duration of service in Sepah Bank showed that 38 percent of the respondents have benefited from the services of Sepah Bank between 5 to 9 years, 26 percent 10 to 14 years, 18 percent 15 to 19 years and 18 percent for 20 years and more.

Table 4: Distribution of respondents based on the duration of using services of Sepah bank

Duration of using bank services	Frequency	Percentage
5-9 years	95	38
10-14 years	65	26
15-19 years	45	18
20 years and more	45	18
Total	250	100

Path analysis diagram based on beta coefficient

As it can be seen in the following figure, the path model of this study consisted of a total of four external and three internal variables. The external variables or the independent ones included communications development, conflict management, the employees' competency and investment in the relationship which have been shown with dark colors in the figure. Besides, the internal variables of this study included quality of the relationship, customer's loyalty and word of mouth advertising while the quality of the relationship is an intermediate variable and loyalty and word of mouth advertising were dependent variables.



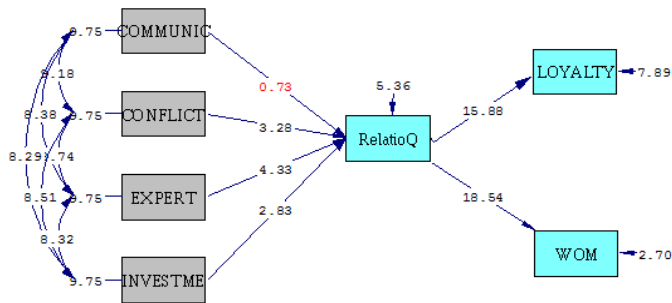
Chi-Square=1.93, df=2, P-value=0.38072, RMSEA=0.000

Figure 1. The relationship between the variables in the structural model based on beta coefficient

As it can be seen, among the external variables that the highest impact on the quality of the relationship is related to the conflict amount which was measured 0.34. The lowest impact in this part of the model on the quality of the relationship is related to the development of the communications while the beta coefficient was measured 0.07. Against the effects of external factors on the quality of the relationship model, the impact of relationship quality on the customers' loyalty and the word of mouth advertising is very strong. The impact of this variable on the customers' loyalty was 0.87 and on the word of mouth advertising was 0.97. Since the regression coefficient was between zero to the absolute magnitude of one, so whatever the ratio is closer to the value one (1), a stronger relationship can be found. Therefore, in terms of the intensity of the relationship, it is very strong among the relationship quality, loyalty and word of mouth advertising.

Path analysis diagram based on the values of *t*

In applying LISREL models, interpretation of beta coefficients is necessary but not sufficient. In fact, in any statistical analysis in addition to the beta coefficients, researcher should interpret the coefficients *t* in order to determine the significant relationships from insignificant ones. The following figure shows the relationship between the variables in the model based on coefficients *t*. The value less than 2 in model are values that were shown with red color and they show that the relationships are not significant. As it can be seen in the following figure, all the relationships in the model are statistically significant in 95% confidence level. The only exception to this relationship is the effect of development of communications on the quality of the relationship while its beta coefficient is less than 2 and so it's impact on the quality of the relationship is not statistically significant.



Chi-Square=1.93, df=2, P-value=0.38072, RMSEA=0.000

Figure 2: The relationship between the variables in the structural model based on *t* values

So in short, it can be concluded that the effect of development of the communications on the quality of the relationship is statistically insignificant and the effect of conflict management, the competency of the employees, and the investment in the relationship on the quality of the relationship is statistically significant. Besides, the effect of quality of the relationship on the customers' loyalty and word of mouth advertising is also statistically significant.

The results of hypotheses testing

Six hypotheses were tested in this study. The results showed that the effect of development of the communications on the quality of the relationship is statistically insignificant and the effect of conflict management, the competency of the employees, and the investment in the relationship on the quality of the relationship is statistically significant. Besides, the effect of quality of the

relationship on customers' loyalty and word of mouth advertising is also statistically significant. Thus, hypotheses 2, 3, 4, 5 and 6 are confirmed and hypothesis 1 is rejected.

Table 5. Results of hypothesis testing

Hypothesis number	independent variable	dependent variable	beta coefficient	t value	Result
1	Development of the communications	Satisfaction with the relationship	0.07	0.73	Rejected
2	Conflict management	Satisfaction with the relationship	0.34	3.28	Confirmed
3	Competency of the employees	Satisfaction with the relationship	0.32	4.33	Confirmed
4	Investment in the relationship	Satisfaction with the relationship	0.25	2.83	Confirmed
5	Satisfaction with the relationship	Loyalty	0.87	15.88	Confirmed
6	Satisfaction with the relationship	Word to mouth advertising	0.97	18.54	Confirmed

Conclusion

In the conceptual model of this research, behavioral and attitude responses consisted of two variables; customer's word of mouth advertising and customer's loyalty and it was assumed that the quality of the relationship has a positive and direct impact on two mentioned variables. The results of testing the hypotheses showed that the quality of the relationship has a positive and significant effect on two variables including the word of mouth advertising and loyalty. The results showed that to increase the customers' trust and commitment to Sepah Bank and to make them satisfied with the relationship with bank and generally to evaluate the quality of the relationship properly, make the customers to advertise for the bank free of charge and continue their relationship with the bank and receive most of their banking services from Sepah Bank and in this way they show their loyalty to the bank in the long run. According to the obtained results, it can be stated that most of Iranian customers who evaluate the quality of the relationship with the bank at a high level, advertise for the bank free of charge and show more loyalty to the bank and try to receive the major part of their banking services from that banks. This finding is consistent with the findings of Krousbai and et.al (1990) who believed that the quality of the relationship is the best predictor of continuing the relationship with service providers in the future. Therefore, it is necessary that the Iranian banking industry increase the quality of the bank-customers' relationship to gain loyal customers and gain a larger share of banking services. The more the Iranian banking industry improves the quality of the perceived relationship by the customers, the more interested the customers will get to advertise for the bank orally. Thus, the majority of their banking services will be provided from the bank and they get more loyal to the bank and maintain their relationship with the bank in the future.

The limitations of the study

The strength of the research is to express its limitations. Although this research developed the literature on the relationship marketing, there are still some limitations in this regard that it is necessary to be expressed. Sheet and others (1995) and Arnold and Bainchi (2001) indicated that different cultures may influence the customers' attitude to the relationships. Therefore, the generalizability of the results of this study to other cultures should be done cautiously.

Suggestions

1. Improvement of the employees' abilities to create, maintain and grow the relationships with the customers.

Since the competency and qualification of the employees affect the perceived quality of the customers' relationship and also in the services section especially in Sepah bank, running most of the relationship marketing strategies such as the development of the communications, conflict management, making social relations and etc. are possible through qualified employees, thus, improving the capability of the bank employees should be a priority in the relationship marketing programs. In this case, it is recommended to the bank do necessary investments in the field of selection, training and maintaining the employees, so that the qualified employees can make long-term relationship with the customers.

2. Development of the communications between bank and customers through using modern communication technologies

The findings showed that communication has a positive effect on the quality of the perceived relationship by the customers. The development of communication and providing valuable information for the bank customers in order to gain their trust, commitment and satisfaction is important and in this way banks can enhance the customers' loyalty. In this regard, it is recommended that Sepah Bank use all modern communication channels such as the Internet, telephone banking, mobile banking, social networking, etc., to communicate effectively and provide benefit to the customers. It is obvious that the Bank investment in IT can be effective on relationship marketing programs.

Suggestions for further research

1. Conducting studies in this field in the private banks
2. In the present study, the customers' relationship was mentioned as a moderator variable and the relationship between relationship marketing strategies (investment in the relationships and competency of the employees) and the quality of relationship were considered. Since not enough studies investigated this issue, the present study determined that this variable can have a moderating role among relationship marketing strategies and the quality of the relationship, thus, it is recommended that the further researches in field of services and other fields investigate the mediating role of customers' relationship in the relationship between all relationship marketing strategies (conflict management, communications, investment in relationship, the employees' competency, etc.) and quality of their relationship.

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