

**EXAMINING THE IMPACT OF CUSTOMER RELATIONSHIP
MANAGEMENT (CRM) ON COMPETITIVE ADVANTAGE IN
THE BRANCHES OF BANK MELLI, AND BANK SADERAT
IN THE CITIES OF OMIDIYEH, AGHAJARI, AND
MIANKUH**

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Abstract

This study examined the impact of customer relationship management on competitive advantage. The study population consisted of Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh, consisting of three Saderat banks, and five Melli banks in Omidiyeh, one Saderat bank, and one Melli bank in Aghajari and Miankuh. The sample size of each of the banks has been determined using simple random sampling and Krejcie and Morgan table. The study is applied in terms of purpose, descriptive in terms of data collection, and causal in terms of relationships between the variables of the study, and specifically is based on structural equation modeling. To measure the research variables questionnaires of (customer relationship management and competitive advantage) and statistical analysis methods using software SPSS.18 and LISREL.8.5 were used. The results of questionnaire analysis showed that CRM has a significant and positive impact on competitive advantage.

Keywords: Customer Relationship Management, Competitive Advantage, Saderat and Melli Banks of Omidiyeh, Aghajari, and Miankuh

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Introduction

While the economy is undergoing the evolutionary steps and globalization, the attitude of various spheres of business, especially in providing services to customers has become philosophically and fundamentally revolutionized. Changes in the strategic position of customers in today's competitive markets, have transformed the methods and practices of establishing and maintaining connection with customers. Today's businesses try to establish one-to-one relationship with their customers, so that a portion of competitive power of manufacturing and service companies is used to attract, retain, and sustain relationship with their customers. The important point about determining how valuable the customers are, is the existence of a powerful database through which it is possible to analyze the profitability of each customer to the enterprise. On the other hand, collecting and maintaining data is a time-consuming and costly activity. Therefore, the most valuable data about the most profitable customers must be collected and maintained. In fact, to survive and grow in such an environment, companies not only need to adapt to a changing environment, but also to take advantage of changes so as to gain competitive advantage (Arteta& Giachetti, 2004).Kaleka (2002) states that an organization achieves a competitive advantage when it values its customers more than competing organizations. In fact, competitive advantage is the level of understanding the competitive strategy with low cost or differentiation through value creation (Kaleka, 2002). Competitive advantage also includes a set of factors or capabilities, which enable the company to show better performance than competitors (Sadri & Lees, 2001). The organization can achieve competitive advantage and overcome its competitors in the market by being aware of the marketing activities of competitors and comparing them with its own activities, as well as developing specific competitive mechanisms (Awuah&Gebrekidan, 2008). Leading in a competitive advantage is one of the requirements for success. As a result, the enterprise is much more successful than other enterprises in a competitive environment and prevents the competitors from easily imitating it. Therefore, to achieve a competitive advantage, an organization must pay attention to both external position and internal capabilities. CRM is among the issues that in today's global economy, has provoked organizations to rethink the strategies to communicate with a wide range of customers and conquer this vast knowledge. Kasanov (2000) defines CRM as an enterprise-wide strategy to optimize profitability and revenue and gain customer satisfaction by organizing the different groups of customers, promoting satisfactory behavior, and relating the processes

from customers to suppliers, and states that the investment in CRM leads to better understanding of, more access, and more effective interaction with customers through different channels. In addition, another requirement for competitiveness of enterprises is their ability to adapt quickly to the needs of the customers. Increasing competition in global markets drives organizations to focus more on the relationship with customers, and organizations gain competitive advantage and more profitability by CRM. CRM elements include understanding and differentiation, development and specialization, attracting and retaining customers, interaction, and delivering value (Hoots, 2005) which will be described below:

- **Understanding and differentiation:** The organizations cannot communicate with customers unless they understand them and their value, and know what kind of service is important to them, how and when they tend to interact, and what product or service they prefer to buy.
- **Development and specialization:** In a customer-centric world, development of channels and products, has led to the leadership of customers. Communication channels with customers lead to the effective implementation of CRM. Direct interactions with customers are called customer points of contact that include call centers, direct sales, e-mail, website, etc. It also seems that the expansion of differentiation based on potential value is provided by the customer breakdown.
- **Mutual interaction and delivering value:** Interaction is a vital component of the initiative of CRM. Interaction does not exactly occur in the entire market and sales channels. The customer interacts with different parts of the organization in different ways.
- **Attracting and retaining customers:** Most managers have learned to select customers that generate the most value for the organization. This step is based on understanding and separating the customers in the first step. Reputation and fame of the organization in the production of quality goods and services, appropriate advertising, appropriate behavior of staff and managers in dealing with customers, as well as the notions of the customers can be very effective in attracting them.

Therefore, we use the abovementioned dimensions to evaluate CRM.

Despite widespread recognition of the importance of CRM for the long-term success of banks, if this variable can have an impact on competitive advantage has not widely been discussed in the literature of these topics. To investigate these issues, we must answer a fundamental question:

1. How CRM can be a competitive advantage?

Therefore, in this study, we investigate the impact of CRM on competitive advantage.

1. Theoretical framework of the study

In this section of the paper, literature and research history on CRM and competitive advantage will be discussed.

2.1. Customer relationship management

The philosophical foundation of CRM, relationship marketing, and customer retention, is profitability and creating satisfaction through business management processes. Bose also claims that, CRM was created because customer preferences and shopping habits are different; if all customers were the same, there would be little need for CRM. Therefore, understanding the customer's drives and needs, helps organizations improve special offers to maximize overall customer value. In general, CRM is based on the principles of relationship marketing. Changes in market demand and fierce competition led to the move from initial transaction marketing to relationship marketing. CRM emerged in 1950, but it became common as a word in business and among consultants and users in the 1990s.

2.2. Competitive advantage

Theory of competitive advantage was analyzed systematically and consistently at Harvard University since the beginning of the 1960s to explain the competitive advantage and the impact of the external environment on business strategy. The concept of competitive advantage has direct relationship with the customer values so that in a comparison if the values delivered by an organization are closer or more consistent with those of the customer, it can be said that the organization has one or more advantages over its competitors. Competitive advantage includes factors or capabilities that always enable the company to outperform competitors (Sadri & Lees, 2001). Therefore, to achieve competitive advantage, an organization must pay attention to both external position and internal capabilities (Appelbaum & Gallagher, 2000). There are two important points in the course of creating competitive advantage: First, the course is a continuing process that leads to the organization's excellent performance and competitiveness (Barney, 1999). Second, because of increased environmental complexity and intensity of competition,

competitive advantage is either easily imitated by competitors or it will soon lose its importance for the customers, and must be replaced with new advantages (Sadri & Lees, 2001). Therefore, the organization must try to find its own competitive advantages. Creating and maintaining competitive advantage sustainability, require competencies that create value for customers by relying on the capabilities of the organization (Appelbaum & Gallagher, 2000). Therefore, the main goal of the organization from creating competitive advantage by relying on the resources and capabilities at its disposal, is competitiveness and achieving a privileged position in terms of performance in the customer-oriented market. The key to achieving competitiveness is the sustainability of competitive advantages based on the principle of knowledge and understanding the customer's needs and focusing on the customer as well as improving processes from the perspective of the customer (Anton, 2000).

2. Conceptual model of the research

Based on the theoretical literature of the research, the following conceptual model is designed to examine the impact of CRM on competitive advantage.

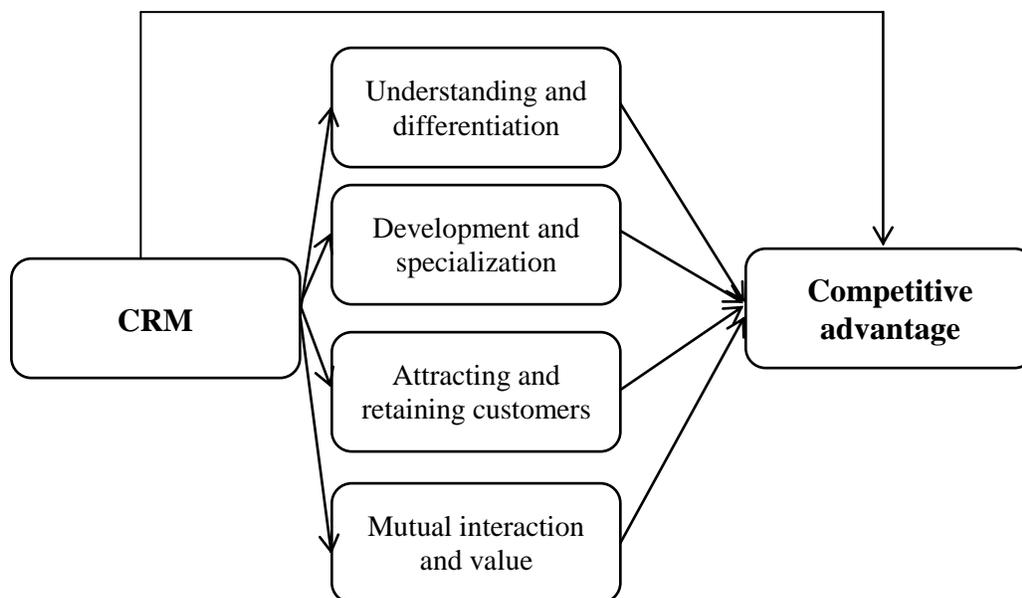


Figure (1): Conceptual model of the research (self-made)

3. Research hypotheses

The main hypothesis: CRM has an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari and Miankuh cities.

Secondary hypothesis 1: Understanding and differentiation have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh cities.

Secondary hypothesis 2: Development and specialization have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh.

Secondary hypothesis 3: Attracting and retaining customers have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh.

Secondary hypothesis 4: Interaction and delivering value have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh.

4. Research methodology

The present study is applied in terms of purpose, descriptive in terms of data collection method, and causal in terms of relationships between the variables of the study. Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh cities were chosen as the local scope; which consist of three Saderat banks and five Melli banks in Omidiyeh, one Saderat bank, and one Melli bank in Aghajari and Miankuh. The sample size of each bank is individually determined using simple random sampling and Krejcie and Morgan table. A hundred and ten questionnaires were distributed and the same number of valid questionnaires was collected from the respondents. Moreover, to measure the research variables, standard CRM and competitive advantage questionnaire was used. The questions of the questionnaire are divided into two categories of general and specialized questions, which are based on Likert five-degree scale (very low, low, medium, high, and very high). Cronbach's alpha method using statistical software SPSS.18 was used in order to determine the reliability of the abovementioned questionnaires. In Table 1, the number of items provided to measure each latent variable and Cronbach's alpha coefficient for each variable are represented.

Table (1): Cronbach's alpha coefficient for each variable

Variable	REF	Cronbach's alpha	Items
CRM	Hoots (2005)	0.797	8
Competitive Advantage	Bhatt et al (2010)	0.879	5

As shown in the table above, Cronbach's alpha coefficient for CRM is estimated at 0.797 percent and for competitive advantage is estimated at 0.879 percent, which indicate the reliability of the research tool. In addition, two methods of content validity and factorial validity were used to test the validity of questions. To test the content validity of the questionnaire, the opinions of a number of experts and university professors were used, and finally it was ensured that the questionnaire measures the same characteristics intended by the researchers. Factorial validity test was conducted with confirmatory factor analysis and using LISREL software. Looking at the results of LISREL in Table 2, it can be seen that both measurement models meet the conditions mentioned and are appropriate models. All these results indicate that the study questionnaires have appropriate reliability and validity. Analysis of the data is done at two levels of descriptive and inferential statistics.

5. Research findings

In this section of the paper, the results of confirmatory factor analysis of measurement models as well as the results of testing research hypotheses using statistical software SPSS and LISREL will be discussed.

6.1. Assessing measurement models

In structural equation modeling, it is necessary to ensure the accuracy of measurement models. Therefore, the confirmatory factor analysis of measurement models for research variables are provided in the following.

Table (2): Comparing measurement models

Measurement model	Analysis type Confirmatory factor	χ^2	Df	χ^2/df	p-value	RMSEA	GFI	AGFI
CRM model	Second order	17.47	16	1.09	0.35607	0.023	0.98	0.95
Competitive advantage model	First order	6.42	5	1.25	0.26705	0.041	0.99	0.96

As shown in Table 2, the results of confirmatory factor analysis of measurement models for CRM and competitive advantage show that the main indicators of fitness of all latent variables are in an appropriate and acceptable domain. In other words, the conceptual models of the research are largely in accordance with the observed data.

6.2 .The results of research hypotheses test

After conducting confirmatory factor analysis and identifying latent variables, in this section, the research hypotheses will be tested by conducting appropriate analysis. Structural equation modeling and LISREL software are used to test the hypotheses. In the implementation of structural equation modeling to test the main hypothesis of the research, firstly the software output indicates the appropriateness of the fitted structural model (CFI=0.99 ; NNFI=0.99 ; NFI=0.96 ; AGFI = 0.94 ; GFI=0.97 ; RMSEA=0.020 ; $\chi^2/df=0.1.07$). In other words, the observed data are largely in accordance with the conceptual model of the research .

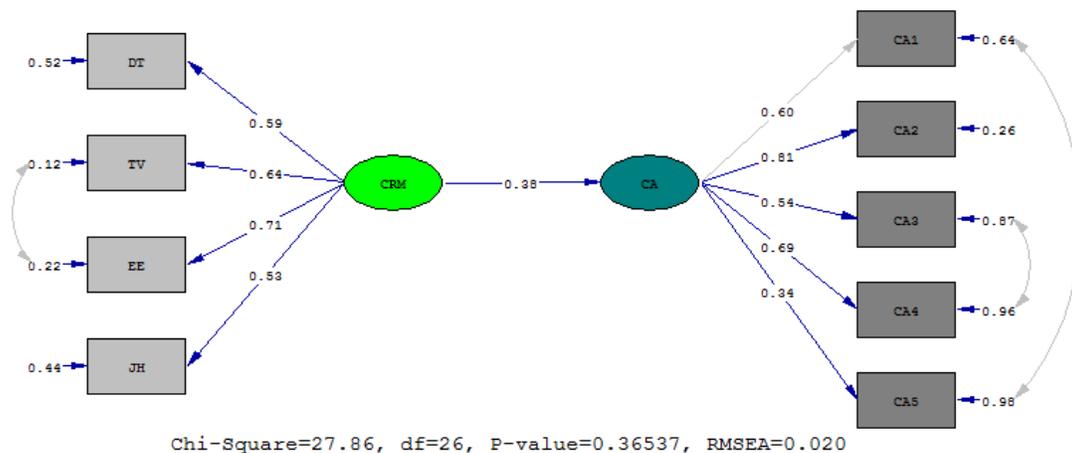


Figure (2): The structural research model for testing the main hypothesis in the standard estimation state

The significance of the obtained coefficients and parameters of the structural model are also shown in Figure 3.

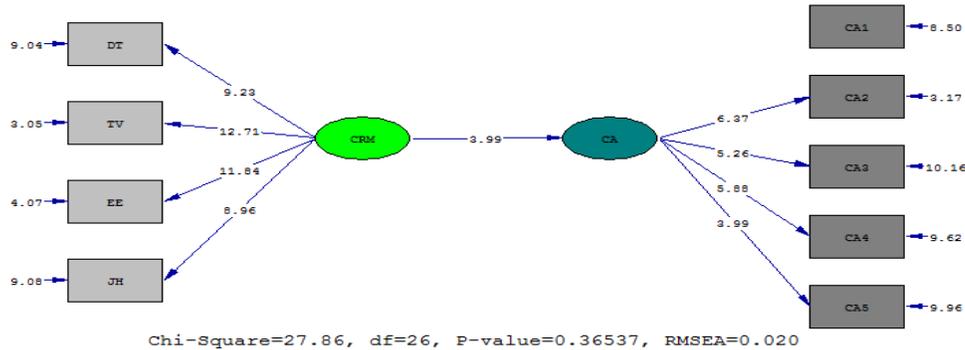


Figure (3): The numbers of significance of the coefficients of structural model of the research for testing the main hypothesis

Structural equation modeling results show that CRM has an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh ($\beta=0.38$; $t=3.99$). Therefore, the null hypothesis is rejected and the main hypothesis is confirmed.

6.3. Table of secondary hypotheses test results

In making structural equation model to test secondary hypotheses of the research, the software output also showed the appropriateness of the fitted structural model at first (CFI=1.00; NNFI=1.00; NFI=0.95; AGFI=0.93; GFI=0.96; RMSEA=0.000; $\chi^2/df=0.96$). In other words, the observed data are largely in accordance with the conceptual model of the research.

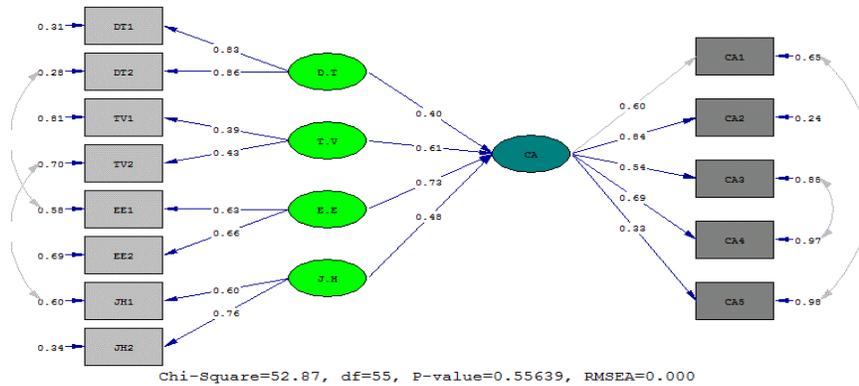


Figure (4): The structural research model for testing the main hypothesis in the standard estimation state

The significance of coefficients and parameters obtained from the structural model of the research are shown in Figure 5.

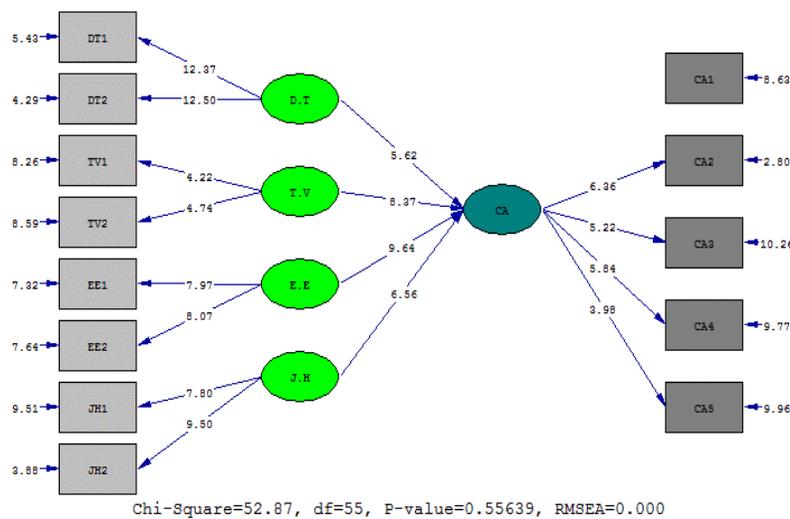


Figure (5): The numbers of significance of the coefficients of structural model of the research for testing the main hypothesis

Structural equation model results show that components of CRM including understanding and differentiation (with an impact factor of 0.40), development and specialization (with an impact factor of 0.61), attracting and retaining customers (with an impact factor of 0.73), and interaction and delivering value (with an impact factor of 0.48) have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. Therefore, the null hypothesis is rejected and all research hypotheses are confirmed. However, the attracting and retaining

customers dimension has the most impact ($\beta=0.73$; $t=9.64$) and the understanding and differentiation dimension has the lowest impact ($\beta=0.40$; $t=5.62$).

6. Conclusions

Secondary hypothesis 1: Understanding and differentiation have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. The findings suggest the confirmation of the first secondary hypothesis with the path coefficient of 0.40 and significance number of 5.62. Accordingly, we can conclude that when banks understand and identify the needs of their customers, and deliver service differentiation based on their needs, it is considered as a distinctive capacity and competitive advantage for the organization.

Secondary hypothesis 2: Development and specialization has an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. The findings of the research confirm the third secondary hypothesis with path coefficient of 0.61 and significance number of 8.37. Accordingly, it can be concluded that the specialization of the needs of customers, knowing their needs, paying attention to this distinction and taking advantage of it to offer distinctive services, can promote the competitive capacity of the bank compared to other banks.

Secondary hypothesis 3: Attracting and retaining customers have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. The findings of the research confirm the third secondary hypothesis with path coefficient of 0.73 and significance number of 9.64. Accordingly, it can be concluded that the more strategies banks use to attract and retain their customers they will be equally trying for customer satisfaction, and customer satisfaction leads to his/her loyalty to the bank. In this condition, no other bank would be able to compete with it.

Secondary hypothesis 4: Interaction and delivering value have an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. The findings of the research confirm the third secondary hypothesis with path coefficient of 0.48 and significance number of 6.56. Accordingly, it can be concluded that mutual interaction between employees and

customers, between the bank and customers and understanding customer value, and paying attention to it, lead to customer's increased trust in the organization. This trust is considered a competitive tool.

The main hypothesis: CRM has an impact on competitive advantage in Saderat and Melli banks of Omidiyeh, Aghajari, and Miankuh. Findings of the research confirm the first secondary hypothesis with path coefficient of 0.38 and significance number of 3.99. Accordingly, it can be concluded that maintaining constructive relationships with customers through methodologies, processes, and software in organized CRM provides the necessary foundation for overtaking competitors. The impact of CRM on organizational performance is a prominent theme in many empirical studies and studies show a direct correlation between the two (Zhang, 2000). McDougall (2004) states that CRM is a relationship marketing process whereby the organization lays a better foundation for providing services and meeting the needs of customers. Organizations are in need of a sustainable competitive advantage in an environment full of competition. In today's competitive markets, CRM is a powerful tool to gain competitive advantage. Many researchers state that for the CRM to be considered a competitive advantage for the organization, apart from being valuable, it must be rare; obviously, rarity depends on inimitability. CRM is an inimitable process. Delvin (2000) states that CRM is implemented with respect to the cultural context and preparations, which are special and unique for each organization, and is planned in accordance with these preparations. Therefore, CRM approach will be special and unique in any organization.

Practical suggestions for expanding the impact of CRM on gaining competitive advantage:

- ✓ Capacity to receive information from customers about their needs and demands, accepting and addressing their criticisms and suggestions.
- ✓ Training human resources of the organization to better communicate with customers
- ✓ Understanding and separating customers through data mining, management of purposeful plans and the distribution of information regarding the services to establish long-term relationships with customers
- ✓ Creating an information system for the retention of customer relationship according to each customer's separate specifications

- ✓ Regarding knowing the needs of special customers, it is suggested that comprehensive and integrated systems and processes are designed to obtain this type of information so that the staff can quickly know the needs of the customers and fulfill them.
- ✓ Customers should be classified based on their value and profitability, and each group should be treated according to its characteristics and needs.
- ✓ It is suggested to use knowledge management systems and tools to integrate customer data to determine the satisfaction or dissatisfaction of customers. It is also suggested that the necessary technologies such as CRM hardware and software be ready, and be provided to employees at all points of contact.

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