The Impact of Customer Relationship Marketing on Customer Loyalty:
Evidence From the Banking Sector

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ABSTRACT

This study aims to examine the impact of CRM on customer loyalty and to explore relationship marketing accuracy in four dimensions such as trust, communication, commitment, and conflict handling in the banking system. Moreover, it examines the direct and indirect relationships between CRM variables and the mediating role of trust between them. Because most bank-customer interactions are time-varying and dynamic, and there are only a few studies related to CRM in the Albanian banking system, this study tends to contribute further to this field. Random sampling technique was used to collect data from 440 bank customers, who completed a structured questionnaire in Google Forms. Structural equation modelling (SEM) in Smart PLS 4 software was used to analyse the completed questionnaires. The results have revealed that CRM impacts positively and significantly the loyalty of bank customers, thereby supporting all the hypotheses. Moreover, the data analysis showed that trust plays a mediating effect between CRM variables.

KEYWORDS

Bank Marketing, CRM, Loyalty, Relationship Marketing

INTRODUCTION

Banks constitute around 90% of the Albanian financial system in terms of total assets. Like other companies, these institutions provide marketing to support financial transactions. To maximize their profitability, banks face the tasks of maintaining existing customers and attracting new ones. In times of high inflation and slow economic growth, the Albanian banking industry, on one hand, is facing

many challenges such as profit fall due to the increase of non-performing loans, an increased cost of capital that is combined with low-interest rates, rising pressure on sources of profitability, security breaches, and other challenges, and on the other hand, is dealing with the rising expectations of customers in terms of their banking experiences through hybrid banking models. In order to survive, banks are adopting new strategies and approaches that focus on and consider customer loyalty as an important concern. Studies indicate that the cost of attracting and serving new clients is almost six times higher than the cost of serving loyal ones (Ndubisi, 2003). Therefore, to maximize their profitability, banks face the task of building long-term relationships with clients. Authors Ferrell and Hartline (2016) explain that during the last two decades, marketers have observed a shift from transactional marketing to CRM which has caused an increase in the value of this relationship for both the banks and the customers. The creation of this value is the main goal of customer relationship management is a business philosophy aiming to define and increase customer value in ways that motivate customer satisfaction and loyalty (Ferrell & Hartline, 2016).

CRM in the Albanian banking industry remains a fundamental issue because, when it comes to the implementation of financial services strategies, it is difficult and complicated in terms of product differentiation. Therefore, it is crucial to evaluate the effect of CRM on customer loyalty, not only in different industries but also in different cultures. The effectiveness of CRM on customer loyalty can be measured by considering four major gestalts: trust, conflict handling, communication, and commitment (Husnain & Akhtar, 2015).

When it comes to its importance, numerous studies have suggested that banks should take into consideration relationship marketing (RM) as a fundamental strategy in order to excel in an industry that is constantly growing and experiencing intense competition. Even though this strategic marketing concept has attained immense interest among academics and practitioners, no studies exist that examine the impact of CRM on customer loyalty in the Albanian banking system. Moreover, there is a lot to be done yet to review and cover the gap created by the varying results of empirical studies that explore CRM and customer loyalty. Wang and Yang (2010) state that there is no significant relationship between CRM and loyalty, while other studies show differently. For example, a study conducted by Salah and Abou-Shouk (2019) reveals a positive and significant effect of CRM practices on customer loyalty. This study aims to assess the impact of CRM on customer loyalty and to explore RM accuracy in four dimensions: (I-trust, II-communication, III-commitment, and IV-conflict handling) for the Albanian banking system. Moreover, it examines the direct and indirect relations between them and the moderating role of trust between CRM variables. The next section concentrates on the literature review, while the used methodology is presented in the third section. Results and findings are presented in section four. The authors' conclusions and the study limitations are elaborated in section five which concludes the study. The bibliography and the structured questionnaire (Appendix A) are also included at the end of this research paper.

LITERATURE REVIEW

Relationship Marketing, Customer Relationship Management, and Customer Loyalty

RM is classified as a strategic marketing concept that represents a drastic change (Gummesson, 1997; Berry, 1983; Grönroos, 1994) from transactional marketing. As an alternative approach to classical marketing, this strategy, from early 1980, initially focused simply on the advancement of long-term, mutually beneficial relationships between customers and organizations (Peck, Payne, Christopher, & Clark, 2011). Palmatier (2008) defines RM as the process of distinguishing, evolving, maintaining, and extinguishing relational trade-offs with the aim of boosting performance. CRM and customer relationship management are two terms often used interchangeably to define the process of RM with clients. Despite differences, their goal is the same: to hold positive relations with the customers.

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