The Impact of Customer Relationship Management on Customer Loyalty in LG Company (Goldiran) Tehran City

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Abstract

This study is carried out aimed to The Impact of Customer Relationship Management on Customer Loyalty with the Mediating Role of Customer Commitment in LG Company (Goldiran) Tehran City. The study correlation in view of application and descriptive approach and the method of data collection is library field. The statistic population include all customers of LG Company (Goldiran) in Tehran City. Research sample consist of 384 port employees were chosen through cluster random using of Morgan table. Reliability of Customer Relationship Management, Customer Loyalty and Customer Commitment is approved 0.86, 0.84 and 0.79 respectively. The method of data analysis is used by Descriptive and inferential statistics and normal data distribution through Kolmogorov-Smirnov test statistical methods of this study was LISREL and SPSS software. Results find that Customer relationship management has Positive and significant impact on customer loyalty and customer commitment.

Key words   Customer Relationship Management, customer loyalty, customer commitment.

1. Introduction

Successful organizations nowadays provide goods and services defined by all the individual customers. In fact, these organizations are better at key points such as communication with customers in marketing, sales and services through the mass customized order. Today, many industries are looking at how to transmit from the high-volume sales and broadcast marketing to the management of individual relationships with customers. Thus, in the transition from the traditional economy to the intense competition in the modern economy, the customer is the focus and central to all activities of the organization, so that from the competitive perspective, the survival and continuity of the organizational life depend on attracting and identifying new customers and retaining the existing customers. In the meantime, the marketing managers prescribe customer retention and the use of appropriate methods to communicate with them as Customer Relationship Management (CRM).

Progress in the field of information technology has reduced the customers' loyalty to the companies significantly, since the customers of such organizations get quickly aware of and attracted to the competitors' services (Sindwani and Goel, 2016). Access to a wealth of information and various channels distributing and offering the products lowers the loyalty of the customers to their suppliers. This means fewer obstacles for the substitution of organizations with other ones and a sharp decrease in customer loyalty. For this reason, the question of how to communicate with customers and maintain the relationship for a long time through creating a sense of loyalty is one of the most important issues affecting the durability and stability of the organizations in their competition for more profit. In the second part of this article, the theoretical and empirical literature is examined. In the third part, the data and empirical analysis are provided, and finally in the fourth section, the results are presented.

2. Literature review

Nowadays, with the increase of competition and saturation of many markets and changes in the environment and demographics, organizations have faced the fact that to survive in this highly competitive environment, they should not only evaluate and improve their performance through various strategies, but also differentiate themselves from their competitors by creating competitive advantages. In such an environment, the organizations are trying to attract new customers and more importantly, retain the old customers as well. Perhaps it could be argued that retaining the old customers is more important for the organizations than attracting the new ones. This is simply because the cost of selling the products to the old customers is less than the cost of attracting the new customers. To achieve this, relationship-based marketing which also called business art nowadays and focuses on managing the relationships with customers and retaining the existing customers is applied in the organizations (Wagner & Hollenbeck, 2014).

Applying the relationship-based strategies in the organizations helps to keep the existing customers and attract the new ones. To retain the existing customers, the key skills are creating the right relationship with the customers (Alkhateeb and Nguyen Do, 2013). The managers are alerted that the environment has changed, but the marketing model has remained still. Traditionally, marketing was only focused on the transactions and retaining the customers was not important. In fact, in traditional markets, customer requirements were less considered. In traditional marketing, the costumer share was the success indicators, but in modern marketing, the customer share is the criterion. Products come and go, but what gives value is to the modern enterprises is to create an ongoing relationship with the client, and successful organizations are able to create their own lifelong customers. Customer Relationship Management (CRM) which is considered as a new phenomenon dates back to the 1990s. CRM is a business strategy for managing interactions with customers to optimize long-term value and customer satisfaction. CRM is the organizational structure designed to create mutual value through this process (Bohling *et al.*, 2006). CRM is the process of creating and maintaining relationships with customers in the business cycle (Saifullah Hassan *et al.,* 2015).

Relationship quality is an important indicator for the evaluation of the relationship between supplier and customer. Many researchers believe that customer trust, satisfaction and commitment are key factors in assessing the quality of communication. Crosby *et al.* (1990) concluded that satisfaction and trust are the two main elements of communication quality. Sanchez Garcia *et al*. (2007) pointed out that trust and commitment are the key factors in assessing the quality of communication. Garbarino and Johnson (2009) and Smith (1998) concluded that the quality of relationship is formed through satisfaction, trust and commitment.

Ko *et al.* (2008) consider the special benefits of CRM as the increase of profits, decrease of marketing costs and increase of repeated purchases. Using CRM, the needs and wishes of the customers can be identified even before they are expressed; by the use of this advantage, the organizations are able to increase customer loyalty, create revenue and reduce the cost of services and operations (Gabe *et al.,* 2005). Ozgener *et al*. (2006) mentioned the major obstacles of implementing CRM in the medium and small organizations, as inadequate funding, lack of young leaders committed to the implementation of CRM and poor communication with the customer. Moreover, accurate and timely information from CRM helps to reduce customer complaints and increase their satisfaction (Seeman and O'Hara, 2006). White (2000) states that a modern economy is emerging in which the relationship between the customer and supplier plays a decisive role. Additionally, in the service industries that provide services through communication and interaction with the customer, satisfaction is totally based on their overall experience of the organization. Thus, customer satisfaction and loyalty can be improved through full understanding of customer needs and desires and communicating closely with the customer (Lau *et al.,* 2004). Therefore, managers face a major challenge today, which is customer loyalty.

Andy Fred, Lynn Tello and Aydyka (2016) in a study entitled "The Relationship between Customer Relationship Management and Commitment and Loyalty to the Brand" found that the strategy of CRM helps to have customers' commitment and loyalty to the brand. Chacha (2016) in a study entitled "Customer Relationship Marketing and its Impact on Customer Retention: A Case Study on Commercial Banks in Tanzania" found that a long-term relationship with the customers leads to customer retention and

loyalty. Ngo Vu and Nguyen (2016) in a study entitled "Relationship between Service Quality and Customer Satisfaction and Loyalty: A Case Study on Retailer Banks in Vietnam" found that the quality of service and customer satisfaction are two important predictors of customer loyalty and customer satisfaction caused by the service quality affects loyalty. Estelle van (2016) in a study entitled "Trust and Commitment as Mediators to Quality and Loyalty" found that these mediating variables explain 27 percent of the loyalty and have a significant positive impact on loyalty and the quality of services.

Mozaheb *et al.* (2015) studied the Effect of Customer Relationship Management (CRM) on Performance of Small-Medium Sized Enterprises (SMEs) Using Structural Equations Model (SEM). This study aims to investigate the effect of customer relationship management (CRM) on the performance of small and medium size enterprises (SMEs). Results showed that CRM has significant effect on the performance of enterprises. Technology is a key factor which influences SMEs and leads to superiority on competitors. Besides, for achieving more desired performance, enterprises should pay attention to market and customers. Al-Hawary and Aldaihani (2016) studied the impact of customer relationship management (CRM) on innovation capabilities of Kuwait Airways. Research findings indicated a high level of CRM adoption, with a first rank for technology based CRM. Additionally, there is a high level of innovation capabilities, with a first rank for innovation in administrative affairs. The results also indicated that there is a significant statistical impact of CRM dimensions (information sharing, customers' involvement, long-term relationships with customers, joint problem-solving and technology-based CRM) on innovation capabilities in Kuwait Airways.

Considering that large and leading companies like LG try to increase the life standards along with innovating advanced technologies to improve the quality of life both at national and international levels. Thus, besides their modern technologies, and considering their power and capital, they operate campaigns and activities with the main purpose of helping the community. These activities are known as "social responsibility" in which the LG Company along with the other famous brands in the world has always been one of the leading and most active companies. Therefore, as the customers' access to a wealth of information and various channels distributing and offering the products in a competitive environment lowers their loyalty to the suppliers, the question of how to communicate effectively with the customers and maintain them are the most important issues affecting the stability of the companies in the competition for more profit. The main objective of this study is therefore to investigate the impact of CRM on customer loyalty as a mediator of customers' commitment to LG Company (Goldiran) in Tehran Province.

3. Methodology of research

3.1. Data and Empirical Analysis

With respect to the main purpose of the study which is to investigate the impact of CRM on customer loyalty as a mediator of customers' commitment to LG company (Goldiran) in Tehran Province, the study population consists of all customers of LG (Goldiran) in Tehran that have an unlimited number. Thus, due to the wide geographic distribution, cluster random sampling has been used (Clusters include LG agencies) and Morgan table has considered 384 individuals as the sample size. In this study, 85.61 percent of the respondents are male and 14.39 percent are female. 19.11 percent of the respondents are below 30 years old, 31.87 percent are between 31-40 years old, 18.63 percent are between 41-50 years old, 22.54 percent are between 51-60 years old and finally 8.57 percent of respondents are above 60 years old. 77.4 percent are B.A. graduates, 11.3 percent are M.A. graduates, 7.8 percent are S.D. graduates and 3.5 percent are Ph.D. graduates.

Kolmogorov-Smirnov test is used for investigating the normality of data. In this test, for examining data normalization, the null hypothesis based on the abnormal distribution of data is examined at the confidence level of 95%. Therefore, if the test statistics is less than or equal to 0.05, the null hypothesis is rejected in this case. In other words, the data is normally distributed. Table 1 presents the results of K-S test:

Table 1. K-S test results for normality

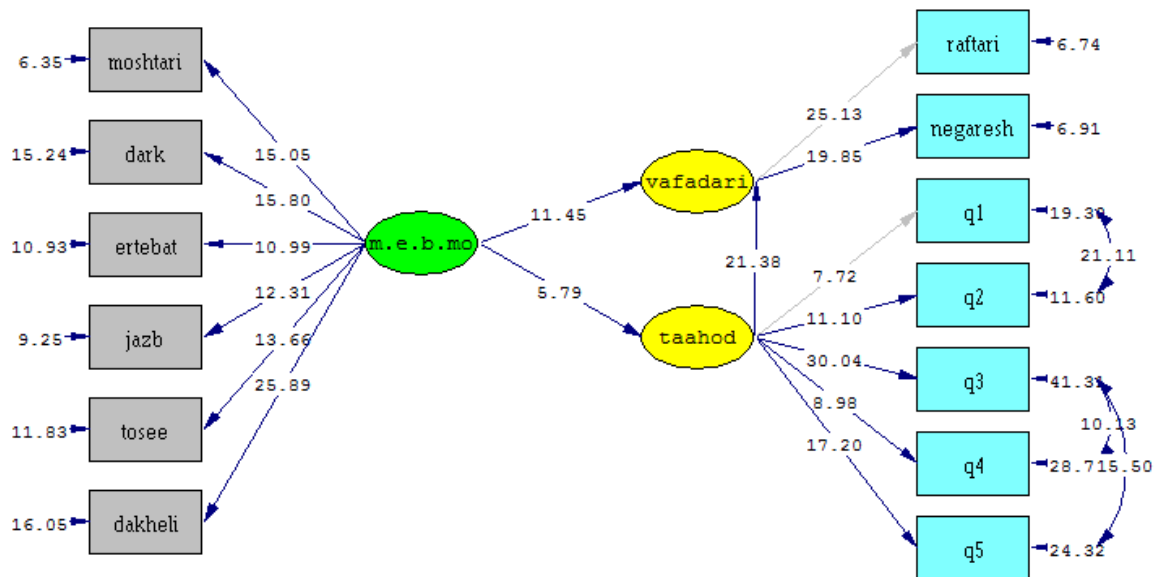| Variables	Significance in 0.05 %
Customer Relationship Management	0.058
Customer commitment	0.067
Customer Loyalty	0.065

Due to the higher level of significance than 0.05, at the confidence level of 95%, it can be said that the assumption of normality of the data is accepted.

One of the strongest and best methods for the analysis of the Behavioral Sciences Research is the multivariate analysis because the nature of these issues is multi-variable and cannot be solved through a two-variable method (which only considers one independent variable and one dependent variable each time). Hence, in this study, to accept or reject the hypotheses, a structural equation modeling method is used with the help of LISREL 8.8 software. The research hypotheses can be expressed as follows:

1. CRM has a significant and positive impact on customer loyalty in LG Company (Goldiran).

2. CRM has a significant and positive impact on customer commitment in LG Company (Goldiran).

3. Costumer commitment has a significant and positive impact on customer loyalty in LG Company (Goldiran).

Based on what is seen in Figure 1, the research hypotheses are confirmed at the confidence level of 99%.

Chi-Square=183.41, df=59, P-value=0.00000, RMSEA=0.040

Figure 1. The conceptual model of research and hypotheses in significance

To investigate the direct and indirect effects of the independent variables on the dependent ones, the total, direct and indirect effects of the endogenous variable in the model should be presented and are visible in the Table 2 below:

Table 2. Separation of direct, indirect and total effects in the research model

Dependent variable	Independent variable	Effect Direct	Indirect Effect	Total Effect
Commitment	CRM	0.39	----	0.72
Loyalty	Commitment	0.61	-----	0.40
Loyalty	CRM	0.45	0.23=0.61*0.39	0.68=0.45*0.23

CRM affected the customer loyalty through the mediating role of commitment at a rate of 0.68. Thus, there is a significant relationship between CRM and customer loyalty through the mediating role of commitment. This means that in an organization where CRM is more emphasized, customer loyalty is higher. In other words, the research hypothesis on the basis of the impact of CRM on customer loyalty through the mediating role of commitment is affirmed for the company of LG (Goldiran). CRM affected the customer commitment at a rate of 0.39. Thus, there is a significant relationship between CRM and customer commitment. This means that in an organization where CRM is more emphasized, customer commitment is higher. In other words, the research hypothesis on the basis of the impact of CRM on customer commitment is affirmed for the company of LG (Goldiran). Customer commitment affected the customer loyalty at a rate of 0.61. Thus, there is a significant relationship between customer commitment and customer loyalty. This means that in an organization where customer commitment is more emphasized, customer loyalty is higher. In other words, the research hypothesis on the basis of the impact of customer commitment on customer loyalty is affirmed for the company of LG (Goldiran).

4. Conclusions

After reviewing and approving the model, to test the significance of the hypotheses, the two indices of critical value and p value have been used. The results of the study which are also comprehensible through concluding the three hypotheses show that there is a positive relationship between CRM and customer loyalty as a mediator of customers' commitment in the company of LG (Goldirn). Progress in the field of information technology has decreased the customers' loyalty significantly since the customers get quickly aware of the competitors' services and attracted to them. The customers' access to a wealth of information and various channels distributing and offering the products in a competitive environment lowers their loyalty to the suppliers. This means fewer obstacles for the substitution of organizations with other ones and a sharp decrease in customer loyalty. For this reason, the question of how to communicate with customers and maintain the relationship for a long time through creating a sense of loyalty is one of the most important issues affecting the durability and stability of the organizations in their competition for more profit.

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