



## The Role of Customer Relationship Management Quality and Brand Image in Customer Loyalty

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### ABSTRACT

The purpose is to study the role of customer relationship management (CRM) quality and the modifier brand image in shaping customer loyalty. This is an applied research conducted through a descriptive-correlational design. The statistical population included customers of commercial insurance in the city of Mashhad. 436 questionnaires were collected electronically and randomly through insurance agencies. The data collection tool was a standard questionnaire. The questionnaire's content validity was measured using expert opinion, its construct validity was measured by confirmatory factor analysis, and its reliability was measured by Cronbach's alpha. The hypotheses were tested using structural equation modeling in PLS software. The obtained results showed that the components service quality and customer value had a positive effect on customer loyalty, while the components service quality, customer value and customer satisfaction had a positive effect on CRM quality. In addition, the effect of CRM quality on customer loyalty was confirmed. Further, the results confirmed the mediating role of CMR quality was confirmed, but did not confirm the moderating role of brand image. However, the results did not support the direct effect of customer satisfaction on customer loyalty.

**KEYWORDS:** Brand image; Customer relationship management (CRM) quality; Customer loyalty; Insurance Company

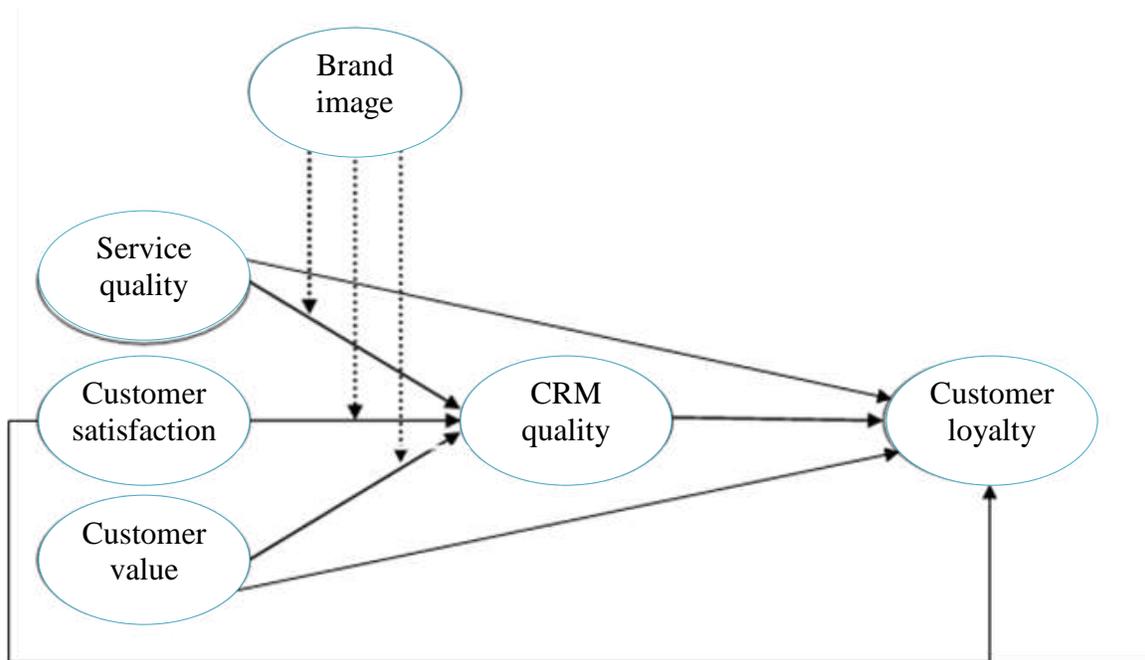
## 1. Introduction

Important marketing issues such as service quality, perceived value, customer satisfaction and brand image are often introduced as the reference and background of customer loyalty (Hapsari et al, 2017). Customers tend to feel that they have made good decisions. They are interested in feeling that they have gained something valuable in their judgment of value and satisfaction for the time and effort they have spent (Williams, 1981). Many studies give evidence to the significant effect of customer value on customer satisfaction and loyalty (e.g. Cronin et al, 2000; McDougall and Levesque, 2000). Also Chen and Chang (2008) found in their studies that customer value and satisfaction had a positive and significant effect on customer loyalty. Research on the factors affecting loyalty finds a direct relationship between service quality and customer loyalty. In 1996, Zeithaml and his colleagues showed the influence of overall service quality on customers' behavioral tendencies such as word-of-mouth advertising and their purchase intention, so that the better the performance of the service providing company in terms of service quality, the greater the customer willingness for positive word-of-mouth advertising and purchase intention. Also, the studies of Cronin and Taylor (1992) and Boulding et al (1993) examined the effect of service quality on customer loyalty. Cronin and Taylor (1993) did not find a significant direct relationship between service quality and purchase intention, but Boulding et al (1992) who were interested in such aspects as the intention to recommend and the intention to repurchase (repeat purchase), observed a significant relationship between service quality and these dimensions of customer loyalty. Kuo et al (2009) examined the relationships between service quality, customer value, customer satisfaction, and repurchase intention. They found that service quality had an indirect positive effect on customer purchase intention, which was mediated through customer value or customer satisfaction. Bloemer et al (1998) found a relationship between dimensions of service quality and dimensions of customer loyalty. Segoro (2013) also documented a positive and significant relationship between service quality and customer loyalty. Also, Santouridis and Veraki (2017) and Kim (2016) pointed to the mediating role of communication quality in the customer satisfaction-loyalty relationship, and Tseng (2016) underlined the role of customer relationship management (CRM) quality in the company. Johari, Bhatti and Pyarelal (2016) found that service quality had a positive effect on customer loyalty. Hidayat & Akhmad (2016) have pointed out the positive effect of brand image on loyalty. Also, Javed and Cheema (2017) showed that customer satisfaction, the value of customer understanding and customer relationship management were the key drivers for creating customer loyalty. Wei-Ming (2011) confirmed the positive effect of service quality on communication quality. Giovanis et al (2015) suggested communication quality and service quality as decisive and crucial for customer loyalty. Negi and Ketema (2013) and Wali et al (2015) highlighted the relationship between communication quality and customer satisfaction. In this research, factors affecting loyalty through CRM quality are investigated. It also considers the role of brand image as a moderator of relationships of customer satisfaction, customer value and customer relationship management (CRM) quality. In the business today, having loyal customers is one of the strategic goals of organizations. On the other hand, with the emergence of new service companies, customers have many options to choose from. One of the tools today's business owners equip themselves with is to improve the quality of customer relationship management. Service quality, customer satisfaction and customer value are factors that affect customer loyalty. Brand images convey different meanings with them that affect customer loyalty, and in this research, its moderating role on the factors affecting customer loyalty is investigated. The results of this research can help commercial insurance

managers design and use programs that affect customer variables and CRM quality to improve the level of customer loyalty.

## 2. Theoretical framework

Customer relationship management (CRM) quality means establishing high-quality communication with customers in order to improve their subjective perceived service quality, which in turn will build loyalty in customers (Rahimnia et al, 2013). It is the quality of the relationship that shapes the overall understanding of the customer and is a branch of relationship marketing (RM). CRM quality is defined based on the two concepts of commitment and trust. Commitment and trust directly lead to cooperative (collaborative) behaviors and thereby to beneficial relationship marketing (Morgan, 1994). Henning-Trav et al (2002) concluded that the main dimensions of relationship quality were satisfaction, trust and commitment. Trust and satisfaction are further modeled as drivers of commitment. The factors of trust, satisfaction and commitment can form the three vertices of a relationship quality triangle. In this study, CRM quality refers to the level of trust and commitment as perceived by customers. Companies that can keep five percent of their customers or turn them into loyal customers can increase their profit by nearly one hundred percent. Therefore, many service organizations have developed customer loyalty programs as part of their relationship development activities. The model used in this research is drawn upon the model studied at Victoria University, Australia (Nyadzayo and Khajezadeh, 2016). According to this model, the quality of CRM services has a mediating role in the relationship between customer loyalty - customer satisfaction, customer value and service quality. Also, according to this model, brand image has a moderating role in the relationship between CRM quality and loyalty factors. In order to test these opinions, the effect of the factors contributing to customer loyalty, as specified in the research model, were analyzed and assessed, once directly and another time in presence of the mediator CRM quality. By comparing the two paths mentioned, the mediating role of the mentioned factor is either proven or rejected. Further, the moderating role of brand image in the relationships of service quality, customer satisfaction and customer value with CRM quality was analyzed and tested in absence and presence of brand image.



**Figure 1.** Research conceptual model derived from Nyadzayo and Khajezadeh (2016)

### 3. Research methodology

The statistical population of this research included the real insured persons of commercial insurances in the city of Mashhad. Morgan's table was used to determine the total sample size. Considering that the number of insured persons is more than one hundred thousand people, the minimum required sample size was 384 people, while 436 questionnaires were actually collected during the research, using simple random sampling. The data collection tool in this research was a standard questionnaire adopted from Nyadzayo and Khajezadeh (2016). Cronbach's alpha was used for the questionnaire reliability. A Cronbach's alpha of greater than 0.7 indicates good reliability, and between 0.5 and 0.7 a moderate reliability. To assess the questionnaire, 30 questionnaires were distributed among the members of the statistical population, for which Cronbach's alpha value was calculated in SPSS software. The obtained Cronbach's alphas for the variables of the questionnaire was higher than 0.7, indicating good reliability of the questionnaire. The questionnaire validity was assessed in terms of "content validity" and "construct validity." Construct validity was measured by confirmatory factor analysis in SmartPLS software. A factor loading less than 0.3 is considered small and should be removed from the model (Chaung et al., 2008, Kline, 2014). Having thus performed the confirmatory factor analysis, the validity of the two items was not confirmed, so the questionnaire after being corrected by removing the two items was redistributed.

### 4. Findings

The results of the first part of the general questions concerning the demographics of the respondents show that among the respondents, 75.2% were men and 24.8% were women, the age category between 25 and 35 years accounted for the largest number (45.9%) and the age group of over 55 years old accounted for the fewest number (1.8 percent), the bachelor's degree had the highest frequency (44 percent) and the doctoral degree the lowest frequency (2.8 percent). As can be seen from the results of the general research

questions, 45.9% of commercial insurance customers were between 25 and 35 years old, which can be said that the majority of commercial insurance customers were young people. It is also noteworthy that more than 80% of commercial insurance customers had higher education.

The hypotheses were tested using structural equation modeling (SEM) technique in SmartPLS software. First, the fit of the model was tested. Three values of 0.01, 0.25, and 0.36 are suggested as weak, moderate, and strong values for the GOF index (Wetzels et al, 2009). In addition, the closer the R Square index is to one, the stronger it is. The value of 0.37 for GOF index and 0.72 for R-Square indicate a very good fit of the overall model. To comment on the significance and confirmation and rejection of the hypotheses, t-statistic and path coefficients are presented in the figures below. In the analysis of t-statistics, if its absolute value is greater than 1.96, it shows the significance of a relationship. Otherwise, the mentioned relationship is not significant. Path coefficients indicate the influence of each independent variable on the corresponding dependent variable. Based on the output of the software, the research hypotheses in terms of significance and path coefficients are presented in the table below. Structural equation modeling and SmartPLS software have been used to examine the hypotheses. The outputs of the software, which show the t-statistics (Figure 2) and path coefficients (Figure 3) respectively, are:

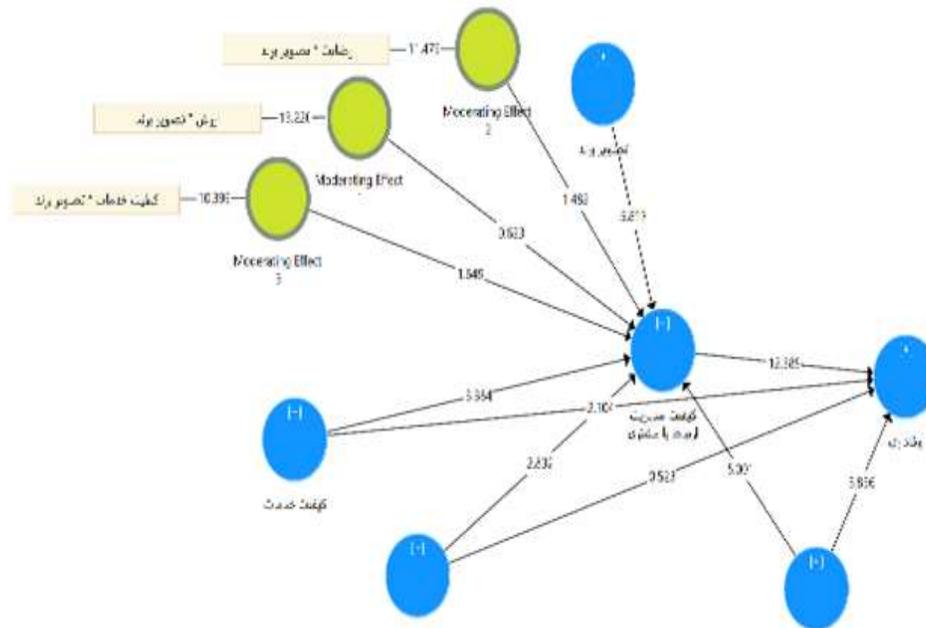


Figure 2. T-statistic values

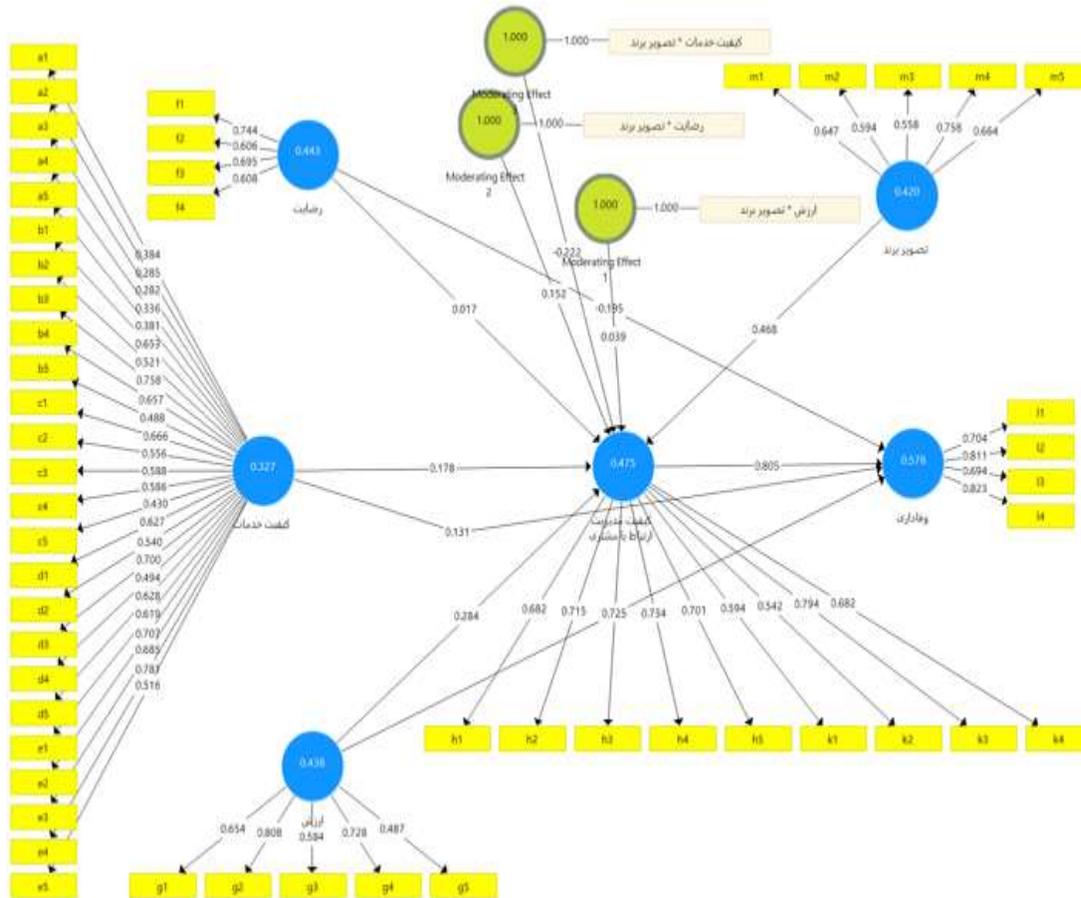


Figure 3. Path coefficients and factor loadings

Based on the software outputs in figures 2 and 3, the results of the test of the hypotheses are presented in table 3:

Table3. The results of the test of the main hypotheses

| Hypothesis | Tested relationship                      | Path coefficient | t-statistic | Result          |
|------------|--|------------------|-------------|-----------------|
| First      | CRM quality ⇒ Customer loyalty           | 0.800            | 12.39       | Significant     |
| Second     | Service quality ⇒ Customer loyalty       | 0.130            | 2.10        | Significant     |
| Third      | Customer satisfaction ⇒ Customer loyalty | -0.200           | 0.52        | Not significant |
| Fourth     | Customer value ⇒ Customer Loyalty        | 0.140            | 3.86        | Significant     |
| Fifth      | Service quality ⇒ CRM quality            | 0.180            | 3.38        | Significant     |
| Sixth      | Customer satisfaction ⇒ CRM quality      | 0.020            | 2.83        | Significant     |
| Seventh    | Customer value ⇒ CRM quality             | 0.280            | 5           | Significant     |

|            |  |        |      |                 |
|------------|--|--------|------|-----------------|
| Eighth     | Service quality $\Rightarrow$ Moderator CRM quality $\Rightarrow$ Customer loyalty       | 0.140  | -    | Significant     |
| Ninth      | Customer satisfaction $\Rightarrow$ Moderator CRM quality $\Rightarrow$ Customer loyalty | 0.016  | -    | Significant     |
| Tenth      | Customer value $\Rightarrow$ Moderator CRM quality $\Rightarrow$ Customer loyalty        | 0.220  | -    | Significant     |
| Eleventh   | Service quality $\Rightarrow$ Modifier brand image $\Rightarrow$ CRM quality             | -0.220 | 1.65 | Not significant |
| Twelfth    | Customer satisfaction $\Rightarrow$ Modifier brand image $\Rightarrow$ CRM quality       | 0.150  | 1.48 | Not significant |
| Thirteenth | Customer value $\Rightarrow$ Modifier brand image $\Rightarrow$ CRM quality              | 0.620  | 0.40 | Not significant |

## 5. Discussion and conclusion

Based on research findings, satisfaction alone cannot lead to loyalty, in fact, in the insurance industry; satisfaction alone is not enough for customer loyalty. This is while the quality of the desired service can lead to the loyalty of the customers. Therefore, the companies' active in this industry should perform the services in the promised time and look for a suitable solution for the customers' problems. Also, in the field of service quality, the tangibility of the service should be distinguished by the use of modern tools and physical facilities, well-dressed employees, a parking place for the cars and having promotional items. On the other hand, complaints should be managed in a fast and efficient way and personal attention should be paid to customers by the employees in direct contact with them. One of the important examples is the interaction between the company and the customers. This interaction helps to create a sense of security in customers.

Another factor affecting customer loyalty is customer value. This feeling is understood when the customers receive more suitable services for the same amount received as other competitors, or a lower amount is charged from the customer for receiving the same services. These cases require a review of tariffs in order to make room for a discount, especially in sales of several types of insurance.

One of the things that can enhance the effect of service quality and customer value on loyalty, and can even create satisfaction, is the quality of the company's relationship with customers. This is possible through customer relationship management (CRM) quality. In fact, this is the important finding of this research. This factor can play a significant role in the success of a service company such as insurance. The use of new communication tools such as social networks or, in particular, personal marketing and creating personal interaction with customers can improve the quality of communication with customers. For this reason, it is necessary for the insurance company to have accurate and up-to-date information about its customers and with the help of scientific models, to be fully aware of the needs and expectations of its target population. Appropriate grouping to provide personalized suggestions can, in addition to efficiency, reduce marketing costs of insurance companies which is considered an important point in providing services at a reasonable price.

One of the important findings of this research is the ineffectiveness of the role of brand image modifying role in the relationships. This shows that in Iran, people are more dependent on the services

and the type of communication of the company to the insurers than inclined to pay attention to the brand (in the field of insurance). This provides a good opportunity for private and smaller insurance companies that are normally more agile. On the other hand, this result may indicate the lack of attention on the part of insurance companies to the issue of branding which is very important considering the mission of insurance companies, so that in global markets, the quality of their services is concealed in the heart of the brand, and customers, instead of paying attention to details, base their judgment on the brand, which requires standardization and providing stable services.

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## ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

## CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.