

## **Effect of Relationship Marketing on brand loyalty between customers of Bank Refah Kargaran in Tehran city – Iran**

<sup>1</sup>Zahra Poorkarimi kokand, <sup>2</sup>Zeinolabedin amini sabegh

<sup>1</sup> Student of executive management, Science and Research branch, Islamic Azad University, Saveh, Iran.

<sup>2</sup> Department of Public management, Islamic Azad University, saveh branch, Saveh, Iran

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**Abstract:** *In recent years, the banking industry has witnessed intense competition with its lots of opportunities and threats. Customer loyalty is a critical factor to achieve success in today's complex market. Because it increases profits through the barrier to shift the customers' tendency towards rivals and increases the ability in power of responding to their threats. Using the relationship marketing approach, while developing a long-term relationship with the customer, activities which are important and valuable in their sight can be identified, strengthened and improved and more customers can be attracted and made loyalty to the organization and its brand. Hence, the identification of relationship marketing and its foundations is an essential factor for the bank managers. The aim of this study was to investigate the effect of relationship marketing on brand loyalty of bank's customers. According to Morgan Table, 384 questionnaires consisting of 20 questions in order to test the hypotheses were distributed among customers of Bank Refah Kargaran in four areas of Tehran. The method was descriptive survey method and sampling method was a multi-stage random sampling. Pearson correlation test and regression and SPSS 16 software were used in order to test hypotheses and analyze the collected data. The results show that variables of Trust - Commitment - Communication, which are the foundations of relationship marketing, have a significant impact on customer satisfaction and brand loyalty. Another finding of the study is that the variable of customer loyalty is an important factor in customer satisfaction.*

**Keywords:** *Relationship Marketing, Brand Loyalty, Trust, Customer Satisfaction, Commitment, Communication*

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### **I. Introduction**

With the growth of trade and advancement of technology and innovation in industries, competition among enterprises has intensified day by day and client's share is discussed rather than market share in the location and success of companies. Organizations with superior performance in different industries are moving towards customer retention and their loyalty, because most markets are in their mature step, and with the increase of competition, the cost of attracting new customers has also increased, the loss of one client is not only the loss of a sale item, but also it means more than it, losing the entire stream of purchases that the customer is able to do in his/her lifetime. Many organizations have found that their life and survival depends on having loyal customers, not merely satisfied or satisfied ones, that it is a key point in continuing companies' activity. On the other hand, organizations are economically and strategically considered as valuable assets, therefore one of the main objectives of the organization is to have loyal customers. Meanwhile the banking industry is not excluded from this rule and banks also need to seek for various management strategies in order to improve their customers' brand loyalty. To avoid the tendency of customers toward competitors, bank managers should seek to understand the wants and needs of their customers more than ever to meet their needs and establish long-term business relationships with them. Using the relationship marketing approach, while developing a long-term relationship with the customer, activities which are important and valuable in their sight can be identified, strengthened and improved and more customers can be attracted and made loyalty to the organization and its brand. Relationship marketing is a concept that has been introduced in the past two decades. In recent years, organizations have found that they should act as a reliable partner to have a sustainable competitive advantage. Relationship marketing has forced brand managers to seek for more creative ways to create a beneficial two-way relationship with customers and earning their brand loyalty. Implementation of relationship marketing can have a significant impact on the financial performance and profitability of organizations, but despite its immense importance in the success of the firms, no much attention has been paid on it. Therefore, the main objective of this study was to evaluate the impact of relationship marketing on brand loyalty of banks' customers and provide some strategies for successfully implementing it.

### **Problem Statement**

Financial services sector has undergone some changes in (banks) that has not experienced before in history. It is not surprising that in this turbulent environment with accelerating changes, financial institutions change their reaction to market to retain key and profitable customers and focus more on customers and good relationships with them. The theory of traditional or classical marketing mostly was paying attention to doing

transaction and keeping the customers and had no attention to customers. But with the development of competition and saturation of many markets and continuous changes in environment and combination of population, organizations are faced with the fact that today they are not faced with a growing economy and growing markets like past. Today, each client has its own value and now, the organizations should fight to gain a greater share from stable or declining market. Relationship marketing is a set of activities that aim to create long-term and beneficial links between an organization and its customers to provide mutual benefits for the parties. Bin and Bella believe that relationship marketing tries to create the maximum value for customers through the collection and dissemination of information and creation of knowledge and insight about the needs and demands of customers that it is accomplished through relationships with customers. Research has shown that the use of relationship marketing by organization is positively correlated with its performance, employees' satisfaction, success of new product and gaining competitive advantage in the market environment. Research in the area of relationship marketing has also added other cases, such as trust, commitment, communication, shared values, cooperation and social relationships with customer to its literature. Relationship marketing activities in the banking sector are very important. For continued success with organizational customers, banks need to invest in its relationship marketing structure in along term and support customer oriented strategies. On the other hand, brand loyalty plays an important role in creating long-term benefits for the organization, because loyal customers do not need to have extensive promotional efforts and gladly intend to pay more for benefits and quality of their favorite brand. Organizations can achieve larger share of the market with the help of brand loyalty, because loyal customers buy the brand frequently and resist against situational factors and competitors' marketing efforts. Loyalty, in addition to the increase of market share, leads to the organization's demand for a higher price than competitors and increases the mouth to mouth positive advertisements among customers. There are many definitions of brand loyalty. Brand loyalty is a rather biased behavior (in purchase or recommendation to purchase) that the person finds about the brand during the time and this behavior causes that the person finds a specific orientation towards the brand among other brands coming to mind during decision-making and evaluation processes. This reaction is a function of person's psychological mental processes. Brand loyalty is created when a customer believes that a brand reflects or reinforces some aspects of his/her perception from the name. David Aaker believes that brand loyalty represents the chance of joining customer to a competitor's brand, especially when the brand makes changes in prices and product features. This research aims to determine how the relationship marketing, which is measured through its three important dimensions, namely consumers' trust in bank's employees, employees' commitment during service, and communication skills, can affect customers' satisfaction and brand loyalty.

**Research hypotheses**

In this study, one main hypothesis and four sub-hypotheses are raised as follows:

**The main hypothesis:**

- There is a relationship between relationship marketing and brand loyalty.

**Sub-hypotheses:**

- There is a relationship between trust and brand loyalty.
- There is a relationship between commitment and brand loyalty.
- There is a relationship between communication and brand loyalty.

**Test of research hypotheses:**

In order to test these research hypotheses, we intend to use the parametric tests (such as regression and Pearson correlation), therefore the first requirement is the normality of data distribution, and hence at first the normality of dependent variable data will be discussed. *Kolmogorov-Smirnov test* was used to investigate the normality of distribution of data related to variables; the results are shown in the following table:

- Table 1: The normality of distribution of research variables based on *Kolmogorov-Smirnov test*

Description	Trust	Customer's Satisfaction	Commitment	Communication	Brand Loyalty	Relationship Marketing
Z	1.155	1.341	1.128	1.160	0.771	1.108
Significance Level	0.142	0.055	0.157	0.136	0.592	0.251

If the significant level of Kolmogorov-Smirnov test is more than 0.05, we can conclude that distribution of data relative to variable does not vary significantly with normal distribution. As reported in the above table, significance level of all research variables is calculated greater than 0.05. So we can say that distribution of data related to variables has no significant difference with a normal distribution.

**The first sub-hypotheses:**

There is a relationship between trust and brand loyalty. According to the obtained results, Pearson correlation coefficient for the variables of trust and brand loyalty is as follows.

Pearson correlation coefficient	0.856
Significance Level	0.000

Bivariate regression is used to investigate the relationship between trust and brand loyalty.

The general discriminants of regression analysis of the relationship between trust and brand loyalty

Regression Model	Correlation Coefficient R	Determination Coefficient R <sup>2</sup>	Adjusted Correlation Coefficient R	F	Significance Level
1	0.856	0.732	0.731	793.580	0.000

The findings of above regression coefficient table show the relationship between *consumers'* trust and their brand loyalty. Correlation coefficient between these two variables is 0.856, that given the significant level of 0.000 which is less than 0.05 (level of test error), it should be said there is a strong significant relationship between *consumers'* trust and brand loyalty. According to the amount of determination coefficient  $R^2 = 0.732$  it can be said that about 73 percent of the change in brand loyalty could be explained by customers' trust.

**The second sub-hypotheses:**

There is a relationship between commitment and brand loyalty.

Bivariate regression is used to investigate the relationship between customers' commitment and brand loyalty. According to the table 4-10, Pearson correlation coefficient for the variables of commitment and brand loyalty is as follows.

Pearson correlation coefficient	0.885
Significance Level	0.000

The general discriminants of regression analysis of the relationship between commitment and brand loyalty

Regression Model	Correlation Coefficient R	Determination Coefficient R <sup>2</sup>	Adjusted Correlation Coefficient R	F	Significance Level
1	0.885	0.783	0.783	1049.251	0.000

The findings of above regression coefficient table show the relationship between *consumers'* commitment and their brand loyalty. Correlation coefficient between these two variables is 0.886, that given the significant level of 0.000 which is less than 0.05 (level of test error), it should be said there is a strong significant relationship between *consumers'* commitment and brand loyalty. According to the amount of determination coefficient  $R^2 = 0.855$  it can be said that about 78 percent of the change in brand loyalty could be explained by customers' commitment.

Regression coefficient of the relationship between commitment and brand loyalty

Regression Model	Regression coefficient	Standard Error	Standard $\beta$	t	Significance Level
Constant coefficient	-0.182	1.018	0.885	-0.179	0.000
Commitment	1.278	0.039		32.392	0.000

According to the above regression findings (Sig=0.000,  $\beta=0.885$ ) it can be said that *consumers'* commitment has

a significant effect on brand loyalty and there is 0.885 units increase in brand loyalty for one unit increase in commitment, as a result, there is no reason to reject the hypothesis.

**The third sub-hypotheses:**

There is a relationship between communication and brand loyalty.

Bivariate regression is used to investigate the relationship between commitment and brand loyalty. According to the table 4-10, Pearson correlation coefficient for the variables of communication and brand loyalty is as follows.

Pearson correlation coefficient	0.776
Significance Level	0.000

Bivariate regression is used to investigate the relationship between communication and brand loyalty.

The general discriminants of regression analysis of the relationship between communication and brand loyalty

Regression Model	Correlation Coefficient R	Determination Coefficient R <sup>2</sup>	Adjusted Correlation Coefficient R	F	Significance Level
1	0.776	0.603	0.601	439.602	0.000

The findings of above regression coefficient table show the relationship between communication and brand loyalty. Correlation coefficient between these two variables is 0.776, that according to the significant level, it should be said there is a strong significant relationship between communication and brand loyalty. According to the amount of determination coefficient R<sup>2</sup> = 0.603 it can be said that about 60 percent of the change in brand loyalty could be explained by communication.

Regression coefficient of the relationship between communication and brand loyalty

Regression Model	Regression coefficient	Standard Error	Standard $\beta$	t	Significance Level
Constant coefficient	-1.306	1.615	0.776	-0.809	0.419
communication	1.563	0.075		20.967	0.000

According to the above regression findings (Sig=0.000,  $\beta$ =0.776) it can be said that communication has a significant effect on brand loyalty and there is 0.776 units increase in brand loyalty for one unit increase in commitment, as a result, there is no reason to reject the hypothesis.

**The main hypothesis:**

There is a relationship between relationship marketing and brand loyalty.

According to the obtained results, Pearson correlation coefficient for the variables of relationship marketing and brand loyalty is as follows.

Pearson correlation coefficient	0.903
Significance Level	0.000

Bivariate regression is used to investigate the relationship between relationship marketing and brand loyalty.

The general discriminants of regression analysis of the relationship between relationship marketing and brand loyalty

Regression Model	Correlation Coefficient R	Determination Coefficient R <sup>2</sup>	Adjusted Correlation Coefficient R	F	Significance Level
1	0.903	0.815	0.814	1277.884	0.000

The findings of above regression coefficient table show the relationship between relationship marketing and brand loyalty. Correlation coefficient between these two variables is 0.903, that according to the significant level, it

should be said there is a strong significant relationship between relationship marketing and brand loyalty. According to the amount of determination coefficient  $R^2 = 0.815$  it can be said that about 81 percent of the change in brand loyalty could be explained by relationship marketing.

Regression coefficient of the relationship between relationship marketing and brand loyalty

Regression Model	Regression coefficient	Standard Error	Standard $\beta$	t	Significance Level
Constant coefficient	-8.246	1.144	0.903	-7.223	0.000
relationship marketing	0.533	0.015		35.748	0.000

## II. Conclusion

The results of Pearson correlation test in first sub-hypothesis showed that there is a positive and significant relationship between customers' trust and their brand loyalty. According to the regression ( $\beta = 0.856$  and  $\text{Sig} = 0.000$ ) we can say that customers' trust has a significant effect on brand loyalty and there is 0.856 units increase in brand loyalty for one unit increase in customers' trust and as a result, there is no reason to reject the hypothesis. The results of Pearson correlation test in second sub-hypothesis showed that there is a positive and significant relationship between customers' commitment and their brand loyalty. According to the regression ( $\beta = 0.885$  and  $\text{Sig} = 0.000$ ) we can say that customers' commitment has a significant effect on brand loyalty and there is 0.885 units increase in brand loyalty for one unit increase in customers' commitment and as a result, there is no reason to reject the hypothesis. The results of Pearson correlation test in third sub-hypothesis showed that there is a positive and significant relationship between customers' communication and their brand loyalty. According to the regression ( $\beta = 0.776$  and  $\text{Sig} = 0.000$ ) we can say that customers' communication has a significant effect on brand loyalty and there is 0.776 units increase in brand loyalty for one unit increase in customers' communication and as a result, there is no reason to reject the hypothesis. As a result of confirming sub-hypotheses and provided results, the main hypothesis was also confirmed and it was concluded that relationship marketing has a significant effect on brand loyalty.

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