Evaluating the impact of relationship marketing components on customers' loyalty level: Evidence from Iran Khodro Corporation

Mohammad Hakkak[a*] and Nahid Zare[b]

[a]Assistant Proffessor, Management Department, Lorestan University, Khoram Abad, Iran
[b]Master of Art in Executive MBA.TehranPayamnoor University, Iran

C H R O N I C L E	A B S T R A C T
	During the past few years, Iranian auto industries sell their products directly to customers and the increase competition among domestic auto makers has increased motivation to pay especial attention to their customers. This paper investigates relationship between marketing and customer's loyalty. The study designs a questionnaire consists of three parts. The first part is associated with customer information, the second part considers relationship marketing factors and the third part measures components of customer's loyalty. Cronbach alpha in relationship marketing, loyalty and overall alpha were measured 0.878, 0.891 and 0.712, respectively. Obtained data were analyzed using LISREL software. Ranking the components of the internal and external latent variable are discussed by using the Friedman test and our investigation indicates that some components are not meaningful when the level of significance is five percent. Based on the results of Freedman test, common sense is the most important factor with relative weight of 4.08, followed by relationship (4.01), trust (3.90), commitment(3.86), trouble shooting (2.88) and for the variable of loyalty, quality(3.89), reputation(3.57), decoration(3.4), responsibility(2.96), clients seeking variety (1.75) have the highest average respectively. Note that the results of Friedman test are consistent with the results of structural equation modeling. Chi-Square values have been calculated as 597.701 and 108.917 for marketing relationship and loyalty, respectively.

1. Introduction

During the past three decades, there have been many attempts on having efficient techniques for measuring and improving quality of organizations. Many of these methods focus on more than just financial perspectives and look inside the organization by investigating various items such as people, processes, customers, etc. (Hooks & Farry, 2000; Westcott, 2005; Ueltschy et al., 2007; Faghihi et al., 2012).

*Corresponding author. Tel: + 98-9122599727
E-mail addresses: md_hakkak@yahoo.com (M. Hakkak)

SERVQUAL has been considered as one of the most important one (Parasuraman et al., 1985, 1991). According to SERVQUAL model, customers evaluate quality of service through five aspects including tangibles, reliability, responsibility, assurance, empathy and these components could adjust the quality of a product. Customers within any organization play an essential role on market development. Kaplan and Norton (1992; 1996a, 1996b) are believed to be the first people who stated customer as part of firms' intangible assets.

Tajzadeh Namin et al. (2012) performed an investigation on measuring the quality of services of Tehran's Saman bank and the available gap between customer's expectation and perception. In addition, they studied the relationship between customer's satisfaction and each dimension of service quality based on reliability, tangibility, responsiveness, assurance and empathy. They showed that the service quality dimensions influenced customers' perception based on SERQUAL. In addition, there were significant relationship between customers' perception and their satisfaction of the offered services. However, there were negative gaps between customers' perception and their level of expectation.

Gazor et al. (2012) studied the relationship between customer perceptions from service encounter quality and loyalty of customer to organization and employees. They used SERVQUAL factors and considered different factors impacting the quality of service. The results of their survey indicated that service quality systems, customer satisfaction were the most desirable factors based on the feedback received from the customers. Besides, response to customers and loyalty to employees, service encounter quality, service and loyalty to organization, arrangements were in lower priority levels, respectively.

There are literally different levels of customer loyalty within a firm including no loyalty, exhaustion, hidden and valuable loyalty. When there is *no loyalty,* customer feels little feeling to have relationship and dependency to brand and it is unlikely to repeat purchase in future. *Exhaustion loyalty* occurs when customer feels a little amount of relationship and dependency to a particular brand, but buying will be unlikely to be repeated. Under such conditions, the best strategy is to facilitate the purchasing process. *Hidden Loyalty* is a strong feeling towards the brand but purchasing is a little repetitive. Appropriate strategy at this stage includes marketing communications, reminders, rewards programs, stimulating programs and oral testimony. *Valuable loyalty* comes when there is a strong dependency to particular brand and repeated purchases. Appropriate strategy at this stage, is to create a sense of belonging to a club emotionally and practically.

According to Laaksonen et al. (2008), the relational and dynamic perspectives of interfirm trust and dependence produce an important challenge for successful relationship coordination. They focused on this subject by investigating how trust and dependence co-evolve in customer–supplier relationships in a real-world case study. They developed propositions and a model, which showed how interorganizational trust and dependence co-evolve through the various phases of customer–supplier relationships and how it is possible to distinguish cooperative and trustworthy actors from those who will behave opportunistically. Abdul et al. (2012) conceptualized a framework of customer trust in buyer–seller relationships in rural India. They applied Fishbein's model of behavioral intention and trust theory in developing countries and proposed that the customer trust was not only based on often-studied personalized trust sources only but also through generalized trust sources. We included normative and informational social impacts as generalized trust sources and product quality, service quality and customer dependence as personalized trust sources. They also validated their model with the survey data collected from farmers who buy chemical fertilizers from rural traders in India. They reported that the generalized trust sources significantly influence customer trust for traders and the personalized trust sources affected customer trust for traders in a various way in rural India.

In this paper, we investigate the relationship between marketing and customer's loyalty. The organizational of this paper first present the proposed hypotheses in section 2 and details of our findings are given in section 3. The paper ends with concluding remarks to summarize the contribution of this paper.

2. The proposed study

The main hypothesis of this survey investigates the relationship between marketing and customer's loyalty. The main hypothesis of this paper can be extended to the following secondary hypotheses,

1. There is a meaningful relationship between trust and marketing.
2. There is a meaningful relationship between commitment and marketing.
3. There is a meaningful relationship between relationship and marketing.
4. There is a meaningful relationship between common sense and marketing.
5. There is a meaningful relationship between trouble shooting and marketing.
6. There is a meaningful relationship between quality and loyalty.
7. There is a meaningful relationship between decoration and loyalty.
8. There is a meaningful relationship between responsibility and loyalty.
9. There is a meaningful relationship between diversity and loyalty.
10. There is a meaningful relationship between reputation and loyalty.

2.1. Materials and Methods

This survey is qualitative and descriptive in type of data and applicative in goal because it is oriented towards the practical application of knowledge. The statistical population includes customers of Iran Khodro's products. In order to achieve the desired sample, from total representations, 15 agencies were selected in Tehran, Iran. Sample size was determined 248 by the "Cochrane" formula selected randomly through the clients. The proposed study designs a questionnaire for collecting the necessary data. The questionnaire consists of three parts: the first part includes customer information, the second part includes factors associated with relationship marketing and the third one measures components of customer's loyalty. Cronbach alpha in relationship marketing, loyalty and overall alpha were measured 0.878, 0.891 and 0.712, respectively. Obtained data were analyzed using LISREL software.
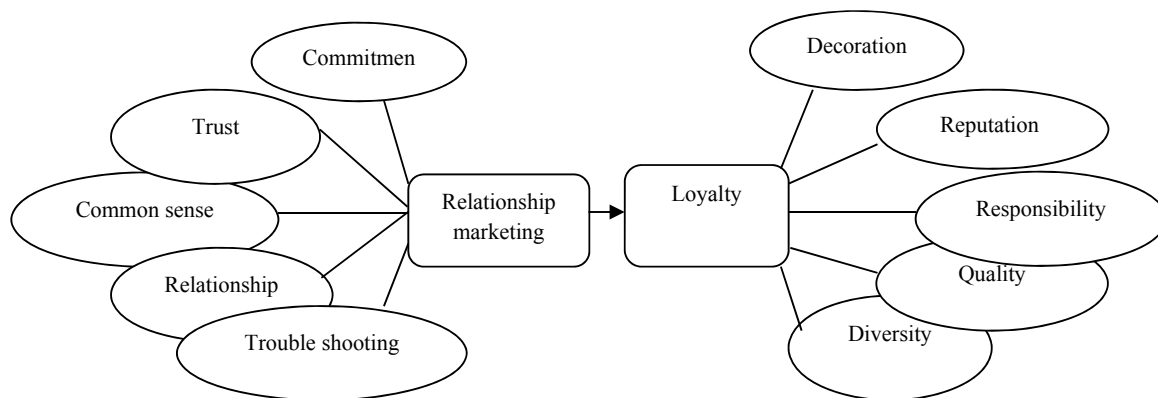

Fig. 1. The proposed framework

3. Results

In this section, we present the results of our investigation and Table 1 shows the results of our survey.

Table 1
The summary of the results of the first model

Parameters	Initial value	Extracted value	Estimated final value
Marketing-loyalty	1.00	4.36	4.28
Trust	1.00	0.88	0.88
Commitment	1.00	0.86	0.86
Trouble shooting	1.00	0.60	0.60
Common sense	1.00	0.98	0.98
Relationship	1.00	1.00	1.00
Quality	1.00	1.00	1.00
Decoration	1.00	0.91	0.94
Responsibility	1.00	0.59	0.62
Reputation	1.00	0.95	0.97
Diversity	1.00	-0.43	-0.34

The share amount varies between zero and one. The share amount of zero means that the common factor indicates no change in the particular variable and the share amount of one suggests that all specific variable changes are determined by the shared factors. In other words, the share amount of one indicates that total variance of the observed variables would have been under factor analysis though. If the shared variance of the observed variables and latent variables are investigated by factor analysis, a preliminary estimate of the share amount should be in central diameter of correlation matrix. Table 2 demonstrates the measured calculated for the model.

Table 2
The summary of the measures of the first model

Parameters	Standardized amount	Standardized error	Explained variance
Marketing-loyalty	0.86	0.48	0.86
Trust	0.89	0.036	0.79
Commitment	0.88	0.036	0.80
Trouble shooting	0.89	0.024	0.77
Common sense	0.92	0.035	0.89
Relationship	0.95	-	0.85
Quality	0.85	-	0.73
Decoration	0.78	0.065	0.60
Responsibility	0.50	0.073	0.25
Reputation	0.81	0.065	0.66
Diversity	-0.36	0.076	0.13

Fig. 1 shows details of our findings associated with the implementation of structural equation modeling using LISREL software package. The model was fitted and examined by a number of indicators and the results are summarized in Table 3.

Table 3
The results of testing the proposed model using different statistical observations

Indicator	Accepted domain	Amount	Result
X2/df	$X2/df \leq 3$	3.505	Model rejected
RMSEA	RMSEA<0.09	0.00	Model confirmed
GFI	GFI>0.9	0.91	Model confirmed
AGFI	AGFI>0.85	0.86	Model confirmed
CFI	CFI>0.90	0.96	Model confirmed
IFI	IFI>0.90	0.96	Model confirmed
NNFI	NNFI >0.90	0.95	Model confirmed
RFI	RFI >0.90	0.93	Model confirmed

As we can observe, the validity of the model has been confirmed in all cases except for the Index X2/df. The error covariance is suggested by LISREL to correct the initial model so the negative covariance was applied among the components of the diversity and quality to correct the model. There were other suggestions that had little effect on the model, so it continued regardless to displaying other suggestions.
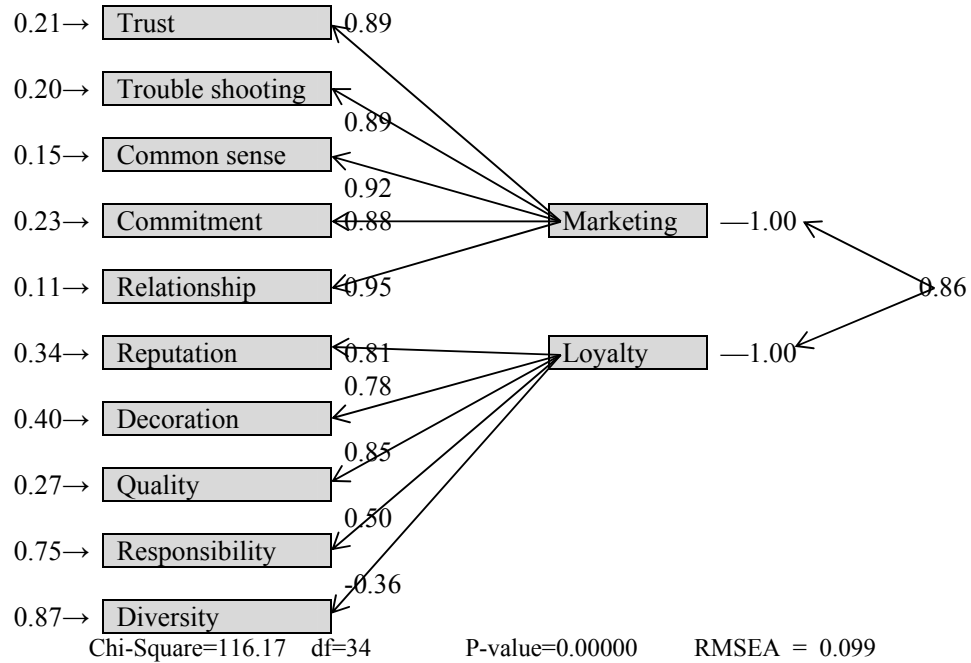

Chi-Square=116.17   df=34   P-value=0.00000   RMSEA = 0.099

Fig. 1. The results of LISREL

Based on the proposed amendments, the final values of the final model were obtained in Table 4 as follows,

Table 4
The summary of the measures of the first model

Parameters	Standardized amount	Standardized error	Explained variance
Marketing-loyalty	0.86	0.48	0.86
Trust	0.89	0.036	0.79
Commitment	0.89	0.036	0.80
Trouble shooting	0.89	0.024	0.77
Common sense	0.92	0.035	0.90
Relationship	0.92	0.035	0.90
Quality	0.84	-	0.70
Decoration	0.79	0.067	0.62
Responsibility	0.52	0.075	0.27
Reputation	0.81	0.066	0.66
Diversity	-0.29	0.073	0.082

The final model re-evaluated and determined that has a good fitness in all the indicators were delivered in Table 5 as follows.

Table 5
The results of testing the proposed model using different statistical observations

Indicator	Accepted domain	Amount	Result
X2/df	$X2/df \leq 3$	2.59	Model confirmed
RMSEA	RMSEA<0.09	0.017	Model confirmed
GFI	GFI>0.9	0.94	Model confirmed
AGFI	AGFI>0.85	0.9	Model confirmed
CFI	CFI>0.90	0.97	Model confirmed
IFI	IFI>0.90	0.98	Model confirmed
NNFI	NNFI >0.90	0.97	Model confirmed
RFI	RFI >0.90	0.95	Model confirmed

Fig. 2 shows details of our findings associated with the implementation of structural equation modeling using LISREL software package for the final model. Ranking of the components of the internal and external latent variable is discussed by using the Friedman test and our investigation indicates that some components are not meaningful when the level of significance is five percent.
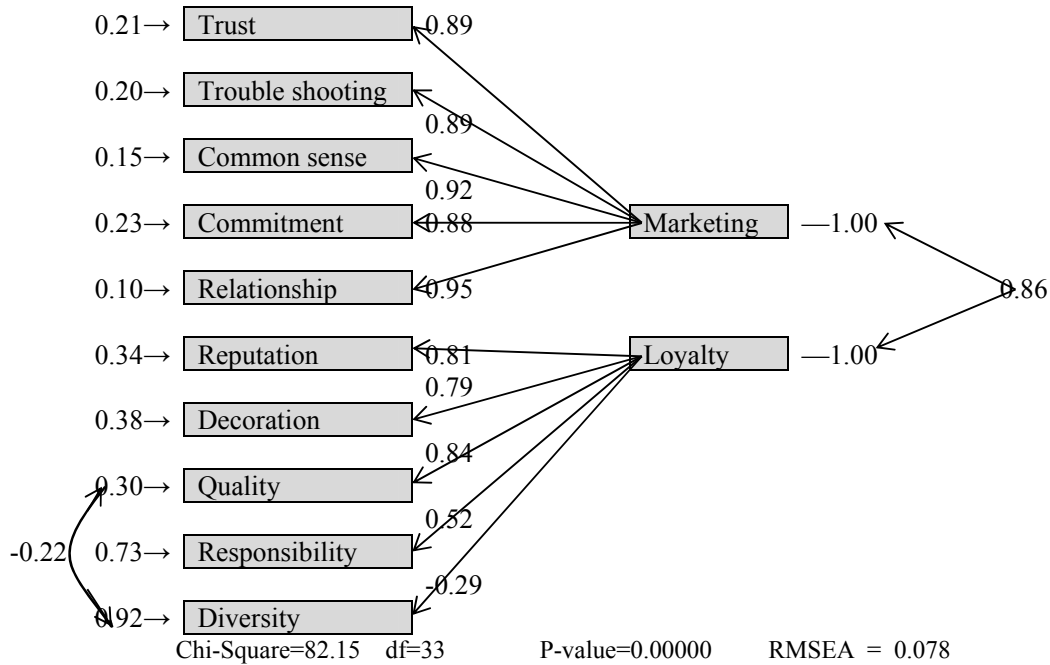

Chi-Square=82.15   df=33   P-value=0.00000   RMSEA = 0.078

Fig. 2. The results of LISREL for the final model

Based on the results of Freedman test, common sense is the most important factor with relative weight of 4.08, followed by relationship (4.01), trust(3.90), commitment(3.86), trouble shooting (2.88) and for the variable of loyalty quality(3.89), reputation(3.57), decoration(3.4), responsibility(2.96), clients seeking variety (1.75) have the highest average respectively. Note that the results of Friedman test are consistent with the results of structural equation modeling. Chi-Square values have been calculated as 597.701 and 108.917 for marketing relationship and loyalty, respectively.

The results of our survey have indicated that there are significant relationship between loyalty as internal latent variable and marketing relationship as external latent variable. The components of marketing relationship, namely trust, commitment, common sense, relationship and conflict resolution, can measure the variable. However, according to customers' opinions, relationship and the

common sense are considered more important than the other components in terms of relative importance.

In terms of technology perspective and considering new processes to produce better and cheaper products and customization, commitment is associated with marketing relationship more than other components. Component of conflict resolution and relationship are intimately associated with the marketing relationship so in a successful organization, both the system for monitoring the feedbacks received from customers and the needs that are hidden from competitors' view can cause loyalty in customers. Components of quality, accountability, reputation, customer seeking diversity and decoration can measure the variable of loyalty as well and components of the quality and reputation are thought to become more and more important from the customer's perspective.

Variety of features that will satisfy customers who are interested in seeking variety is one feature that reduces the customer return rate to other companies, simply because of this shortness and will raise the loyalty rates in successful enterprises. Customer loyalty is also closely associated with the concept of accountability. If companies take the step towards customer satisfaction, the customers would not be indifferent to the failures and will notify the owners of the company and feel themselves as one part of that, which yields high ratio of loyalty. The results obtained in this study are in line with results from similar studies, and confirms their validity. Among the components, the component of variation and lack of accountability in clients for the enterprise are negatively associated with variables and the company must reduce the amount of negative components to increase loyalty and profitability.

There are different ways to build better relationship between customers and the proposed firm such as fulfilling the company's promises on time, ensuring the implementation of commitments, using the new technologies in creating variety in facilities and services. The firm can also provide adequate information for the customer at the right time and reply quickly to customer requests and expediency in favor of customers, create a positive impression on the clients that customers in each geographic region are considered to be important and valuable. It is also possible to remove poor quality in products and pay more attention to the personals proposals and their creativity.

4. Conclusion

We have investigated the relationship between marketing and customer's loyalty for one of Iranian auto makers named Iran Khodro. The proposed study has designed a questionnaire consists of three parts and analyzed them using LISREL software. Ranking the components of the internal and external latent variable were discussed by using the Friedman test. Based on the results of Freedman test, common sense has been considered as the most important factor with relative weight of 4.08, followed by relationship (4.01), trust (3.90), commitment (3.86), trouble shooting (2.88) and for the variable of loyalty quality(3.89), reputation(3.57), decoration(3.4), responsibility(2.96), clients seeking variety (1.75) had the highest average, respectively. Note that the results of Friedman test have been consistent with the results of structural equation modeling. Chi-Square values have been calculated as 597.701 and 108.917 for marketing relationship and loyalty, respectively.

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