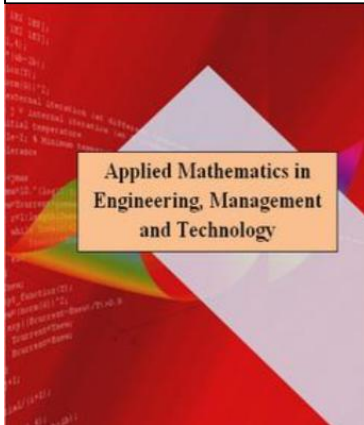


The Effect of Customer Relationship Management (CRM) on Perceived Relationship Investment by Customers

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Abstract

This article aims to study the effect of Customer Relationship Management (CRM) on perceived relationship investment by customers in Iranian airline companies. The sample size consisted of 384 out of all Mahan Air and Qeshm Air customers. Random sampling method was employed. Questionnaires were administered to collect the data. The validity and reliability of the questionnaire were confirmed by the experts and Cronbach's alpha, respectively. SPSS and Lisrel were employed to analyze the data. Descriptive and inferential statistical methods were also utilized to analyze the data. Two-stage cluster random sampling method was used in this study. Each airline is considered one cluster. According to the results of hypothesis testing, financial and social bonding tactics are effective in perceived relationship investment by customers. Structural bonding and social responsibility tactics are not effective in perceived

relationship investment by customers.

Keywords: financial bonding tactics, structural bonding tactics, social bonding tactics, social responsibility, perceived relationship investment.

1. Introduction

In this study, we examined a particular CRM model in Iranian airlines. Unlike most developed countries, this topic has not been addressed much in Iran because this industry has faced sanction for many years and it has not moved toward privatization. Considering improved economic conditions, disappearing sanctions, and the emergence of new airlines in recent years, Iranian airlines, like other industries, seek to grow and compete with others and model successful airlines in this field. This way, they are able to make greater profit and keep pace with advanced airline companies in the world. To achieve this goal, airlines have to move towards greater profitability. This would be only possible with higher sales which mean attracting new customers and retaining the previous ones.

2. Literature Review

Marketing literature tends to focus on products and services as the prime mover of consumer value in the cost of customer relationship activities (Joyner et al., 1998). Di Walf and Shorder (2003) and Joyner et al. (1998) defined efforts to establish a relationship with the customer as any attempt seriously sent from the service provider to the consumer, hoping to create the value for the consumer and greater understanding of the main products or services. Customer relationship efforts can be perceived by the consumer only after a series of exchanges with a service provider. The main topic of this study is not only discrete and separate transactions, but also relationship ones (Asturbaka et al., 1994; Dwyer et al., 1987). Based on the Vilfredo Pareto's "80/20 rule" (1848-1923), enterprises should try to identify clients that can provide long-term benefits. Flynn and Goldsmith (1993) show that customer's participation in product leads to a greater understanding of different features, the importance of product, and higher commitment to the brand. The participation of consumers in a product or service is based on the relevance of the product or service with needs, values, and interests (Zaikovsky, 1985). Consequently, customer participation affects the level of mental and physical efforts during the purchase process (Luck Svensson, 1994). Customers who have higher level of participation, prior to purchase, look for more information, process all relevant details, and impose more criteria in their purchasing compared to their counterparts who have lower level of participation (Luck Svensson, 1994). Therefore, "Customer Participation" can be considered a moderating variable that significantly affects the perceived

relationship investment through relationship tactics such as social, financial, and structural tactics (Flynn and Goldsmith, 1993; Gordon et al., 1998; Henning, Tura, 2002).

Pourezat et al. (2013) conducted a study entitled "Reduced Profiteering Quality in Iranian Airlines due to Sanctions (Case study: Zagros Airline)". The article aimed to study the effective factors in service quality in airlines according to SERVQUAL. Findings show that service quality is highly effective in customer satisfaction. Customer satisfaction is also effective in customer trust, Word-Of-Mouth advertising, and customer retention. Word-Of-Mouth advertising has positive and significant effect on customer retention. No significant relationship, however, is found between trust and customer retention.

Uslu et al. (2013) studied the attitude of the Japanese and Turkish in the field of brand equity. The main objective of this study was to empirically test a conceptual model of customer brand equity. This study finds the determining factors of service brand equity according to Turkish Airline service perception by customers. Findings show that when customers are emotionally attached to a brand, they create a stronger relationship with brand. Brand service quality, reputation and presence in the customer's choice also lead to a stronger relationship between customers and brand. This article is one of the few studies to compare Turkish and Japanese literature which carefully examines the cross-cultural purchase behavior in Turkish and Japanese customers.

Chen, Chang, and Lin (2012) introduced a conceptual model of customer satisfaction in Taiwanese Airlines. They studied the customer knowledge and theories of airline social responsibility. They examined the relationship between social responsibility and customer loyalty in aviation market. The results show that customers are concerned with the airline social responsibility initiatives. They believe that the level of performance is not satisfactory. Hierarchical regression analysis shows that when the quality of the relationship is controlled, airline social responsibility has dramatic and positive relationship with behavioral and attitudinal loyalty.

Benett (2010) conducted a study entitled "Shaping and Monitoring Relationships with Customers: Comparing Business Analysis and Behavioral Approach". He stated that although Relationship Marketing (RM) is widely discussed in contemporary marketing literature, its theoretical foundations are rarely discussed. Most of the works published in this regard implicitly rely on the theory of behaviorism exchange to support major propositions. Exchange theory has clarified most of RM hypotheses; however, it cannot explain the failure of the campaigns offering increasingly rewards of relationships to customers. Phenomenological approaches which study the psychodynamics of customer-supplier relationships, especially the ways in which individuals internally create the personal meanings of their experiences, show a powerful alternative to behavioral models. This article aims to study the type of relationship effort and empirically examines its effect on perceived relationship investment, customer satisfaction, trust, committed relationship, and behavioral loyalty of airline customers .Fig. 1 shows the research framework.

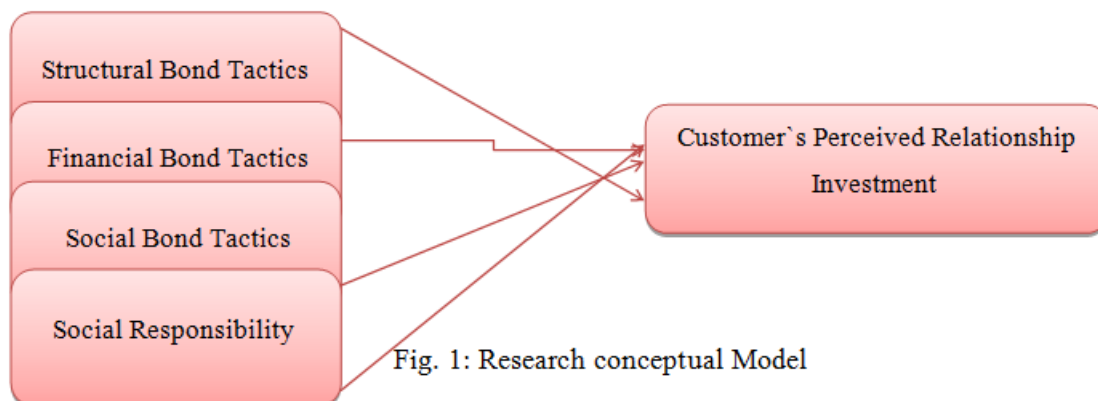


Fig. 1: Research conceptual Model

3. Research Methodology

The model in this study was selected using secondary sources including books, articles and dissertations, Internet resources, desk study, and consultation with experts in this field. In this regard, a Likert-scale questionnaire was devised by the help of supervisor and advisor. The model dimensions are measured in a 5-

point scale. The results of a pilot study were also employed to modify and indigenize the questionnaire. The statistical population consisted of Mahan Air and Qeshm Air customers who purchased from the company in different years. The number of customers was infinite in Iran in this regard. Krejcie and Morgan method was employed to determine the sample size. According to this table, the sample size is 384 for an infinite population. Two-stage cluster sampling method was utilized. In the first stage, each airline was considered one cluster. A total of 10 travel agencies were randomly selected in Tehran, Iran. The second stage is regarded for the distribution of 40 questionnaires in each travel agency. The customers were randomly selected. Convenience sampling method was employed. A total of 384 out of 400 questionnaires, filled in completely, were analyzed. The precise definition of each of the structures provided the structural measures. The compound scales were taken from the content validity of the questionnaire. In order to evaluate the construct validity, a pre-test (30 questions) was performed. Then the questionnaire was modified and distributed among the sample size. In order to calculate the reliability, Cronbach's alpha was employed. It was reported 0.967. Since it is greater than 0.7, it is acceptable. Cronbach's alpha was also calculated for each of variables (table 1)

Table 1: Cronbach's alpha coefficient

Variable	Question	Number of Questions	Cronbach's alpha
Financial Bond Tactics	1-4	4	0.792
Social Bond Tactics	5-9	5	0.845
Structural Bond Tactics	10-15	6	0.861
Social Responsibility	16-20	5	0.777
Perceived Relationship Investment	21-23	3	0.765

SPSS, Lisrel, and descriptive and inferential statistical methods were employed to analyze the data. As per descriptive level, the data were analyzed by frequency, percentage, and graphs. As per inferential level, Cronbach's alpha was employed to examine the reliability. Structural Equation Modeling (SEM) was also employed for hypothesis testing. Confirmatory factor analysis was utilized to study the explanatory level of each question. SEM was employed to approve or reject the hypotheses.

4. Findings

To test 1-4 hypotheses, SEM was employed. Then standard estimation and significance level are studied. Fig. 25-4 and Fig. 26-4 show the level of effect of independent variables on the dependent variable. The following table shows the hypothesis testing.

Table 2: Hypothesis testing

		Hypothesis	Path Coefficient	R ²	t-value	Result
Main Hypotheses	1	Financial Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	0.84	0.705	2.05	Accepted
	2	Social Responsibility is positively effective in Perceived Relationship Investment by Customers.	0.59	0.348	0.16	Rejected
	3	Structural Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	0.76	0.577	1.70	Rejected

4	Social Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	0.58	0.336	7.61	Accepted
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In hypothesis testing with SEM, the results show appropriate fitted model for hypotheses ($X^2/df < 3$). RMSEA shows appropriate structural model fitting. In other words, the data are consistent with the conceptual model.

Table 3: Fitting Model Index

Index	Range	Value	Result
X^2/df^1	$X^2/df \leq 3$	2.69	Approved
RMSEA ²	RMSEA < 0.0	0.005	Approved
GFI ³	GFI > 0.9	0.93	Approved
AGFI ⁴	AGFI > 0.85	0.88	Approved
CFI ⁵	CFI > 0.90	0.93	Approved
IFI ⁶	IFI > 0.90	0.95	Approved

5. Conclusion

According to the results of hypothesis testing, Financial Bond Tactics and Airline Social Bond Tactics are effective in Perceived Relationship Investment by airline's customers. Structural Bond Tactics and Airline Social Responsibility, however, are not effective in Perceived Relationship Investment by airline's customers. The effect of Perceived Relationship Investment on customer satisfaction, the effect of customer satisfaction on customer trust, the effect of trust on customer commitment, and the effect of customer commitment on loyalty were confirmed. The results of the study conducted by Stephen W. Wang (2014) were employed for the conceptual model in this study.

		Hypothesis	Stephen W. Wang (2014)	This study (2015)
Main Hypotheses	1	Financial Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	Accepted	Accepted
	2	Social Responsibility is positively effective in Perceived Relationship Investment by Customers.	*	Rejected
	3	Structural Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	Accepted	Rejected
	4	Social Bond Tactics are positively effective in Perceived Relationship Investment by Customers.	Accepted	Accepted

¹ Chi Square Divided to Degree of Freedom

² Root Mean Square Error of Approximation

³ Goodness of Fit Index

⁴ Adjusted Goodness of Fit Index

⁵ Comparative Fit Index

⁶ Incremental Fit Index

6. Recommendations

According to the results of 1-4 hypotheses testing, it seems that Financial Bond Tactics and Social Bond Tactics are effective in Perceived Relationship Investment. Structural Bond Tactics and Social Responsibility, however, are not effective in Perceived Relationship Investment by airline`s customers. Since other results show that Perceived Relationship Investment is positively effective in customer satisfaction, airline mangers need to pay a special attention to Social Bond Tactics and Financial Bond Tactics. For instance, applying discounts (offers) can be employed concerning Financial Bond Tactics. In terms of Social Bond Tactics, gift cards or other gifts, offering advice prior to purchase, maintaining personal interaction with the customer, and matching the service with personal well-being of customers can help to enhance the Perceived Relationship Investment. This would lead to customer satisfaction and commitment.

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