



Retaining Customers through Relationship Marketing in an Islamic Financial Institution in Malaysia

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Abstract

Questions on ways to retain loyal customers and attract potential future customers in an Islamic financial institution led to a study on customer relationship marketing (CRM) strategies at the Pilgrims Fund Corporation or Tabung Haji (TH). This study aims to determine whether customer relationship marketing (CRM) influenced by the variables - customers' satisfaction, employees' commitment, customers' trust and customers' loyalty. Questionnaires and personal interviews with the respondents were used. 152 registered Tabung Haji depositors were selected as sample size. It was found that there is a significant relationship between customer relationship marketing- the four dependent variables. Findings from this study showed strong positive relationship between customer relationship marketing and customers' satisfaction (81%), customers' trust (77.8%), employees' commitment (76.2%) and customers' loyalty (69.5%). Findings from this study will help Tabung Haji to utilize appropriate customer relationship marketing strategies to retain the loyalty of existing customers. Simultaneously, Tabung Haji should make the most of its customer relationship marketing strategies (CRM) to attract future potential customers. It is hoped that Tabung Haji will be a progressive, dynamic and innovative financial institution through the utilization of appropriate strategies in customer relationship marketing (CRM).

Keywords: Customer relationship marketing, Customer satisfaction, Customer trust, Employee commitment, Customer loyalty

1. Introduction

Tabung Haji (TH) is indeed Malaysia's most popular label among Muslim nations. It is the envy of other parts of Muslim world for its efficiency and success in managing Malaysian pilgrims. (Mansor Lokman, NST p.2, 02/07/2004). However, TH has to strive endlessly to face future global challenges if it wishes to be ahead or at par with other financial institutions. Some of the measures taken by TH are adoption of technology, improvement of service quality, upgrading quality of human resources and employing aggressive marketing strategy to encourage Muslims to invest for pilgrimage and future needs. Hence, TH must adopt the best approach in managing depositors' fund that adheres to 'Syariah' guidelines and simultaneously retain the confidence of loyal and prospective customers.

Financial Institutions face many challenges with their loyalty programs in today's competitive market. They struggle in keeping tracking their customers' purchasing behavior and spending habits, capturing customer data, understanding who the customer is and how to use customer data to build strong, valuable relationships and retain customers. At the broadest level, the function of enterprise marketing is to bring buyers and sellers, to create customers. Getting customers is the fundamental to any business success, keeping customer is more important. The term relationship management (or relationship marketing) communicates the idea that a major goal of a business enterprise is to engage in interactions with customers over the long term

Tabung Haji Pulau Pinang started its operation in 1969 at Immigration Building located at Jalan Lebu Pantai. Since 1994, Tabung Haji State office was relocated at Tabung Haji Complex at Bayan Lepas. At present, there are four other Tabung Haji branches in Pulau Pinang. However, three of its branches – Kepala Batas, Butterworth and Bukit Mertajam are located in the mainland while Tabung Haji Lebu Bishop and Tabung Haji Bayan Lepas (THBL) are located on the island.

Kumar and Reinartz (2006) highlighted the importance of Relationship Marketing (RM) in creating a link or relation that benefits both the company and the customers. This marketing function can be broadly classified as Customer Relationship Management (CRM) and Supplier Relationship Management (SRM)

At present, Relationship Marketing (RM) has been widely considered as a company's activity that helps in developing and retaining customers through increased loyalty, satisfaction, trust and commitment. Thus, Tabung Haji should seriously focus on relationship marketing to retain and ensure existing loyal customers are satisfied and pleased with their services. In addition, RM could also captivate potential customers and enhance Tabung Haji's corporate image.

Findings from secondary data showed that although a large sum of money has been allocated for customer relation and services upgrading, but Tabung Haji was not aggressive in focusing on RM strategies when rendering financial services. Reports and observation also showed TH's uncommitted attitude in handling their RM strategies as compared to matters related to organizational management. TH enjoys its unwavering privileged status as the sole government-linked company that manages the pilgrims - a monopolistic company in a non-challenging marketplace. Hence, TH is confident of acquiring customers without facing any stiff competition as in oligopolistic or highly competitive market. However, in terms of savings account depositors, TH faces competition from banks that offer Islamic banking transactions. Storbacka et al. (1994) have highlighted the link between customers' perception and the decision to opt for alternatives in a highly competitive market.

Lately, TH received several complaints on personnel (front-line service employees) and counter services in almost all TH branches throughout Malaysia. Some customers aired their grievances through the Internet and newspapers. Other unofficial complaints were heard through conversations among TH depositors at the respective TH branches. Some depositors also compared TH counter service to that of other financial service providers such as banks. Based on the stated problem statements, Tabung Haji Bayan Lepas (THBL) should review its current counter and financial services particularly when dealing with customers. Although THBL is renowned as one of the most outstanding branches in Pulau Pinang, but it has to assess its services to retain loyal customers and attract potential customers.

The main objectives of this research are:

- To identify which element of Relationship Management (customer satisfaction, employee commitment, customer trust and loyalty) did Tabung Haji Bayan Lepas (TBHL) neglect when handling its counter services and other financial services? This will provide information on efforts undertaken by TBHL staff and management team in improving the quality of its relationship management strategies.
- To identify whether there is a relationship between customer satisfaction, trust, loyalty, employees commitment and TBHL relationship management strategies.

In a transactional approach, customers are consumers when they are the target marketing and sales efforts. Customers refer to a group with whom a business has dealings with and has expectation towards what they offer. However, Gronroos (2000) in his definition on services viewed customers differently, whereby services do not necessarily involve any transaction between customer and service employee or physical resources or goods and or systems of the service

provider. In fact services act as solutions to customer problems. Lovelock (2001) defined customer service as a provision of supplementary service elements by employees who are not engaged in selling activities.

Zeithami (2000) highlighted on the point that customers perceive service in terms of their satisfaction and the quality of the service provided to them. Kotler et al. (1998) emphasized the importance of effective interaction between service providers and customers to create superior value during service encounters. Studies on well-managed companies show that good customer service can set one business apart from other competitors. These companies possess distinctive strategies for satisfying customer needs that win customer loyalty. In addition, it can result in attracting new customers through word-of-mouth influence. Hence, customers' perception towards service quality is influenced by price, image, and quality.

The term Relationship marketing was assumed under different names before it was coined in the 1990s. In its wake, one-to-one marketing surfaced in the mid-1990s. Relationship marketing (RM) is the process of attracting, maintaining and enhancing relationships with key people (Young, 1988). Relationship marketing is more of a process rather than more isolated events that strengthen economic, technical and social ties between marketers and customers. There are many examples of companies that have successfully developed relationships with their customers through delivering added value and thereby earning greater profits (Palmer, 1996).

Morgan & Hunt (1994) also highlighted the importance of relationship marketing in establishing, developing and maintaining successful relational exchanges that benefit both the customers and the company.

Previously known as Customer Relationship Marketing, CRM (Customer Relationship Management) emerged as the favourite catchword in business world at the turn of the millennium (Storbacka & Lehtinen, 2000). One-to-one marketing and CRM are the same, though they may differ in emphasis and procedures. These and the host of other names are used by consultants to label their approaches. Today, CRM is the dominant and generally used designation, but in 1998 it was only one in a continuous flow of acronyms soliciting for attention. Fournier et al. (1998) cautiously warn the possibility of premature death of CRM if one-to-one communication does not exist. Hence, to ensure the continual existence of CRM, organization need to increase activities that, allow customers to interact personally with the staff so they (customers) will return to repeat transactions. According to Gummesson (2002), CRM is the values and strategies of relationship marketing that emphasize on customer relationships which could be turned into practical application. CRM is developing into a major element of corporate strategy for many organisations.

Customers of today are more service-minded and they tend to expect better services from financial institutions. According to Edelstein (2000), A CRM strategy should help organizations improve the profitability of their interactions with current and potential customers while at the same time making those interactions appear friendly through individualization and personalization. Zikmund, et al (2003) suggest that the purpose of a CRM system is to enhance customer service, improve customer satisfaction, and ensure customer retention by aligning business process with technology integration. CRM essentially means fundamental changes in the way that firms are organized (Rvals and Knox, 2001) and business processes are conducted (Hoffman and Kashmeri, 2000). Firms should pay heightened attention to the organizational challenges inherent in any CRM initiative (Agarwal et. al., 2004).

2. Method

The population of this study is THBL depositors. Questionnaires were distributed to the depositors who were chosen through systematic sampling method. A total of 300 respondents were approached to participate in the survey and only 170 completed and returned the instrument which translates to 56.7 percent response rate. Out of this, only 152 were useable as 18 were voided because of incomplete data. On, Simple Category Scale, Multiple Choice Single Response Scale and 5 point Likert Scale Summated Rating.

Thirty-two structured questions were distributed at THBL during normal working days. Questions have been designed based

In this study four independent variables chosen were favourites among previous researchers such as Morgan & Hunt (1994); Veloutsou et al., (2002) chose customer trust, Paolo & Ottavia (2004); Ndubisi et al., (2007) chose customer loyalty; Grossman (1998); Ndubisi et al., (2007) chose employee commitment and Leverin & Lijander (2006) chose customer satisfaction.

3. Result and discussion

Correlation coefficient is computed among the five variables. The results of the correlation analysis are presented in Table 1.

From the results, the dependent variable (relationship marketing) and four independent variables (customer satisfaction, employee commitment, customer trust and customer loyalty) are significantly positively correlated.

The R-value recorded for correlation value in customer satisfaction is 0.810, which means that it is 81.0%. This shows there is a positive relationship between customer satisfaction and relationship marketing. Thus, correlation of 81.0% shows a very strong relationship between the two variables.

The R-value recorded for correlation value in employee commitment is 0.762, which means that it is 76.02%. This shows there is a positive relationship between employee commitment and relationship marketing. Hence, it shows a very strong relationship between these two variables.

The R-value recorded for correlation value in customer trust is 0.778, which means that it is 77.8%. This shows there is a positive relationship between customer trust and relationship marketing. Therefore, it shows a very strong relationship between these two variables.

The R-value recorded for correlation value in customer loyalty is 0.695, which means that it is 69.5%. This shows there is a positive relationship between customer loyalty and relationship marketing. Thus, it shows a very strong relationship between these two variables.

Insert Table 1 here

THBL is considered as a unique state branch office because of its location and background. This branch is located in a sparsely-populated sub-urban part of Penang, where its development pace is not at par as other districts in the island. Nevertheless, THBL by far manages to obtain 40% of overall savings collection from depositors compared to other Penang's branches such as those located in Butterworth, Lebu Bishop, Kepala Batas and Bukit Mertajam. Hence, population density is not a contributing factor to the number of depositors and amount of money saved by them. In other words, there are other factors that encourage depositors to save their money at THBL. Some of the reasons mentioned by customers are good counter service practices, courteous personnel and convenient financial service such as online financial service.

THBL customers are chosen as respondents because findings and suggestions from this study will benefit and help THBL management team. Counter services refers to all related activities and transactions between THBL staff and their customers over the counter. Hence, this study focuses on the relationship marketing strategies practised by THBL staff (front-line service employees) when dealing with customers particularly during financial service transaction at the counter. In addition, researchers have to find out customers' perception towards the main element in relationship marketing strategies preferred by customers in terms of effective financial service transactions that deliver long-term value and benefits to them.

Results of Pearson Correlation Coefficient show all the above mentioned independent variables were positively significant with dependent variable. Thus, it can be concluded that there is a positive relationship between all these four variables and relationship marketing. Customer satisfaction scored the highest percentage (81.0%), which means satisfaction is the contributing factor for customers to return to THBL to repeat transactions. The second factor that influences customers to continuously use the service of THBL is customer trust (77.6%). The third factor that influences customers to frequent TH is employee commitment (76.2%). The last factor that influences customers' decision to make transaction at THBL is customer loyalty (69.5%). This demonstrates there are other unexplained factors that contribute to existing customers being loyal to TH by regularly making transactions at THBL.

Multiple regression analysis was employed to predict the construct relationship. According to table 2 shows R-square value obtained is 0.740. Thus the dependent variable is explained by independent variables by 74% of variance relationship marketing was significantly explained in this study. Based on the findings of Beta value from each independent variable, could conclude that customer satisfaction (beta=0.277), employees commitment (beta =0.321), customer trust (beta=0.584) was significant related to relationship marketing. However, customer loyalty (beta= -0.264) is no longer significant predictor to relationship marketing. The reason why loyalty is not significant in regression analysis is because of the poor level of self awareness among customer. Most of them think that the sole purpose of saving at TH is just for pilgrimage. On the contrast they did not mention their TH savings account can be used for future purpose besides pilgrimage.

Insert Table 2 here

4. Conclusion

This research highlight important aspects of relationship management elements overlooked by THBL staff (front-line service employees) when dealing with customers. Hence, researchers and THBL will mutually benefit in knowledge enrichment on major relationship management elements that improve the efficiency of financial service providers when dealing with loyal and potential customers. As a result, THBL management team will be able to enhance their relationship marketing strategies effectively by focusing and prioritizing on important elements that significantly improve their business performance particularly by retaining loyal customers and attracting future customers.

The most significant variable in customer relationship marketing (CRM) is customer's satisfaction. Hence, THBL should be more concerned on customer's satisfaction as an important element in developing its CRM strategy. The second most significant element is employee's commitment, followed by customer's trust and customer's loyalty. It was found that loyalty is not a significant factor that contributes to relationship marketing strategy. Nevertheless, it is not an implication that THBL should ignore this factor. THBL still need to focus on winning loyal enduring customers who have been their supporters for a long time.

This study suggests that good customer relationship marketing strategy that steer much of its focus on Customer Relationship Management is applicable to TH whose core business is on customer's savings.

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Table 1. Correlation Analysis

	Relationship Marketing	Customer Satisfaction	Employees Commitment	Customer Trust	Customer Loyalty
Relationship Marketing		.810**	.762**	.778**	.695**
Customer Satisfaction	.810**		.832**	.813**	.792**
Employees Commitment	.762**	.832**		.653**	.647**
Customer Trust	.778**	.813**	.653**		.647**
Customer Loyalty	.695**	.792**	.647**	.910**	

** Correlation is significant at the 0.01 level (2-tailed)

Table 2. Multiple Regression Analysis

	Beta	Sig.
Customer Satisfaction	.227	0.006
Employees Commitment	.321	0.000
Customer Trust	.584	0.000
Customer Loyalty	-0.264	0.012

R- Square **0.740**

Adjusted R-Square **0.733**