Impact of Perceived Value on Customer's Behavior Performance Based on CRM

Mohammad Taleghani[1], Shiva Hasani Moghaddam*[2]

[1]Associate Professor, Department of Business Management, Rasht Branch, Islamic Azad University, Rasht, Guilan, Iran
[2]Department of Business Management, Science and Research Branch, Islamic Azad University, Guilan, Iran

ABSTRACT

Customer relationship management (CRM) is a strategic means for attracting and maintaining customers and it is the most important factor in the success of manufacturing businesses and services providers (suppliers). Presenting the superior customer value is a consistent approach in generating and strengthening competitive advantage through stimulus of customer relationship management (CRM). In the past years significant changes were made in financial services business. The main feature that makes this change in financial system to be significant is the competition increase in this section. According to Jacobi, in order to get the advantage of customer loyalty toward companies they should keep their long term relation with customers. However it is necessary that organizations enter marketing relation with customers which includes creating, keeping and the long term growth with customers for getting benefits of loyalty and cooperation and this increases perceived value of customer from services. According to the stated subjects there are fifteen hypotheses in this research. This research is applicable and has casual correlation. The populations were the customers of Tejarat Bank in the west of Mazandaran province and sampling was available improbably. Field research and questionnaire were used for gathering the data. Mean indexes, standard deviation variance and SPSS software were used for descriptive statistic and structured equation of models and LISERL software were used for testing the hypotheses and finally seven hypotheses were confirmed.

KEYWORDS: customer value, customer relationship management, satisfaction, loyalty, bank

INTRODUCTION

Organizations have been confronted with a complex atmosphere because of consistent changes in the current world, globalization, and ease of communications and appearance of new technologies. This atmosphere has provided new opportunities and challenges at the same time. Today, marketing is not finding new sales methods and development of new products, but its goal is keeping long-term relationships with customers. Customer relationship management is a valuable opportunity to reach constant competitive advantage which is a means to establish long-term relationships and assign some resources to a customer according to that customer's life cycle. Therefore, customer's value concept as a dynamic interactive phenomenon has a direct relationship with CRM, therefore, its understanding and measurement is a success factor for organizations in the long term. In this chapter, the author(s) states and clarifies the research problem and introduces the importance and necessity of this research and after introducing the goals and hypotheses of the research in the form of a theoretical research model, refer(s) to research's area in the end of the present research (Wang et al, 2004).

Statement of research problem

Customer relationship management is a strategic tool for attracting and maintaining customers and is one of the most important factors in production and service businesses success (Yonggui et al, 2004). Delivering value has become a constant approach in creating and strengthening competitive advantage through CRM. As most researchers' believe, if companies want to improve their performance based on CRM, they must revise the process of creating and delivering value to their customers (Yonggui et al, 2004).

In the recent years, banks have been looking for creating and delivering perceived value to their customers and have experienced high levels of dissatisfaction among customers. The reason can be attributed to the fact that they had not understood their customers' needs. As it is obvious for every one that how important is to deliver a value combination to customers, the nature of customer's perceived value does not seem clear. Many banks have invested high money in CRM but many of them have a long way to identify their customers' needs correctly and to use it effectively (Huber et al, 2001). With A deep look at the activities of service companies and institutes we will notice that customers are the existence philosophy of such institutes. Banks are important service companies and a good example of service-delivering institutes. Banks need to attract their customers' satisfaction in order to be able to play their roles as economic levers in a society and they must base their activities upon satisfactory service delivering and customers' satisfaction attraction. On the other hands, all customers tend to receive service from banks that is completely matching with their demands. In fact, what

---

*Corresponding Author: Shiva Hasani Moghaddam, Department of Business Management, Science and Research Branch, Islamic Azad University, Guilan, Iran. E-mail: shiva.moghadam63@yahoo.com

results in quality improvement of banks is their success in discovering their customers' needs and delivering service based on those needs. In view of customer's importance for service companies and especially banks, more customer attraction has become an important fundamental in bank management (Naderi, 1999, 3). Generally, marketing literature has focused on product or service activities as motivations for Total Customer Value and ignored relationship importance. Studies have shown that increase in service and marketing quality based on relationships, is an appropriate solution to banks and service institutes (Abdolvand, 2001).

Relationship-based measures are beyond temporary transactions and focus on past and future transactions. Relationship-based measures have been increasingly becoming important in customer's behavioral performance during the past years. This is firstly because customer's demands quality in relation to product or service consumption have increased. Secondly, retailers increasingly compete against each other based on marketing tactics and strategies. Thirdly, retailers have faced new challenges of marketing environment like indistinct borders between markets and industries, markets segmentation and product life cycle shortening (Chiung-ju & Wen-Hung, 2007). In the recent years, important changes have been formed in financial service businesses. The main characteristic that highlights this change in financial system is increase in competition in this part. Jaccoubi believes that companies must keep a long-term relationship with their customers in order to achieve customer's loyalty advantage. In spite of this, it is necessary for companies to increase customer's perceived value from service when the company tries to have relationship marketing which involves creation, maintenance and growth of long-term relationship with customer in order to benefit from his/her loyalty and participation. Banking service literature points out that banks must concentrate on 3 basis points: stock-owners value, employees' value and customer's perceived value. In the present research, the author(s) concentrate on perceived value of customer (Riog et al, 2006). Therefore the present research tries to answer the following main question: Whether perceived value affect customer's behavior performance based on CRM?

Research theoretical framework

Theoretical framework is a basis for the whole research. This framework is a logical, descriptive network that contains relationships between variables of the research that have been identified following implementation of interview, observation or background investigation. These variables are unavoidably related to research problem. After identification of appropriate variables, a network between them must be prepared so that relating hypotheses are derived and then tested. Hypotheses test results (that show verification or rejection), demonstrate degree of research's problem solution. Therefore, theoretical framework is an important step in research process (Sekaran, 2003, 94). Increase in business competition and tendency to globalization has turned customer's role from a mere consumer into a multi-dimensional role including consumer, colleague, production assistance, assistance in value creation and assistance in knowledge development and such a customer has a more important place with respect to former customers. Therefore, attention to value creation and its delivery to customer has increased. This is especially true for companies that are trying to attract new customers and keep their current customers with the aim of value creation activities. To this end, they need a deep understanding of customer value's basic dimensions, an applied concept of performance measurement difference and knowledge of improving each of them with concentration on customer value's special dimensions and their combination. Figure 1 depicts a framework of customer value and performance based on relationship with customer that can be used for this target. Besides customer's performance which was reviewed, some researchers emphasize on relationship quality role as an intangible and invisible aspect in establishing relationship with customer and dimensions like satisfaction, commitment and trust are used for measuring the complex concept of relationship quality. In spite of this, there is no consensus on relationship quality dimensions. As it can be seen in research model, customer satisfaction and loyalty to brand have been regarded as an intention to create and keep a long-term relationship. Customer's high satisfaction level and loyalty to brand means long-term relationship can have significant impact on company's performance. For instance, Richheld and Till showed that a 5-percent increase in customer keeping cost can have 30 to 90 percent positive impact on customer's present net value and it has as much impact on company's profits.

The present research's theoretical model is extracted from Youngi Wang's model as presented in figure 1. In this model, Sweeney and Soutar's customer value model has been used which has 4 dimensions and figure 1 shows relationships between the mentioned variables and customer behavioral performance.
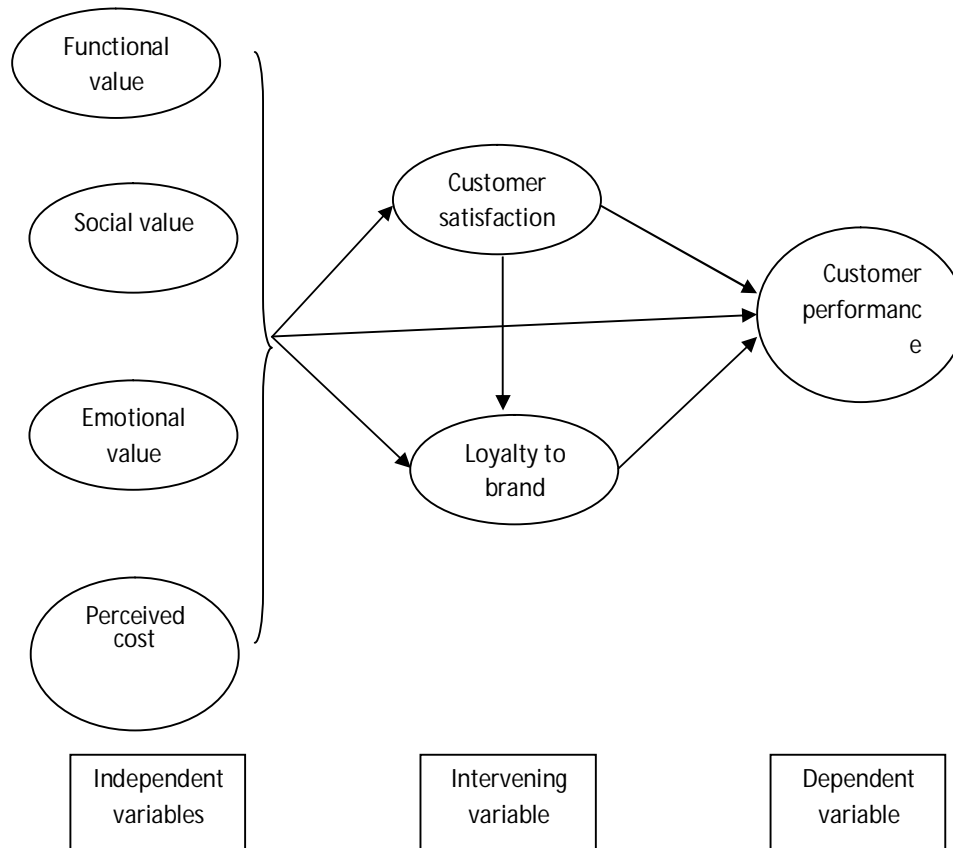
Figure 1. Research's theoretical model (Yonggui et al, 2004)

Research hypotheses

A hypothesis is a wise guess about a problem's solution. A hypothesis is a logical relationship between two or more variables which is stated in the form of testable sentence. These relations are based on relationships network which has root in research theoretical framework (Sekaran, 2008, 102).

1. Emotional value has an impact on customer's performance.
2. Social value has an impact on customer's performance.
3. Functional value has an impact on customer's performance.
4. Perceived cost has an impact on customer's performance.
5. Emotional value has an impact on brand loyalty.
6. Social value has an impact on brand loyalty.
7. Functional value has an impact on brand loyalty.
8. Perceived cost has an impact on brand loyalty.
9. Brand loyalty has an impact on customer performance.
10. Emotional value has an impact on customer satisfaction.
11. Social value has an impact on customer satisfaction.
12. Functional value has an impact on customer satisfaction.
13. Perceived cost has an impact on customer satisfaction.
14. Customer satisfaction has an impact on customer performance.
15. Customer satisfaction has an impact on brand loyalty.

RESEARCH METHODOLOGY

The present research is an applied research and from data gathering point of view, it is a descriptive and correlation research. In order to gather data, a library research and a field research were conducted in west Mazandaran province Tejarat Bank branches. A questionnaire based on likert scale was used. Data analysis was conducted by factor analysis of measurement components of each variable and then the hypotheses were tested by structural equations test based on correlation coefficients.

Statistical population was all customers of west Mazandaran province Tejarat Bank branches and because of the large number of customers, sampling method was non-probability method was used the following formula was utilized to calculate sample size:

$$n = \frac{Z^2_{\alpha-\frac{1}{2}} \ (P)(1-P)}{\varepsilon^2}$$

$$Z_{\frac{\alpha}{2}} = 1/96$$

n= sample size

P=q=0.5=quality ratio estimation
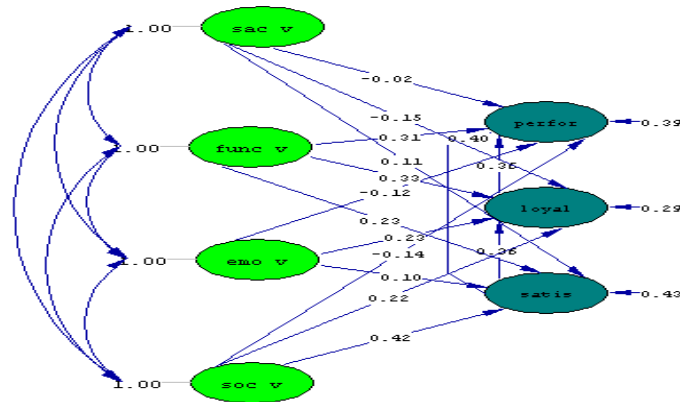$\alpha = 0/5 =$ significance level

$\varepsilon^2 =$ estimation error
And after substitution, sample size equals:

$$n = \frac{1/96^2 \ (0/5)(0/5)}{0/05^2} \cong 384$$

RESEARCH RESULTS

Structural equations modeling method was used to analyze data and test research hypotheses and structural model along with base model have been shown in the following figures:

Chi-Square=815.56, df=303, P-value=0.00000, RMSEA=0.066

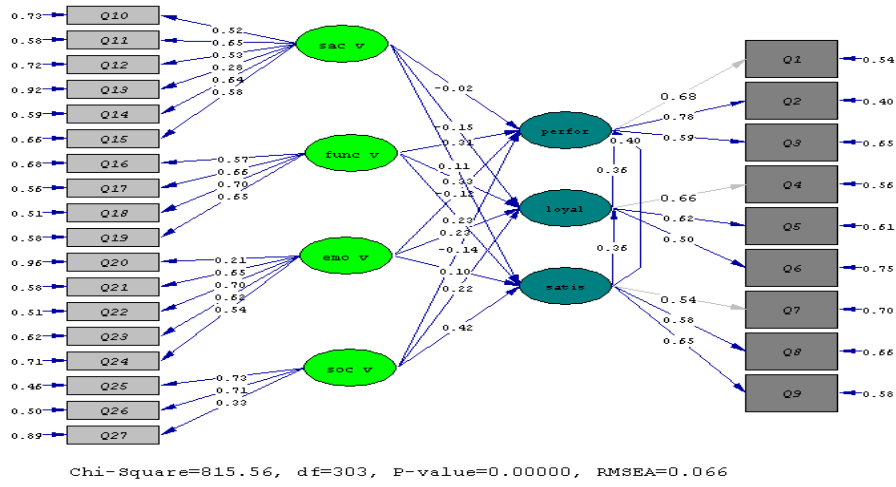Figure 2. Structural model (standard state)

Chi-Square=815.56, df=303, P-value=0.00000, RMSEA=0.066

Figure 3. Base model (standard state)

Table 1. Model fitting indices

quantity	Fitting indices
815/56	Chi-square
303	df
2/69	$$\frac{\chi^2}{d_f}$$
0/066	(RMSEA)
0/86	(GFI)
0/83	(AGFI)
0/89	(CFI)
0/85	(NFI)

Model's fitting indices show that the model is appropriate. Ratio of X-squared to degree of freedom is less than 3 and RMSEA is under 0.08.

Final results of research hypotheses test

Based on research model, the test results of research structural hypotheses have been shown in table 2.

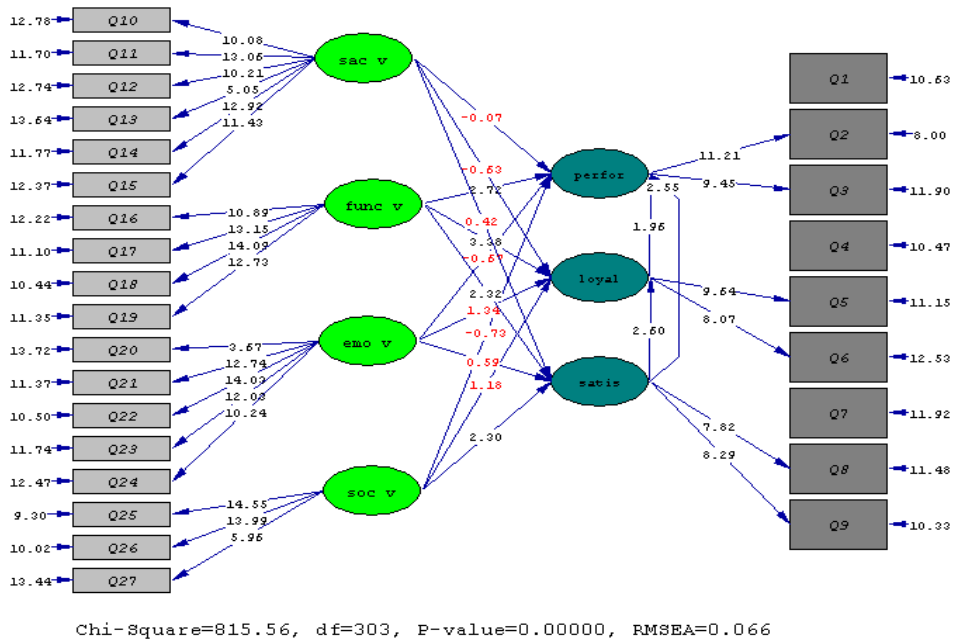Chi-Square=815.56, df=303, P-value=0.00000, RMSEA=0.066

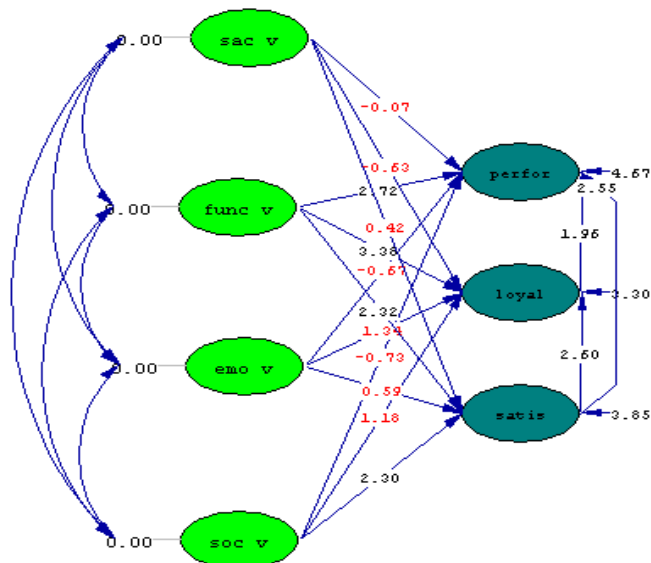Figure 4. Base model of hypotheses tests (T-value)

Figure 5. Structural model of hypotheses test (T-value)

Table 2. structural model results

Test result	T value	Standard estimation	hypotheses
rejected	-0/67	-0/12	Emotional value has an impact on customer's performance.
rejected	0/59	-0/14	Social value has an impact on customer's performance.
verified	2/72	0/31	Functional value has an impact on customer's performance.
rejected	-0/07	-0/02	Perceived cost has an impact on customer's performance.
rejected	1/34	0/23	Emotional value has an impact on brand loyalty.
rejected	1/18	0/22	Social value has an impact on brand loyalty.
verified	3/38	0/33	Functional value has an impact on brand loyalty.
rejected	-0/63	-0/15	Perceived cost has an impact on brand loyalty.
verified	1/96	0/36	Brand loyalty has an impact on customer performance.
rejected	0/59	0/10	Emotional value has an impact on customer satisfaction.
verified	2/30	0/42	Social value has an impact on customer satisfaction.
verified	2/32	0/23	Functional value has an impact on customer satisfaction.
rejected	0/43	0/11	Perceived cost has an impact on customer satisfaction.
verified	2/55	0/40	Customer satisfaction has an impact on customer performance.
verified	2/60	0/36	Customer satisfaction has an impact on brand loyalty.

DISCUSSION AND CONCLUSION

As research results showed, functional and social values have positive and direct impact on satisfaction, however, except for functional value, no significant evidence for the impact of other dimensions of value on brand loyalty and only social value has indirect impact on brand loyalty and performance through satisfaction. Brand loyalty, customer satisfaction and functional value have positive and significant impact on customer performance; of course functional value has indirect impact on customer performance through brand loyalty and customer satisfaction. On the other hand, value dimensions have no significant impact on customer performance except for functional value. This might be because of the fact that customers have a particular kind of maturity in the population under study and prefer functional value to other values. Banks must pay a special attention to functional and social value because functional value and social value can stimulate customer performance directly and indirectly, respectively.

Recommendations

Hence functional value has the most impact on performance, therefore banks must present high-quality service and keep their service quality at a high level permanently and attract customer's attention with offering new service.

Banks must try to strengthen their brand and increase their service quality and therefore create prestige and social acceptance for their customers so that the customers will have favorable impact on others.

Customers compare different brands always. One of the strategies in this regard is that banks must identify and monitor their customers' needs and expectations and satisfy them with meeting their needs and even going beyond their needs and creating loyalty.

If managers look for better performance of customers, they must try to create a strong brand and improve customer satisfaction.

REFERENCES

Abdolvand, M.(2001). Relationship-based marketing, marketing monthly, No 8, pages 31 to 41.

Chiung-Ju Liang, Wen-Hung Wang. (2007). "An insight into the impact of a retailer's relationship efforts on customers' attitudes and behavioral intentions", Emerald,Vol,25, No, 5., pp.336-366.

Huber Frank, Herrmann Andreas, Morgan Robert E. (2001)."Gaining competitive advantage through customer value oriented management", Journal of Consumer Marketing, Vol,18. No,1., p p. 41 - 53.

Naderi, N. (2000). Investigation and determination of factors affecting attraction of loan deposits in Tejarat Bank, Iran, master degree thesis, management faculty of Tehran University.

Sekaran, O. (2003). Research methods in management, translated by Mohammad Saebi and Mahmoud Shirazi, published by education and research institute of management and programming, second edition.

Yonggui Wang, Hing Po Lo, Renyong Chi, Yongheng Yang. (2004)."An integrated framework for customer value and customer relationship management performance", Journal of Managing Service Quality, 14, 2/3, pp. 169-182.