Impact of Customer Relationship Marketing on Customer Value Creation and Customer Loyalty in Mobile Service Providers Market: A Case Study of Pakistan

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ABSTRACT: *A common slang in the American Businesses known as "Customer is king" and undoubtedly, without customers any business is useless. For achieving desired goals and objectives, there must be a long term relationship. In the modern world, there is a huge competition between organizations so the importance of the relationship with customer exceeds. As we know that the competition is just a mouse click away and the market is more demand oriented so that customer is life blood of any organization. A research study was conducted to analyze the relationship of customer relationship marketing with customer value creation and customer loyalty. Questionnaires were used to collect data from customers of different telecom firms and statistically analyzed using SPSS Version 20. Results demonstrated the impact of customer relationship marketing on customer value creation and customer loyalty.*

Keyword: Customer relationship marketing, Customer value creation and Customer loyalty.

I. INTRODUCTION

Customer relationship marketing is the determinant of the customer value creation but the fact is that these two are different from each other. Customer relationship marketing has different determinants such as trust, commitment, communication, promise, cooperation, power, empathy, rapport, duration of time and accuracy. On the other hand, value creation has different components and value varies from person to person. There are different types of customers such as knowing customers, suspicious customers, talkative customers, angry customers. So creating value for all types of customers is a difficult task. Value can be determined as a satisfaction that customers obtained from offer delivered (Tzokas, Seran, 1997). Sometimes customer relationship marketing initiatives do not only fail to deliver profitable growth, but also had damaged long – standing customer relationships (Bain,2001). The long term customer relationship and value creation of customers is the need of any type of organization. In modern world customer relationship marketing is very important to create value for the customers. Customer relationship marketing is concerned with the creation, development and enhancement of the individualized and different customers groups for maximizing life time value of the customers.It's just about maintaining long term relationship with customer. The main goal of customer relationship marketing is to build long term relationships with customers and convert indifferent customers into loyal ones (Berry and Parasurarnan, 1991). On the other hand value creation simply means the ability of any organization to satisfy the needs of the customer on comparatively lower cost at higher benefit than that offered by competitors. Customer value comprises of three key dimensions; self-oriented, reactive and extrinsic (Holbrook 1996). Customer value is the overall benefits derived from products but according to customer prospective, it is the price customer is willing to pay for the product. Nowadays different mobile service companies operate in Pakistan such as Ufone, Mobilink, Zong, Telenor and Warid. We selected Sialkot district for the study because it is considered as export Hub of Pakistan. These companies used different techniques to attract the customer and to maintain long term relationship. The basic aim of present study is to check the impact of customer relationship marketing on customer value of mobile service providing companies in Sialkot district.

Building the Base for Argument and Hypotheses Development

Customer relationship marketing and customer value creation are interrelated with each other. The basic and core concept of customer relationship marketing is Value. The ability to provide superior value to customers is a prerequisite when organizations try to establish and maintain long-term customer relationships. From a relationship perspective providing value to the customer, establish and maintain mutually profitable customer relationships is of prime concern in relationship marketing (Ravald&Grönroos, 1996). Customer relationship

marketing aims to provide unique value to customers in chosen markets. The purpose of business is to create and keep customers according to customer relationship marketing perspective (Ballantyne et al. 1991).

Customer Value can be delivered if the organization focuses on customer needs (Aila et al. 2012). Setiowati& Putri, (2012) indicated customerperceived value as one of the indicators for customer loyalty that leads to customer recommendation and repurchase. Traditionally, marketing activities had focused on success in the product marketplace by examining the physical aspects of products and services such as quantity, quality, functionality, availability, accessibility, delivery, price and customer support. Now recently, marketing managers have shifted their emphasis to create value for their customers (Clutterbuck &Goldsmith, 1998; McAlexander et al., 2002, Mascarenhas, et al. 2006). "Trust is when one side relies on creditworthiness and integrity of the other side" (Morgan & Hunt 1994). Morgan and Hunt referred to necessity of trust in forming a relationship commitment among customers and organizations. Trust is an important and necessary thing for a strong relationship and contributes to relationship performance (Anderson and Narus, 1990; Narayan das and Rangan, 2004). Trust can also be defined as "a willingness to rely on an exchange partneron which one has confidence" (Moorman 1993). Commitment can be defined as "Psychological feeling of the mindin which the formation ofa position on the continuation of a relationship with a commercial partner(Rauyruen and Miller 2007). Relationships built on the foundation of mutual commitment and this commitment level is found to be the strongest predictor of the voluntary decision to pursue a relationship (Ibrahim & Najjar 2008). Commitment can also conceptualize as "a force that binds an individual to continue to purchase services" (Bansal et al. 2005) Affective commitment has a greater impact on loyalty than calculative commitment (Norman W. Marshall and Nova 2010). Commitment is former or antecedent both to customer retention and customer share development (Verhoef 2003). Higher levels of trust and commitment are related to higher levels of customer retention and this could result in higher organizational profitability (Morgan and Hunt 1994).

Communication can be linked with commitment in channel relationships and industrial markets (Mohr et al. 1996).Communication is "defined broadly as the formal as well as informal sharing of meaningful and timely information between firms and their customers" (Anderson and Narus 1990). Allert and Chatterjee (1997) showed that the communication culture promoted by leadership tends to facilitate nurturing trust based mutual relationships. Huang et al (2008) investigated the role of the communication in trust formation between boundary spanning individuals from different organizations. It was revealed that face-to-face communication has more comprehensive impact in terms of facilitating the interpersonal trust building mechanisms. Communication strengthens relationship and influences trust and commitment (Anderson and Narus, 1990).

The concept of Promise originates on providing the customer with assurance of quality of products and services (Sheth et al. 1995). Calonius (1984) defined promise as: A more or less explicitly expressed conditional declaration or assurance made to another party, or to oneself, with respect to the future, stating that one will do or refrain from specific act (cited by Calonius, 2006). According to service provider's point of view: Establishing a relationship means giving promises, maintaining a relationship is based on fulfillment of promises and enhancing a relationship means new set of promises with the fulfillment of early promises (Groonros 1990). A promise starts from organisation's vision, it is developed over time and it must be something that most of the employees believe (Gronstedt and Schultz, 2001).

Cooperation is defined as actions performed to achieve mutually beneficial outcomes between the organisations or independent singular outcomes with the expectation of interchange over time (Anderson and Narus, 1990). Morgan and Hunt (1994) explored that higher level of commitment and trust ultimately leads to cooperation. Firms meeting or exceeding performance objectives through cooperation with other firms (partners) build trust and satisfaction (Anderson and Narus 1990).Power means the ability of one channel member to induce another channel member to change its behavior in favor of the objective of the channel member exerting influence (Wilemon 1972). Power is also defined as the ability of a channel member to control the decision variables in the marketing strategy of another member in the given channel at different levels of distribution (El-Ansary and Stern, 1972).

Duration of relationship is thought to affect the ongoing relationship dynamics including trust, commitment and satisfaction (Gruen, 2000). Long-term satisfied customers perceived additional social benefits and are thought to be more loyal to sales people as well as to the firm it (Reynolds and Beatty 1999).Rapport is the relations hipor chemistry between customers and suppliers to help develop trust between buyers and sellers, also positively affect the dynamics of the ongoing relationship between individuals and companies (Doney and Cannon, 1997). Dependency within a relationship is related to the relative power and therefore the extent one party depends on (or must trust) the other party (Anderson and Narus, 1990). Relationships with greater interdependence have higher trust, stronger commitment, and lower conflict than relationships with lower interdependence Kumar et al.1995). Similarly Geyskens (1996) explored that interdependence enhances commitment, but that the type of commitment will depend on trust.

Empathy can be described as the ability to share, understand and feel another person's feelings in a relational situation. Sin (2002) described empathy as dealing with a business relationship that allowed two

parties to see the situation from the other's point of view. It enabled us to understand desires and goals of others. Empathy helps to create unique, sustainable customer relationships that are difficult for its competitors to replicate. Sellers always invest in building relationships with customers because of their expectation that these efforts will increase customers' contributions to the seller's sales and profits. It will increase the overall value of customers to the seller. In short, Customer Value is the utility the customer provides the selling firm (Berger et al. 2002). Customer value is similar to characteristics of particular offering and signifies the trade –off between benefits received and sacrifices made by a customer (Ulaga and Eggert, 2005).

There is a significant effect of different marketing strategies on customer loyalty, when they adopted by companies they can increase there organization's customer loyalty (NealsonOly, 2007). Customer loyalty and satisfaction has great impact on profitability of company. Therefore for stay in market there should be need of customer loyalty and a satisfied customer will be loyal to organization. Increase in loyalty can increase the profitability dramatically (Roger Hallowell, 1996).Quality , value and Satisfaction are major determinant of customer loyalty because customer experience can cause customer loyalty that's why organization operate CRM for make their customer satisfied and give them maximum quality and Value to capture their loyalty (Martina Donnelly,2009)

Figure: Hypothetical Model of Relationship between Customer relationship marketing, customer value creation and customer loyalty
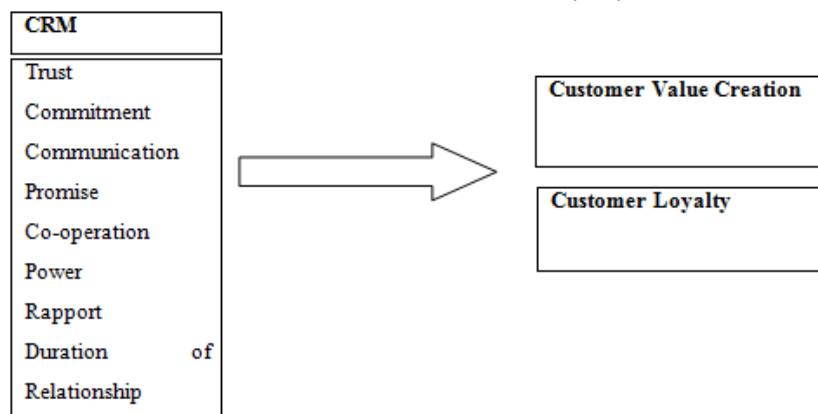
Hypotheses
H1: There is relationship between CRM and CVC.
H2: There is relationship between CRM and CL.

II.   METHODOLOGY

Sampling Procedure
The total population of Sialkot district is almost thirty five lacs. It was our target population. Random sampling technique was used for data collection. Primary data was collected for thesurvey and questionnaire was used as a tool for data collection. The sample size 130 was selected which included customers of different telecom firms and within the scheduled time the 130 questionnaires was distributed.

Measurement
Questionnaire was used as a data collection tool. This questionnaire was consisted of four sections.Section first consisted of personal details such as sex, status, age, education, monthly income. Second section consisted of statements related to trust, commitment, communication, promise, cooperation, power, rapport and duration of the relationship to measure the customer relationship marketing. Third consisted of statements related to customer care, customer satisfaction and service support to measure the customer value creation.Section fourth consisted of statements related to Re-purchase attention, Purchase of additional products or services of the company and Advocate to measure customer loyalty. Information/ data was collected through the questionnaire which was prepared with five point Likert scale.

III.   Results and Findings
Table 1

Correlations			
	CRM	CVC	CL
CRM Pearson Correlation	1	0.934	0.852
Sig.(2-tailed)		.000	.000

N	110	110	110
Correlation is significant at the 0.01 (2-tailed).			

Table 1 shows the results of correlation of CRM with CVC and CL according to above table the correlation between CRM and CVC is 0.934, which is very close to 1, and it is concluded that the relationship between CRM and CVC is very strong, but for the Testing of hypothesis the p-value is used:

H1: There is significant relationship between CRM and CVC.

The p-value=0.000 and p-value<0.05/2 , so the above alternative hypothesis is accepted and it is concluded that there is significant relationship exist between Customer Relationship Marketing and Customer Value Creation.

Similarly, according to table 1 the correlation between CRM and CL is 0.852 which is so good and strong.

And the second hypothesis is given as:

H2: There is significant relationship between CRM and CL.

p-value= 0.000 and less than 0.05/2 ,so the above hypothesis is accepted and it is concluded that there is significant relationship exist between Customer relationship marketing and Customer Loyalty.

Table 2

Regression:

R	R Square	Adjusted R Square
0.894a	0.885	0.884

a. Predictors: (Constant), Duration of Relationship, Commitment,
Trust, Communication, Cooperation, Rapport, Power, Promise

Table 2 showed the model summary, and the multiple regression model is fitted between the dependent variable; CVC and eight independent variables, Trust, Commitment, Communication, Promise, Cooperation, , Power,Rapport, Duration of Relationship. According to table 2 the R-square is 0.885 and in simple it can say that the independent variable explain the 88% variation in dependent variable CVC. So the model is good fit.

Table 3

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	37.191	8	4.649	2.77E+00	.000a
Residual	0.017	101	0		
Total	37.208	109			

Table 3 shows the ANOVA result of the model, the F-test is in this table tests whether the overall regression model is good fit for the data or not. According to table 3 the F-statistic is $F_{(8,101)}= 2.774E4$ with p-value=0.000

The hypothesis for the model is fitting is:

H1: All independent variables are significantly predictors of the dependent variable.

P-value=0.000<0.05, so the null hypothesis is rejected and alternative is accepted, so it can say that the independent variables significantly predict the dependent variable.

Table 4

Coffecients			
Model	B (Unstandardized Coefficents)	T	Sig.
Constant	-0.465	-13.992	.000
Trust	0.476	32.974	.000
Commitment	-0.518	-34.023	.000
Communication	0.347	39.014	.000
Promise	0.817	40.67	.000
Cooperation	0.248	15.762	.000
Power	0.262	43.916	.000
Rapport	0.427	73.205	.000
Duration of Relationship	-0.945	-114.704	.000
a. Dependent Variable: CVC			

Table 4 showed the coefficients of the regression model with their t-statistics and p-values. The unstandardized coefficients indicate how much the dependent variable varies with an independent variable, when all other independent variables are holding constant. According to table 4, the multiple regression models is written as:

CVC= -0.465+0.476(Trust)-0.518(Commitment)+0.347(Communication)+0.817(Promise)+0.248(Cooperation)

+0.262(Power)+0.427(Rapport)-0.945(Duration of Relationship)

According to table 4, the Beta coefficient of Duration of Relationship, (-0.945) is greater than all other coefficients, which means duration of relationship is most important than all other independent variables. And the beta coefficient of Cooperation (0.248) is less than all other, means that ithas minor role to predict the dependent variable Customer value creation.

Table 5
Model Summary

R	R Square	Adjusted R Square
0.993a	0.985	0.984

a. Predictors: (Constant), Duration of Relationship, Commitment, Trust, Communication, Cooperation, Rapport, Power, Promise

The above table showed the model summary, and the multiple regression model is fitted between the dependent variable; CL and eight independent variables, Trust, Commitment, Communication, Promise, Cooperation, , Power,Rapport, Duration of Relationship. According to above table the R-square is 0.99 and in simple it can say that the independent variable explain the 99% variation in dependent variable CL. So the model is good

Table 6
ANOVA b

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.808	8	2.976	8.41E+02	.000a
Residual	0.358	101	0.004		
Total	24.166	109			

Table 6 shows the ANOVA result of the model, the F-test is in this table tests whether the overall regression model is good fit for the data or not.
According to above table the F-statistic is F $(8,101)$= 840.609 with p-value=0.000
The hypothesis for the model is fitting is:
H1: All independent variables are significantly predictors of the dependent variable.
p-value=0.000<0.05, so the null hypothesis is rejected and alternative is accepted, so it can say that the independent variables significantly predict the dependent variable.

Table 7
Coefficients a

Model	B (Unstandardized Coefficents)	T	Sig.
Constant	-0.120	-0.788	.000
Trust	-0.020	-0.302	.000
Commitment	0.291	4.159	.000
Communication	0.303	7.416	.000
Promise	-0.361	-3.91	.000
Cooperation	0.687	9.514	.000
Power	0.22	8.04	.000
Rapport	0.007	0.2279	.000
Duration of Relationship	-0.175	-4.632	.000
a. Dependent Variable: CL			

Table 7 showed the coefficients of the regression model with their t-statistics and p-values. The unstandardized coefficients indicate how much the dependent variable varies with an independent variable, when all other independent variables are hold constant.

According to table, the multiple regression model is written as:

$$CL= -0.120-0.020(Trust)+0.291(Commitment)+0.303(Communication)-0.361(Promise)+0.687(Cooperation)$$

$$+0.220(Power)+0.007(Rapport)-0.175(Duration of Relationship)$$

According to table 7, the Beta coefficient of Cooperation, (0.687) is greater than all other coefficients, which means Cooperation is most important than all other independent variables. And the beta coefficient of Rapport (0.007) is less than all other, means that ithas minor role to predict the dependent variable Customer Loyalty

IV.   CONCLUSION

This study demonstrated the impact of customer relationship marketing on customer value creation and customer loyalty. Based on the findings of the study, it is very important that the mobile service providing company should understand the needs of its customers and provide best service for the customer. Finally, this study concludes that customer relationship marketing is contributing to customer value creation and customer loyalty. Companies need to implement well designed customer relationship and public relation scheme. Companies have to maintain high level relationship among the customer relationship marketing, customer value creation and customer loyalty. In this study, contribution of customer relationship marketing to build the customer value creation and customer loyaltyis low. So companies should increase the contribution of customer relationship marketing on creation of customer value and customer loyalty.

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