**Comparative Study of Relationship Marketing In Public and Private Banks**

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**Abstract**

Today's, trading that emphasized on the effectiveness of mix elements marketing is shifted towards marketing based on relationship. During the past two decades, many organizations have been aware of the importance of customer satisfaction and found that maintaining customers is more important than to attract new customers. Therefore, companies must constantly monitor the interaction between themselves and customers. To provide valuable goods and services, accurate understanding of customer needs and considerable values of customer should be considered. Now, the emergence of private banks has been caused an increase in the intensity of competition in the banking industry of Iran. The movement is through maintaining the customer and long term relationships. Considering the role of relationship marketing in this field, the present article investigated the relationship of foundations relationship marketing in the private banks and public bank.

**Keywords:** Relationship Marketing, Trust, Commitment, Communication, Conflict Management

**1. Introduction**

Relationship marketing is a new approach in the banking industry to build close and long-term relationships with its customers in order to provide an understanding of the customer and their satisfaction considering the increasing competition. The variety of goods and products causes that our customers are faced with many choices (Tahmasbi, Ashtiani, Noroozi, 2007). In the other hand, companies have found that the cost of attracting new customers is five times more valuable than retaining existing customers. Therefore, the loss of a customer, not only the loss of a sale item, but more significant since the loss of total purchases that the customer is able to do in life (Katler, 1999).

According to managers of large banks as the world's only 5% of customers make up more than 85 percent of banks' profitability. The economic studies have shown that banks significantly increase their benefits with increasing important and first level customer and creating an effective customer satisfaction (Mokhtari, 2008). In other to the emergence of private banks besides state banks and increase in the intensity of competition between them, relationship marketing can be an approach to solve this problem in banks. Using this approach, having long term relationships with customer activities can identify and improve activities that are important and valuable and subsequently, attract more customers and build them loyalty to the organization. Therefore, organizations also take advantage of benefits of customer loyalty and can improve their position in this competitive market. Through this target, Iranian banks have always tried to provide solutions and programs for creating and maintaining long-term relationships with customer loyalty. Planning in this field requires knowledge of the bank's strengths and weaknesses of their relationship with the customer and making them loyal customers and also assessing the importance customer’s measures (Ranjbarian, Barabari, 2009). Thus, many banks around the world have been established to benefit from the relationship marketing approach and its implementation. The unfriendly relationship with customers causes the loss of competitive position and removing them from the scene. Therefore, with the emergence of private banks in the state banks have seen an increase in the intensity of competition in the banking industry of Iran, in order to protect the customer and create long term relationships (Ranjbarian, Barabari, 2009).
2. Definition of Relationship Marketing

Relationship marketing contains all steps that company takes to identify and provide better services to our valuable customers. The relationship marketing is the process to identify and create new value for customers, in which the mutual benefit has been considered. This benefit is shared with customer during his life. Kotler and Keller (2009) indicated that relationship marketing was mainly to match the customers’ needs and the service promise, so that the customer loyalty would increase (Taleghani et al., 2011). Barry (1983) defined that the relationship marketing is attracting, maintaining and enhancing relationships with customers. Customer is the only profitability source of companies in the present and future. However a good customer that makes the greater benefit it is possible to lost, the competition over access to customers is intense. Companies should emphasis to maintaining current customers and create long-term and profitable relationship (Gary & Byun, 2001). The main point is to retain customers by providing superior customer value, satisfaction (Kotler & Gray, 2001).

2.1 Foundation of our relationship marketing

Researchers in different countries and cultures have considered different basis for relationship marketing. The first foundation of relationship marketing is trust. According to Morgan and Hunt (1994), success in relationship marketing requires trust and commitment. They debated that trust and commitment are the key mediators in the exchange between members, which fundamentally leads to building a relational cooperation. The second foundation for relationship marketing is commitment. Margan and Hunt (1994) defined that commitment is as “an ongoing relationship with another that is as important as to warrant maximum efforts at maintaining it”.

The third variable of relationship marketing is communication which is defined as the exchange and sharing of timely and reliable information in a formal or informal relationship between the parties. The concept of this definition emphasizes more on accuracy and appropriateness of information, not the volume and the repetition of information (Andersone and Narus, 1990). Others believe that communication, especially timely communication by helping to resolve the differences and unite perceptions and expectations help to promote confidence between the parties (Sin et al., 2002).

Fourth foundation considered for relationship marketing is conflict management. Dwyer et al. (1987) believed that conflict in relationships is foreseeable and its consequence is inaccurate perceptions of the parties about the goals and their role in the relationship, conflict points the ability to minimize negative impacts and the obvious potential but before that can lead to problems (Anderson & Narus, 1990). Anderson and Weitz (1989) indicated that the conflict in relationships is due to the lack of commitment to relationship between members and also the increase of conflict in a relationship reduces the mutual trust and the desire to maintain a long term relationship.

The fifth foundation, Hunt et al., (2006) has been introduced the merit of agency as a factor affecting the success of our marketing strategy. Smit and Barkli (1996) defined the perception of each party in skills, abilities and knowledge needed of opposite side for effective function. Metavalmosavi (1998) in their investigation on Islamic banks indicated that competence and expertise in Islamic banking is an important factor for success in establishing and maintaining relationships of banks with customer. This research studied trust, commitment, communication and conflict management as predictor variables of customer loyalty in a private bank and government bank.

3. History of Relationship Marketing

The concept of relationship marketing the first time officially has been used in services by Barry. It is known as a strategy of attracting, retaining and improving relationships with customers (Ahadi & Babaei, 2010). In the past 20 years the concept of relationship marketing has been known as main discussion in the theory and marketing activities. Many changes have been documented as the key concept of relationship marketing such as mature in many markets (especially in the United States, Europe Union countries and other developed economies), reduction in the rate of population growth, more consumer and maturity in buying decision process. Thus, in many markets consumers were not easily influenced by advertising which leads a decrease in market share and implicit in the economic benefits to producers because consumers find little difference between competitors goods and services. In new business, marketers found that methods, techniques and marketing tools do not help companies to plan their activities and their position in the market and predict future. This change in approach to services marketing has been expended, particularly in Europe, Australia and in North America and in industrial marketing, especially in Europe (Alexandru & Laurentiu, 2007). The emergence of customer satisfaction and loyalty at financial institutions has been widely studied and focus on customer satisfaction and loyalty is the primary goal of any organization, especially bank (Gilaninia & et al, 2011) Research about applying relationship marketing in the banking industry goes back to early 1990. Adamson and others found that successful banks compared with unsuccessful banks have further attempts to use relationship marketing strategy and create long term relationships with customer, but from the view of most researchers and administrative personnel, the most important result of relationship marketing application in banks like other parts of services is to make the customer faithful and this is the outcome which has been considered by marketing specialists in banks (Hajipour et al., 2008).
3.1. The Reasons for Appearance of Relationship Marketing

Researchers have a number of factors that underlie the emergence of relationship marketing have been identified such as:
- Increasing intensity of global competition
- Increasing customer’s knowledge and demand
- Fragmentation of markets
- Rapid changes in customer buying patterns
- Continuous improvement in quality standards
- Impact of technology on all aspects
- Discredited traditional marketing (such as reducing the effectiveness of advertising) (Kandampully & Duddy, 1999).

3.2. Overview of the Performance of the Banking System of Iran

The process of privatization of banks in the world has been started from 1980s so that today in most developed countries, government banking plays a lighter role compared to the past. History of private banking in our country dates back to before the Islamic revolution, but they never have had a key role in our economy and private banks was less than half of the total assets of banks. After the revolution, all private banks were change to government banks and there were no private banks in Iran until 1380. In 21 / 1 / 2000 was enacted to allow the establishment of private banks. Over more than five years from the establishment of private banks in Iran and their success in recruitment and customer dynamics of the banking system, the banks have always been faced with many challenges; therefore, there are different theories about effect of their performance on the economy (Heybati et al., 2009).

3.3 The Importance of Relationship Marketing in Banks

According to private banks activation, competition development and communication and information development at international level, today absorption and maintenance of customers in the country banking industry has been complicated by many degrees that itself led to reduction of banks interest (Rezvani & et al, 2011). Today's banks should see their function in the customer reflection and try to understand wants and desires of customers to attract customer satisfaction. Today's, in marketing, the cost of losing a customer is equal to the loss of benefits which the bank obtains from the customer service and this is an alarm for a bank. In addition, benefit of services that could gain from new clients will be lost. Therefore, customer orientation is a very sensitive element that we need to consider. For banks, to maintain customers and constant communication with customer is essential to the different forms. This connection can be through the head or each employee of office. All banks try to attract customers through advertising and other means of communication. When the customer of bank faces with a problem in a branch of the hurdles, tries to provide the needs in other bank. Therefore, regarding to the intense competition in banking, a bank that can provide customer satisfaction, will be more successful (Ebrahimi & Roodani, 2009).

4. Relationship Marketing and Privatization

Privatization of the financial industry, extension of international trade of financial institutions, financial services and a variety of customer needs have been led to intense of competition in the banking industry. This intense competition has caused that the banks change the services and capabilities of product orientation or service-oriented to services and capabilities of customer oriented. In recent decades, most countries have been restructured their banking system and privatization process of banks has been accelerated. Iran is also in line with the global economy to provide different needs of developing economy, the license privatization of banks was issued in March 2000. It should be noted that the expansion of function of private banks related to providing needs of investors and customers which is possible through continuous performance improvement. Therefore, achieving this point is required the effective performance of managers with the special measures taken by economic policy makers, particularly developing strategies and reduction of operational risks (Hyung-Su et al., 2010).

4.1. Benefits of Relationship Marketing and Modern Customer Orientation in Banks
1- To maintain the current customer without fear of threatening competitors
2- To gain more revenue and benefits from main existing customers and increase the share of the bank from each customer
3- Significant decrease in costs of resources and increase in efficiency of use
4- To attract main and first level customers of banks
5- To attract customers from other banks through the positive word to word advertising by current customer.

It is proved that an old customer satisfied with the banking services is effective same as ten new clients in advertising and profitability of the bank. Weak attention to general principle of customer marketing oriented causes banks to face the risk (Mokhtari, 2008).

5- Impact of relationship marketing on public and private banks
There is no many research in this filed, but among the limited number of studies which have been conducted, a functional model according to Ndubisi (2007) is presented.

This study is a descriptive study which performed by survey method. The target population of this study was 312 customers of a private banks and a public bank in Isfahan. Data collection tool was questionnaire and data was analyzed using multiple regression and pair t-test.

5. Data analysis

Multiple regressions were used to investigate the effect of independent variables of trust, commitment, communication and conflict management on loyalty as dependent variable. This analysis was done separately for each bank and results were presented in Table 1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Private bank</th>
<th>Public bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig</td>
<td>T</td>
<td>Beta</td>
</tr>
<tr>
<td>Trust</td>
<td>0/002</td>
<td>3/049</td>
</tr>
<tr>
<td>Conflict management</td>
<td>0/000</td>
<td>4/837</td>
</tr>
<tr>
<td>Commitment</td>
<td>0/003</td>
<td>2/952</td>
</tr>
<tr>
<td>Communication</td>
<td>0/625</td>
<td>0/518</td>
</tr>
</tbody>
</table>

Results of public bank show that all independent variables of relationship marketing have significant effect (p<0.05) on customer loyalty at 95 percent confidence level. Therefore hypotheses 1, 2, 3 and 4 in public banks are supported. According to beta coefficients of the variables, trust (Beta=0.401) and communication (Beta=0.146) had the highest and lowest effect on customer loyalty, respectively.

In private banks, trust, conflict management and commitment had significant effect on customer loyalty (p<0.05) and approximately 42% of these three variables and the dependent variable is decisive, but there is no significant relationship between communication and customer loyalty (p>0.05). Therefore, hypotheses 1, 2 and 4 at 95 percent confidence level are accepted and hypothesis 3 is rejected. According to beta coefficients of the variables, conflict management (Beta=0.235) had greater effect on customer loyalty in private banks, but trust and commitment had same effect (Beta=0.139) on customer loyalty. Hence, it is documented that factors affecting on customer loyalty are different in public bank compared to private banks.

R2 is 90% in public banks, therefore it is recognized that focusing on the four main factors could increase customer loyalty in public bank. In private banks, R2 is 42%, it means that only 42% of dependent variables has been explained by independent variables. Hence, private banks might take other strategy to developed loyalty. According to table 3, the significant coefficients at levels 95 percent explain that public banks have the function higher than meanin all aspects; therefore, most successful of public banks have been in trust, communication, conflict management, loyalty, and ultimately commitment.
Table 2. Success rate of public banks in achievement of variables studied

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Sig</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>trust</td>
<td>3/810</td>
<td>0/000</td>
<td>24/24</td>
</tr>
<tr>
<td>commitment</td>
<td>3/118</td>
<td>0/000</td>
<td>3/33</td>
</tr>
<tr>
<td>communication</td>
<td>3/301</td>
<td>0/000</td>
<td>7/61</td>
</tr>
<tr>
<td>conflict management</td>
<td>3/289</td>
<td>0/000</td>
<td>6/80</td>
</tr>
<tr>
<td>loyalty</td>
<td>3/171</td>
<td>0/001</td>
<td></td>
</tr>
</tbody>
</table>

According to table 3, the significant coefficients of all variables are lower than 0.05, therefore these banks have the function higher than mean in all aspects. The orders of variables based on their importance in private bank are trust, conflict management, commitment and loyalty.

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Table 3. Success rate of public banks in achievement of variables studied

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>p-value</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>4/318</td>
<td>0/000</td>
<td>51/14</td>
</tr>
<tr>
<td>Commitment</td>
<td>3/842</td>
<td>0/000</td>
<td>26/00</td>
</tr>
<tr>
<td>Conflict management</td>
<td>4/073</td>
<td>0/000</td>
<td>32/08</td>
</tr>
<tr>
<td>loyalty</td>
<td>3/718</td>
<td>0/000</td>
<td>15/95</td>
</tr>
</tbody>
</table>

t-test for two sample was used to compare the function of public bank and private bank. According to the significant factor at 95 percent confidence level, all data relative to, private banks had better performance compared to public banks (Table 4).

Table 4. Performance comparison of public and private banks in the field of research variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean (private)</th>
<th>Mean (public)</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>4/318</td>
<td>3/810</td>
<td>11/941</td>
<td>0/000</td>
</tr>
<tr>
<td>Commitment</td>
<td>3/842</td>
<td>3/118</td>
<td>14/976</td>
<td>0/000</td>
</tr>
<tr>
<td>Conflict management</td>
<td>4/073</td>
<td>3/289</td>
<td>14/397</td>
<td>0/000</td>
</tr>
<tr>
<td>loyalty</td>
<td>3/718</td>
<td>3/171</td>
<td>7/914</td>
<td>0/000</td>
</tr>
</tbody>
</table>

The results of this study indicated that trust, conflict management, commitment and loyalty respectively have the most effect on customer loyalty. About public bank, the best performance of the bank was trust, but it has mean function in the field of conflict management, communication, commitment and loyalty. In private bank, conflict management, trust and commitment respectively have most effect on customer loyalty, but communication didn’t have significant effect on customer loyalty. Private bank had good function in trust and conflict management and weak function in commitment. Based on the results of the analysis also can be said that the private banks had better performance in foundation of relationship marketing compared to public banks and also higher customer loyalty was observed on private banks. In conclusion, private banks has been developed in order to maintain long term relationships with customers and about relationship marketing approach more than public bank. This result is in good agreement with the result of Ndubisi (2007) who studied the effect of these variables in Malaysian banks. In research of Ndubisi, conflict management had lowest effect on loyalty. Nevertheless in this study, conflict management had significant effect on customer loyalty. Therefore, it is documented that the strategies which is used to customer loyalty are different in public banks and private banks (Barabari & Ranjbarian, 2009), because the customer demands and expectations of each these banks are varied.

6. Conclusion

Organizations tend to build and maintain a long term relationship in order to provide the customer needs and demands. Relationship marketing approach aims to build such a supportive long term relationship. In this study, the effect of five variables (trust, commitment, communication, conflict management and merit) on customer loyalty was investigated. According to the results of this study, merit, communication, trust and conflict management have significant effect on customer satisfaction, but commitment has no significant relationship with customer satisfaction. It can be due to standard services offered by banks which do not make any commitment to customer to maintain the relationship.

According to the results obtained from the research, Close relationship between bank employee and customer and also the market conditions are the most important indexes of bank in providing services to customers.
customers. First factor is effective communication with customers. Trust and conflict management are variables which are effective on customer satisfaction and should be considered by bank management. As a conclusion, private nature of a bank causes to raise the expectations of customers such as providing the services in the shortest time and the best form.

Today's fact is accepted that the power of the market is to customers. Therefore, in intense competition of the market, banks should try to keep their customers by relationship marketing and customer orientation.
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