MASTER'S THESIS

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The Impact of Customer Relationship Marketing on Market Performance
- a study among Iranian telecommunication service providers

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The Impact of Customer Relationship Marketing on Market Performance: a study among Iranian telecommunication service providers

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I dedicate this thesis to my dear mother and father

Abstract

While a vast number of studies have pointed out the keys of relationship marketing practices in consumer markets, little attention has been paid to the value the organization can get from such strategies in the B2B market. The literature provides relatively little support for the effectiveness of relationship marketing programs. The purpose of this research is to produce some evidence of the association between customer relationship marketing strategies which are attraction activities and Loyalty programs (Bonus, Contact, Customer satisfaction, Contact) and the market performance. The proposed hypotheses are tested in the case of telecommunication service firms, where long-term relationship is needed. This research involved collecting data from Iranian Telecommunication managers of 105 telecommunication companies to understand the relationship exists between attraction and loyalty programs (Bonus-Contact-Satisfaction and complaint) with market performance of the companies and the market performance is measured by market position, customer perception about the firm and customer's loyalty. The hypotheses were evaluated using a SEM analysis, which associates relationship between attraction activities and Loyalty and interaction programs with market performance (customers' perceptions, market position and loyalty) by using Partial Least Square (PLS) Techniques. The findings suggest that the effect of attraction and loyalty programs are greater than service quality on market performance, Furthermore, This means that, loyalty and interaction programs are more influential on companies' awareness and penetration in the market (market position). Attraction activities (service quality) has greater impact on customer's perception, however bonus and customer satisfaction are more associated with customers' loyalty also customer satisfaction has grater impact on customers' loyalty than service quality.

Keywords: Relationship Marketing, Service Marketing, Market Performance, B2B, Telecommunication, Iran

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Abbreviations

CRM   Customer Relationship Marketing

CS   Customer Satisfaction

LO   Loyalty

CO   Contact

COM   Complaint

B   Bonus

SEM   Structural Equation Modeling

PLS   Partial Least Square

GSM   Global System for Mobile

CP   Customers' Perception

ATT   Attraction activities

MCCI   Mobile Communication Company of Iran

Chapter I

Introduction

1. Introduction

In this chapter an introduction of thesis is provided. The chapter begins with a background concerning the research area which also shows the study's importance, followed by problem discussion, which guides the reader to the research purpose and the research questions. Finally the structure of the thesis is presented.

1.1. Background

World Telecommunication and Iran Telecommunication market also industry and relationship marketing will be discussed.

1.1.1. Telecommunications

Telecommunication is an important economic sector in world economy. It also has a growing impact on our lives as individuals, on businesses in terms of efficiency and customer service and on every country's competitiveness as a profitable economy.

In this highly competitive market, telecom service companies are certainly and seriously forced to deliver new services to their customers, Due to the Paradigm Shift from 4Ps Marketing Mix toward Relationship Marketing, industrial marketing, services marketing and customer relationship economics demand a move toward relationship-oriented strategy in marketing.(grönroos,1994)

Telecommunication industry is experiencing a radical change, generating new opportunities and challenges for infrastructure and service providers. With the increase in production of mobile devices and services as international market in recent years, according to the triple play of telecom, entertainment and IT convergence the global telecommunication market is growing and changing. (ITU publications, 2002)

In the 2010 the number of mobile phone subscriber's world wide will rise to 4 billion. Telecom Industry body, the GSM Association, have announced that by 2010 mobile networks will cover 90% of the world's population. Governments have earned over 6 billion dollars from the telecoms industry (ITU Publications, 2002)

The total number of mobile connections is now equivalent to almost a third of the estimate world population of 6.5 billion. (ITU Publications, 2002)

1.1.2. Why Relationship Marketing

Building relationships with customers and suppliers was necessary for a company during the past few years, concentrating their marketing with focusing on their important customers and suppliers, whom they must develop in order to build long-lasting relations. This is the only way that a company can obtain a permanent competitive advantage and as a result ensure its own survival and growth. It implies that relationship building is considered to be a key factor to success (Jørgensen, 2001).

Relationship marketing would lead to greater marketing productivity by making it more effective and efficient.

Building and maintaining relationships have considerable long term implication and have impact on strategic and long-range firms' planning marketing. (Sheth and Parvatiyar, 1995; cited by Gummenson, 1987)

In order to create relationship with both individual customers and business customers we should attract them, to develop this relationship we should make them satisfied and to maintain this relationship we should retain them and at last we will make more profit from them, so **Building**, **Developing** and **Maintaining** relationship with their customers, both individual customers or businesses, should be their main Goals. (Izquierdo et al., 2005)

There are numerous studies that focus mainly on the performance implementation problems (Meekings, 1995; Bierbusse and Siesfeld, 1997; Lewy and Du Mee, 1998; Schneiderman, 1999; Bourne et al., 1999, 2000, 2002, 2003; cited by Bourne, 2005), But the whole area of how performance measures are used has attracted less attention until recently. (Bourne, 2005)

1.2. Problem Discussion

Despite different types of Relationship Marketing and business Relationships, I want to distinguish if there is a significant relationship between relationship marketing programs and Iranian Telecommunication organizations' market performance. Within the rapidly expanding literature of relationship marketing, business-to business marketing and customer relationship management there is relatively little attention paid to the value the organization can get from such strategies such as supplier's performance.

1.3. Purpose and Research Questions

Among the vast studies has been done in the field of relationship marketing, although they have focused on different aspects of the relationship marketing, less

researches are found on the effectiveness of relationship marketing, also little empirical research has been conducted on the values of relationship marketing programs and their effect on supplier's side. The goal of this research is to prove the association which exists between relationship marketing strategies and firms' market performance. The findings of this research will help firms understand the effectiveness of relational exchange from the firm's perspective, and develop appropriate relationship marketing Strategies in the B2B context.

In this context I want to understand which of these relational activities has significant relationship with market performance.

Following these arguments, we can propose that the value created by relationship marketing with customers will be reflected in market performance.

Market performance is the improvement of the market position in a company which is, building product awareness and penetration in the market like image, forming customers' perceptions of the organization and their products (Srivastava et al., 1999; cited by Izquierdo, 2005) and increasing of customer loyalty and retention (Evans and Laskin, 1994; cited by Izquierdo et al., 2004).

In this context I want to understand which relational activities such as attraction programs, loyalty and interaction programs has significant effect on market performance of a company.

To fulfill this purpose the following research questions shall be addressed,

1- Is there a significant relationship between *Attraction activities and market position?*

2-Is there a significant relationship between *Attraction activities and customers' perceptions about the firm?*

3-Is there a significant relationship between *Bonus and customers' perceptions about the firm?*

4-Is there a significant relationship between *Contact and customers' perceptions about the firm?*

5-Is there a significant relationship between Customer *Satisfaction and customers' perception about the firm?*

6-Is there a significant relationship between *Complaint and customers' perceptions about the firm?*

7-Is there a significant relationship between Bonus and customers' loyalty about the firm?

8-Is there a significant relationship between *Contact and customers' perceptions about the firm?*

9-Is there a significant relationship between *Customer satisfaction and customers' perceptions about the firm?*

10-Is there a significant relationship between *Complaint and customers' perceptions about the firm?*

11-Is there a significant relationship between *Bonus and market position?*

12-Is there a significant relationship between *Contact and market position?*

13-Is there a significant relationship between *Customer satisfaction and market position?*

14-Is there a significant relationship between *complaint and market position?*

15-Is there a significant relationship between *Customers' perception about the firm and Loyalty?*

1.4 Disposition of the Thesis

This thesis is composed of five chapters.

Chapter One: This chapter presents a brief background in telecommunication and relationship marketing, in the first chapter a broader problem has been narrowed down to a research problem and research questions.

Chapter Two: Chapter two contains of literature review and frame of references. This chapter reviews selective literature on relationship marketing, Industrial and business marketing, Value creation in service, Attraction programs ,Service Quality, Industrial service quality , Loyalty and Interaction programs ,Customer's perception about the firm and Market performance will be presented. The second part of chapter two is research frame work. Finally, Hypotheses within the research framework are explicated.

Chapter Three: Chapter three determines the type of research. Then it explains the constructs' measurement, pilot test, sampling, data collection method and at last refinement and validation of the scale items.

Chapter four: Demographics and descriptive statistics, assessment of constructs reliability and validity and results of hypotheses tests are presented in this chapter.

Chapter five: Chapter five, the final chapter, presents a discussion of theoretical and practical implication of results. A summary of the contribution of this study, its limitations, suggestions and future research are presented.

Chapter II

Literature Review

2. Literature Review

"The further backward you can look the farther forward you are likely to see"
Winston Churchill

This chapter is based on the introduction given lately and the research problem presented in chapter one also the previous studies that have been done within these constructs. It will provide the reader with a literature review concerning the research area.

There are large numbers of studies have been conducted in the field of relationship between suppliers and customers. There have been useful contributions expressed by so many authors about Relationship Marketing theory, Attraction and Loyalty programs as important factors of Relationship Marketing. At the end market performance literature will be discussed as the Relationship marketing strategies' outcome. In this study this contribution will be reviewed to show relationships between these variables and emphasizes on the Impact of Relationship Marketing on Market performance of the Iranian telecommunication companies. At the end of this chapter the frame of references will be presented.

2.1. Relationship Marketing Theory

According to the literature, there are numbers of conceptual studies have been done on Relationship Marketing theory and strategy.

2.1.1. Relationship Marketing Formation

"Berry was the first one who used the term relationship marketing in 1983; it will be indicated that early attempts to formulate a general theory of marketing already included a relationship perspective. However, this perspective did not have the importance it has gained today, because the environmental factors were not as strong as today. Thus there have been in fact two ways to the present-day relationship marketing. The first was realizing the importance of relationships gradually, initially in service marketing and partly in industrial marketing. The second way was through a transformation of business in general, due to rapid and radical changes in the environment. These changes resulted in an emphasis on service, close contact with customers, and a holistic view of the parties and also processes involved in marketing and business."(Toivo, 1996)

According to Gronroos (1993) and Liljander and Strandvik (1995), there was a paradigm shift in services marketing. The shift was from a transaction-oriented "marketing mix" view of exchanges to a relationship marketing view.

Relationship marketing has emerged in response to the Environment's new claims which aim was blurring boundaries between markets or industries, an increasing fragmentation of markets (Shani and Chalasani, 1992), this is the one of the best ways that a company can get a permanent competitive advantage and ensure its own survival and growth. It seems that relationship building is considered to be a key factor to success.

In traditional marketing and economics, the market is only outside the company but now there are also markets inside the company so marketing activities can take place between internal customers. It has also shown that internal and external customers interact in networks of relationships (Gummesson, 1996). See Figure 2.1 and also 2.2.
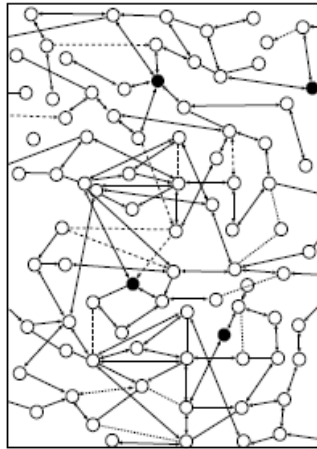
Figure 2.1: Complex Network Reality of Marketing
Sources: Gummenson(1995)
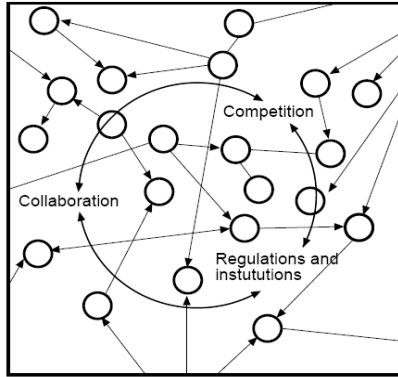
Figure 2.2: Complete marketing equilibrium of a network of relations, both inside a firm and in the market
Sources: Gummenson (1995)

2.1.2. Relationship marketing definition

"Relationship marketing is an important strategy and is one of the important aspects of marketing in these two decades. The first researchers who defined relationship marketing as "all marketing activities directed toward establishing, developing, and maintaining successful relationships" were Morgan and Hunt (1994). These Relationships can exist between the organization and its customers, and also between the organization and other organizations and stakeholders. Relationships between customers and business firms have been consistently encouraged as successful business practices worldwide. The connection with marketing has seldom been established formally in the development of marketing theory" (Yau, 2000).

2.1.2.1. Business marketing relationships

Relationship marketing (RM) was known as an strategic approach to industrial and service markets, and was considered to be unsuitable in other marketing contexts.(O'Malley and Tynan, 2000)

Business-to-business marketing has been changed during the past thirty years both in the phenomenon studied and also in its conceptual process. many such as International Marketing and Purchasing (IMP) Group has been active In B2B

marketing research believe that if B2B marketing research starts with relationships between organizations and networks it is a strong possibility that a new set of findings emerge, different set of assumption be shaped and different processes be found(Leek et al.2003)

There is no exact definition of relationship marketing, we can strongly say that it has flexible boundaries but many practitioners and academic people are continuing lecturing about the Relationship marketing.

The core of relationship marketing is relations, maintenance of relations between the company and the actors in its micro-environment, such as suppliers, market intermediaries, the public and specially customers as the most important actor. The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced (Ravald&Gronroos, 1996).

Academics in the fields of services marketing (Berry, 1983; Grönroos, 1990; cieted by Szmigin and Bourne, 1998), business-to business marketing (Bonoma and Johnson, 1978; Dwyer et al., 1987; Ford, 1981; cited by Szmigin and Bourne, 1998 and high-tech marketing (McKenna, 1991; cited by Szmigin and Bourne, 1998) have all concluded that long-term relationships can be beneficial for both buyer and supplier.
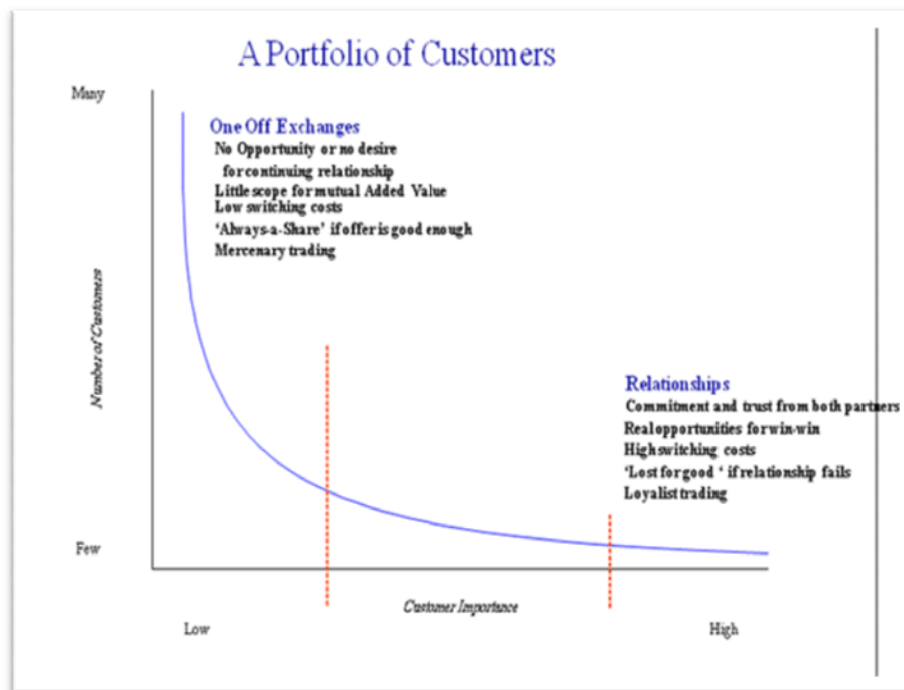
Figure 2.3: A Portfolio of Customers
Source: Naude(2004)

The need for relationship will increase when the number of customers in an organization is getting low, there is commitment and trust from both partners and also real opportunity for Win-Win situations, switching costs lost for good if relationship fails, we would have loyalist trading. Otherwise when the company as the number of customers increases according to the Naudi's portfolio depicted in figure 2.3 ,there is no opportunity or no desire for continuing relationship also little scope for mutual Added Value, low switching costs and there is always-a-share if offer is good enough and also there will be a mercenary trading.(Naudi,2004)

The idea of relationship and also relationship building being extended to other areas such as distribution, service and consumers these are as the result of strong interest in relations between industrial companies. So we must also build relations to middlemen, service suppliers and end consumers. (Jørgensen, 2001)

Relationships in the industrial marketing literature have been described as the exchange between all mutually committed parties. In the service marketing the subject has not been clearly debated. The simplest form of a relationship is when the customer has purchased from the same service provider at least twice. In its simplest form, however, a relationship is characterized by positive commitment by both the service provider and the customer. Liljander and Strandvik(1995) proposed that a relationship term should be defined from the customer's point of view as this corresponds to a market oriented perspective. The customer can be committed both negatively and positively toward the service provider, or s/he can be indifferent. A negatively committed customer will try to end up the relationship as soon as possible, but is usually unable to do so in the short period of time because of different bonds which serve as exit barriers (Liljander and Strandvik, 1995).

According to this marketing fact that customer retention is five times more important than attracting new customer , companies are adopting relationship marketing principles and designing strategies to develop close and long-lasting relationships with the most profitable customers. The long term-orientation which emphasizes commitment to customers is extremely important. (sheth and parvatiyar, 1995).

2.1.2.2 Value Creation in service

Customer relationship marketing goal is to provide increased value to the customer and results in a lifetime value for the service provider. The reason is due the fact that, higher customers value will raise customer satisfaction; thereby customer loyalty will be instilling; which, in turn, creates higher profit due to increased volume resulting from positive word-of-mouth and repeat purchases (Liu et al., 2000)."Customer value creation is at the heart of relationships between services recipients and service providers". (Batiz-Lazo, 2001)

In order to build up a lasting and successful customer relationship the provider needs to have a deep understanding of the customer's business activities in which the customer creates value for himself. (Helander and Hirvonen, 2001)

The basic idea in the value creation approach is that by knowing the customer's value creation process the provider can better identify the problems that the customer has faced in his business activities. (Helander and Hirvonen, 2001)
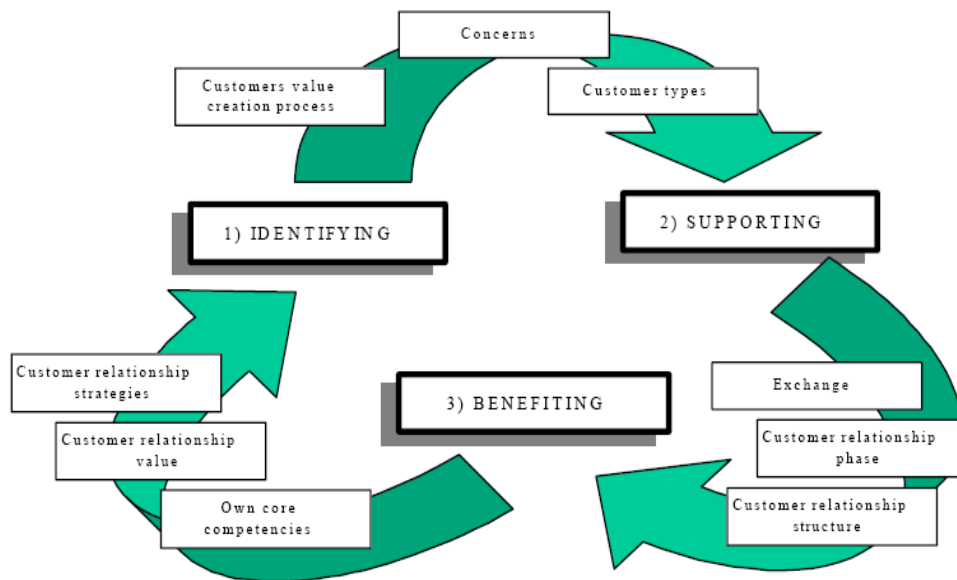
Source: Helander and Hirvonen (2001)

Figure 2.4: The proposed analytical framework for managing customer relationships effectively

In fact, the provider can even notice above mentioned problems and concerns that the customer himself can not see. (Storbacka, Blomqvist, Dahl and Haeger 1999; cited by Helander and Hirvonen, 2001) by providing a solution to these problems the provider can offer a more valuable relationship to the customer than other competitive providers can. (Helander and Hirvonen, 2001)

In Figure 2.4 they introduced an analytical framework that is based on the ideas of the value creation approach. According to this three-phase model, the provider first needs to identify his customer's value creation process before he can aim at supporting it. This supporting should be done in a profitable way so that both the provider and the customer could benefit from that relationship. (Helander and Hirvonen, 2001)

"Value creation and value sharing can be regarded as the reason for collaborative relationships to live. The purpose of the interaction between suppliers and customers is to create and to share value. Some authors suggest that value can only be obtained if customers are willing to engage in long term relationships and perceive them as valuable. Previous researchers studied relationships from the customer's point of view and analyze how relationship marketing helps to create value to customers. The process of developing customer-firm relationships starts when the firm invests in activities directed towards attracting customers and positioning on the market. However, a greater effort is needed in order to make these customers loyal. Attraction and loyalty programs are necessary in the process of creating customers-firm relationships that are valuable both to customers and the firm "(Izquierdo et al., 2005).

2.2. Attraction, loyalty and interaction programs

"Since relationship marketing includes all activities directed towards the establishment, development and maintenance of exchange relationships (Morgan and Hunt, 1994) the activities of a relational strategy should comprise the next objectives (Izduierdo et al.,2005)":

- **Attraction** (creating relationships);
- **loyalty** (developing relationships);

- **Interaction** (maintaining relationships);

As Izduierdo et al.(2005) stated, according to above objectives, we can distinguish three types of relationship marketing activities: those oriented to **attract** consumers; those oriented to **retain** customers and to **create** loyalty; and those oriented to maintain that relationship.

2.2.1. Customer Attraction

Attraction as a driver of customer commitment means something that makes the service provider interested to a given customer or the other way round so attraction can be based on financial, technology or social constructs. Consequently, even social contacts that are highly appreciated may form a source of attraction that can lead to a business relationship. If attraction exists between two parties, the basis for a relationship is developing. Indeed, understanding the role of attraction in a customer commitment decision is the key issue that little attention has been paid on it the service-marketing area (Grönroos, 2001).

The firm can create trust by means of signals sent to the market: warranty, reputation, service quality (investments on quality and technology) or advertising and promotions (Izquierdo et al., 2003) and according to Morgan and Hunt (1994), trust will initiate relationship in consumer market.

2.2.1.1. Service Quality

Gilbert (1996) suggested that quality should play role of the chief facilitator to achieve the objectives of relationship marketing, such as commitment to the brand, emotional involvement, and active interaction.

In this study Attraction in industrial market is measured by Service quality. Buzzell and Gale (1987) in Profit impact of market strategy (PIMS) state that companies that offer superior service can charge eight percent more for their products and also achieving above average market share growth. Offering a service with high quality is one visible way by which a company can compare itself with its competitors

in building a close relationship with customers and attaining a competitive advantage. Creating strong customer-focused relationships requires understanding the needs of specific customers and the firm's success in meeting these needs. Such as, a means to measure the perceptions of customers' experiences in the services encounter is important (Parasuraman *et al*., 1991). Delivering more effective service quality than others is one of the ways that a firm can be a successful in achieving today's business environment is to (Lai et al., 2007).

Grönroos (2000) described service quality in terms of seven perceived scale:

    (1) Professionalism and skills;

    (2) Attitudes and behavior;

    (3) Accessibility and flexibility;

    (4) Reliability and trustworthiness;

    (5) Service recovery;

    (6) Serviscape; and

    (7) Reputation credibility.

Customer perceived service quality has been given increased, due to its specific contribution to business competitiveness. SERVQUAL, a model developed by Parasuraman et al. (1988), is the most prominent and widely used model for measuring service quality. In the SERVQUAL scale, Parasuraman et al. (1988) identified five determinants of "tangibles", "reliability", "responsiveness", "assurance" and "empathy" as part of the 22-item SERVQUAL scale for measuring service quality. In the growing global communications industry, service quality has become increasingly important, as telecommunication firms try hard to protect their subscriber bases. This is especially important to Iran, as Iran has the world's largest, fastest-growing, dynamic and vibrant mobile communications market, the number of mobile phone users will exceed 18 million subscribers in the next year. However, mobile communication service providers in Iran are also encountering intensified competition to encourage market competition and improve efficiency; the Iranian government restructured the governmental monopolistic telecommunication company MCCI.

The nationwide monopoly of state-owned operator MCCI was brought to an end in may 2005 by Rafsanjan Industrial Complex (RIC) as the second private operator and it has been continued in October 2006 when another operator Irancell launched their services. In addition there are three further operators who offer localized services, in Tehran, on the island of Kish and in the city of Isfahan respectively. (Global Insight Inc., 2006)

This new policy dramatically intensified the degree of competition in Iran's mobile communications market although the mobile communications industry is one of the most important service markets in Iran; it has been neglected by most prior studies. To enhance their competitive position, mobile communication companies in Iran may choose to improve service quality to differentiate their services from those of their competitors. However, these companies are not very familiar with concepts and tools for service quality improvement and have not had much experience with making systematic improvement in service quality. Therefore, efforts are needed to better equip these companies to make effective service quality improvements. In this study the service quality will be measured in the B2B context.

"In the previous studies, the dimensionality, reliability, the service quality measures developed for consumer services can only be applied with caution in business-to-business marketing." (Durvasula et al., 1999)

In the study of Durvasula and Mehta(1999) the lack of their research information in the industrial sector and the conflicting findings stop them from knowing if this scale is applicable for industrial uses or not.

Since the most of extant studies examining the statistical reliability of the SERVQUAL scale were conducted in the consumer sector, judgments about the scale must be made. In the study of Durvasuala et al.(1999), the SERVQUAL scale is examined for its psychometric properties using a sample of industrial customers.

As Dedeke (2003) Argued, There was a shift from production-based economy to a knowledge-base economy that leads to increasing more competitive service firms. Dedeke's measure of service quality is based on customers' perception through their supplier's opinion as a common.

The models of service quality that have been described in the literature, such as SERVQUAL, can be used in different contexts, but they do not usually provided for managerial evaluation of the interactive nature of service quality in service encounters. The existing models of service-quality are usually based on the

interpretations of only one of the involved actors in a service encounter, without considering the service provider's perspective. (Svensson, 2004)

2.2.1.2 Service quality in B2B context

Service quality has a critical concern in b2b marketing of services because of its impact on the organizational customers' own service to their customers. For instance, poor shipping services can have extreme consequences on the exports business of the organizations that may increase claims, face loss of orders, lower prices, delayed payments and generally lower supplier ratings (Mehta and Durvasula, 1998).

Service quality definitions revolve around the idea which is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lewis and Booms, 1983; Lehtinen and Lehtinen, 1982; GroÈnroos, 1984; Parasuraman et al., 1985, 1988, 1991, 1994; cited by Caruana et al., 2000). At a higher level, and basically from a customer's perspective, they see quality as being two dimensional, consisting of process and output quality. (Caruana et al., 2000)

Researchers have done a large number of studies on the service quality measurement and the majority has been implied on the consumer sector by using parasuraman's instrument modified in 1991 and some other alternatives. (Gounaris, 2005)

Some studies conducted service quality on the B2B context but most failed and shows that SERVQAL is not a suitable measure for measuring service quality in the business to business context.

Gounaris(2005) Responded to the claim for developing and validating an instrument for measuring perceived service quality in the b2b services by testing the psychometric properties of SERVQUAL vis-a`-vis an alternative measure, INDSERV.

2.2.1.3 A new model for measuring quality in a B2B setting

Gounaris (2005) proposed a new model, INDSERV, which is based on the idea that four dimensions combine to form the industrial customer's perception of service quality:

(1) Potential quality

This relates to the search attributes use by customer in order to evaluate the provider's ability to perform the service before the relationship has actually started. Potential quality is particularly important for business-to-business services because of the increased complexity and degree of customization that characterizes them, which results in a greater degree of uncertainty regarding the performance of the service, even if the provider is selected from a list of existing providers." (Gounaris, 2005)

(2) Hard quality

"This pertains to what is being performed in the service process. It refers to the service blueprint the provider uses, the accuracy with which the service is delivered and so on." (Gounaris, 2005)

(3) Soft quality

"This is concerned with how the service is performed during the service process. It relates to the front-line personnel and the interaction they develop with the customers' employees. It captures how open the service provider is to new ideas and suggestions from the customers, the service provider's benevolence and communicated willingness to watch the customer's best interest. These qualities help to develop a positive climate during the service encounter and facilitate the process of aligning the provider's service with the customer's specific requirements." (Gounaris, 2005)

(4) Output quality.

"This explains the customer's concern regarding the actual offering delivered. It captures the results of the technical efforts to deliver the service, and also the

impact that the service delivered eventually produces for the buying organization. (Gounaris, 2005)

2.2.1.4. Relationship Value

Value of a relationship is studied in Wilson and Jantrania (1995)'s research, which is a very useful contribution in business relationship and its success issue. In a long-term relationship with the supplier the benefit concept takes a deeper meaning. According to figure 2.5 which show Safety, credibility, security, continuity, etc. all together increase the trust for the supplier also support and enhance customer loyalty. (Ravald and Gröonroos, 1996)

"The customer-perceived value needs to get a deeper meaning which does not relate only to episodes, but to the expectations of the customer and the company's responsibility to meet these expectations in a long-term relationship." (Ravald and Gröonroos, 1996)

Figure 2.5: The Effect of Value-Adding Strategies in a Long Term Relationship.
Source: Ravald and Gronroos(1996)

According to Wilson and Jantrania (1995) that is shown in figure 2.6, value means a great many things to great many people. Value is a concept that is widely used in different fields in different contexts. They start with reviewing the way in which value is being used in some fields such as finance, accounting, purchasing, microeconomics and marketing. Then relationship value is conceptualized in three dimensions: economic, psychological or behavioral, and strategic.

"Increasing the benefit means adding something to the core product that the customer perceives important, beneficial and of unique value. The problem is to find an alternative to providing superior value which improves the performance of the company as well as the benefits of the customers in the long run." (Wilson and Jantrania, 1995)

"It must be examined that how a company can add value to the offering by reducing the customer-perceived sacrifice. Companies should look at things from the customer's perspective, and this is a core aspect in relationship marketing. The company needs a thorough understanding of the customer's value chain in order to be able to reduce the customer-perceived sacrifice. The company should get close to the customer to be able to understand his needs, preferences and all the activities which constitute his value chain." (Wilson and Jantrania,1995)
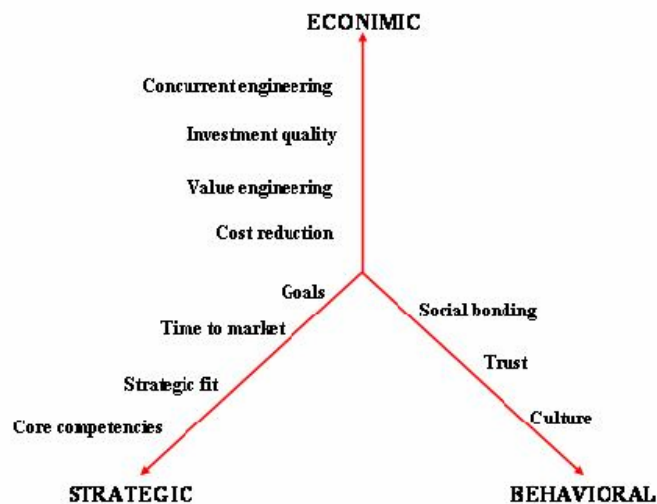
Figure 2.6: Expanding the dimensions Of Relationship Value
Source: Wilson and Jantrania(1995)

2.2.2. Customer Loyalty Programs

Marketing managers should develop creative ways to attract new customers and keep them for a long run. One of the most popular marketing tools used for this purpose is a loyalty instrument which is found in every industry. These loyalty instruments can vary anywhere and upgrades to customers who accumulate certain levels of points to that offer in-store cards and give discounts on selected items within the store. (Kumar and Petersen, 2005)

Loyalty has been largely studied in the consumer context (Brown 1952, Cunningham 1956, Dick and Basu 1994, Farley 1964, Fournier 1998, Jacoby 1971, and Jacoby and Kyner 1973, Oliver, Rust and Varki 1997, Sirgy and Samli 1985; Cited by Rauyruen, 2005) and service market (e.g. Andreassen and Lindestad 1998; Fisher 2001; Selnes 1993; Zeithaml, Berry and Parasuraman 1996; Cited by Rauyruen, 2005). There are three main streams of research in loyalty: **behavioral loyalty** (e.g.Tellis 1988; Tucker 1964; Cited by Rauyruen, 2005), **attitudinal loyalty** (e.g. Bennett and Rundle-Thiele 2002; Cited by Rauyruen, 2005) and **composite loyalty** (e.g.Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Chaudhuri and Holbrook 2001; Cited by Rauyruen, 2005).

In an early school of thought (Tucker, 1964; Cited by Cited by Rauyruen, 2005) argued that behavior (past purchases of the brand/product) completely accounts for loyalty.

Consistent with this viewpoint, (Jacoby and Chestnut, 1978; Cited by Rauyruen, 2005) observed that in behavioral loyalty studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as a manifestation of loyalty. Loyalty in this behavioral manner is believed to be stochastic not deterministic (Uncles and Laurent, 1997; Cited by Rauyruen, 2005). On the other hand, attitudinal concepts can be defined as providing positive word of mouth (e.g. Zeithaml et al., 1996; Andreassen and Lindestad, 1998; Cited by Rauyruen, 2005), recommending the service to others (Zeithaml et al., 1996; Cited by Rauyruen, 2005), and encouraging others to use the service (Bettencourt and Brown, 1997; Cited by Rauyruen, 2005). There was a need to extend classical definitions and measurement

approaches of loyalty (Baldinger and Robinson 1996; Cited by Rauyruen, 2005). It was suggested that the attitudinal components for additional understanding of the representation of behavioral loyalty should be studied (Jacoby and Chestnut 1978; Uncles and Laurent 1997; Cited by Rauyruen, 2005).

Commitment to customers and service qualities enhance satisfaction, which leads to close and successful relationships. If we admit that, it is more profitable holding on to existing customers than winning new customers (Berry, 1995; Vavra, 1995; cited by Izquierdo et al, 2004), the company will try to achieve the satisfaction of their existing customers providing them inducement such as discounts, free products or fidelity cards. These loyalty programs are structured marketing attempts, which reward, and therefore encourage, loyal behavior. Loyalty program customers should show changes in repeat-purchase loyalty which is not evident amongst non-program members: "decreased switching to non-program brands, increased repeat-purchase rates, increased used frequency or greater propensity to be exclusively loyal."(Izquierdo et al, 2005). Rauyruen et al. (2005) provide a picture of how relationship quality can influence customer loyalty or loyalty in the business-to-business context.

In order to maintain customer loyalty, a supplier must enhance all four aspects of relationship quality which are trust, commitment, satisfaction and service quality. Specifically, in order to enhance customer's trust, a supplier should promote the customer's trust in the supplier. In efforts to emphasize commitment, a supplier should focus on building affective aspects of commitment more than calculative aspects. Satisfaction appear to be an important factor in maintaining purchase intentions though service quality will strongly enhance both purchase intentions and attitudinal loyalty. (Rauyruen, 2005)

Successful loyalty programs need to make offers to encourage customers to continue to make purchases form the company, but more important, successful loyalty programs need to manage loyalty and profitability properly. However many managers in the past have felt that the most profitable customers in the firm are the loyal ones, a recent article (Reinartz and Kumar, 2002; Cited by Kumar and Peterson, 2005) shows that the most loyal customers are not necessarily the most profitable. We can say that loyal customers cost less to serve, loyal customers pay higher prices for the same goods, and loyal customers do more marketing on behalf of the company. These

results are shown below where customers are devided into four different categories: (Kumar and Peterson, 2005)

(1) Low profitability and short tenure,

(2) High profitability and short tenure,

(3) Low profitability and long tenure,

(4) High profitability and long tenure.

Earlier, the focus of loyalty was brand loyalty with respect to tangible goods (cunningham, 1956, Day, 1969, Kostecki, 1994, Tucker, 19464; Cited by Caruana, 2002), brand loyalty defined as the proportion of a purchase of a household devoted to a brand it purchase most often. Over time Foci have continued to expand, reflecting the wider perspective of marketing to work into other types of loyalty such as vendor loyalty. Few studies have discussed on customer loyalty of services. (Caruana, 2002)

We can understand from previous studies that commitment to customers and service quality will enhance satisfaction, which leads to close and successful relationships. If we admit that it is more profitable holding on to existing customers than winning new customers, the firm will try to achieve the satisfaction of their existing customers with providing incentives for them such as discounts, free of charge consultancy, and providing customization on service, these loyalty programs are structured marketing efforts, which reward, and encourage, loyal behavior. (Izquierdo et al.,2005). In this study these loyalty programs are used: Bonus, Personal Contact, Satisfaction and Complaint. (Izquierdo et al.)

2.2.2.1. Bonus

One of the activities which will shape customers' long relationship is giving bonus. When the customers gain something more than what they expect it results in value and repeat-purchase rates be increased, used frequency to be loyal will be increased. Bonus includes the offer of price reductions, gifts or free services to existing customers (Izquierdo et. al, 2005)

2.2.2.2. Personal Contact

The activities of contacting customers in order to remind them of future offering is Contact with customers, to find out if they are satisfied or finding the reason of why they do buy from the company yet. (Izquierdo et al., 2005)

The number of contact times a company makes with their customer and the different ways of contacting via telephone, e-mail, direct mail, etc. will affect the customer purchasing behaviors and in turn help to determine and enhance customer's lifetime value. While it is important to keep the firm, brand, or product at the top of the consideration set, there is a point in which the amount of communication with the customer will stimulus the customer's saturation point fast and this cause to worsen the relationship and the value that customer brings back to the company in the future. (Kumar and Petersen, 2005)

In order to see the effects of optimal resource allocation tactic on a contact strategy in a company, Table 2.1 shows reallocation results of resources based on a customer value strategy in a B2C firm (Kumar and Petersen,2005)

Contacting Customers at the Right Frequency

Share of Investment

Customer Value	Low	High
Low	Face-to-face meetings	Face-to-face meetings
	Currently every 6.9 months	Currently every 4.2 months
	Optimally every 11.4 months	Optimally every 6.6 months
	Direct mail/telesales	Direct mail/telesales
	Current interval is 33 days	Current interval is 21 days
	Optimal interval is 61 days	Optimal interval is 49 days
High	Face-to-face meetings	Face-to-face meetings
	Currently every 6.7 months	Currently every 4.2 months
	Optimally every 3.9 months	Optimally every 2.4 months
	Direct mail/telesales	Direct mail/telesales
	Current interval is 31 days	Current interval is 22 days
	Optimal interval is 18 days	Optimal interval is 13 days

SOURCE: Data from a high-tech firm.

Table 2.1: Contacting Customers at the right Frequency

Source: Kumar and Petersen (2005)

2.2.2.3. Satisfaction

Satisfaction and dissatisfaction are seen as two ends of a scale which are related to each other but only have slightly difference from each other, where the location is defined by a comparison between expectations and outcome. A customer will be satisfied when the outcome of the service meets his or her expectations and also when the service quality is more than those expectations, the service provider is having the delighted customer. Contrary when the perceived overall service quality is below or less than his or her expectation, we can strongly say that the customer will be dissatisfied. (looy et al., 2003) see figure 2.7.
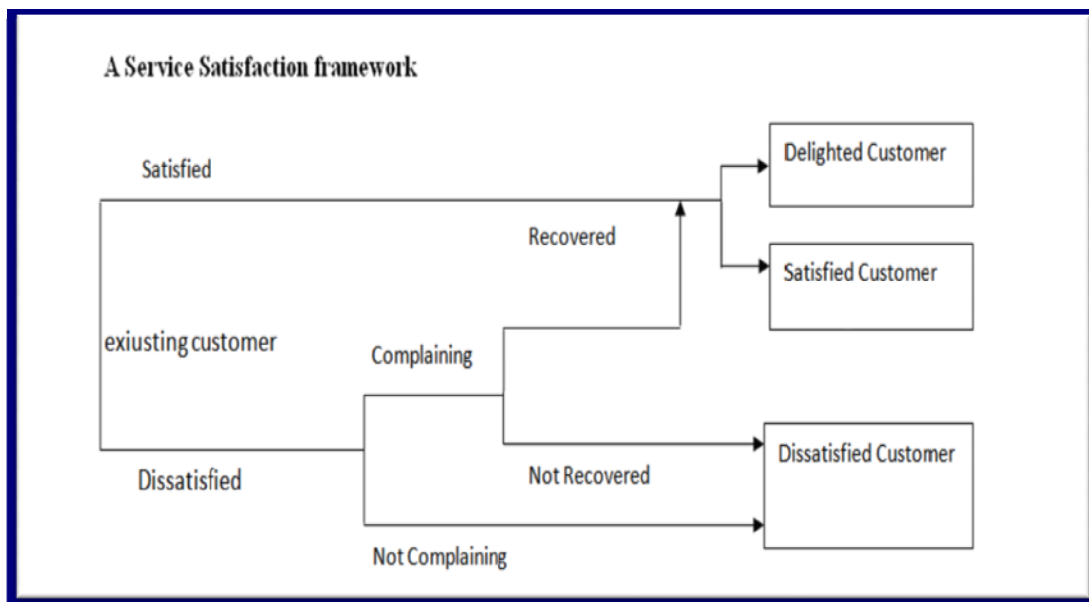
Figure 2.7: A Service Satisfaction Framework
Source: Based on J.M. Hays and A.V. Hill (1999); cited by looy et al., (2003)

"Overall satisfaction with the providing of a service that is needed by the customer is a function of the buyer's degree of satisfaction with various aspects of the service offered" (Gounaris, 2005)

Liljander and Strandvik (1995) presented a model which broadens the discussion on satisfaction, quality and value by including customer relationship specifications they also draw on both traditional service quality literature and relationship studies within industrial marketing.

Instead of saying that satisfaction is linked to transactions and service quality is linked to a global attitude of the service, it is suggested that quality precedes satisfaction and the satisfaction can be measured also for some other transactions. (Liljander and strandvik, 1995)

"Although satisfaction applies to both tangible and intangible goods the emphasis should be on the service setting where the concept has been the subject of investigation in many studies" (see, for example, Deruyter et al., 1997, Fornell, 1992, Oliver and DeSarbo, 1988, Spreng and Mackoy, 1996; cited by Liljander and Strandvik, 1995). "The expectancy/disconfirmation paradigm in process theory provides the infrastructure for the vast majority of satisfaction studies and encompasses four constructs" (Liljander and strandvik, 1995):

(1) Expectations;
(2) Performance;
(3) Disconfirmation;
(4) Satisfaction;

Close relationship does exist between customers' loyalty and high levels of customers' satisfaction which brings customer delight. Firms should not only meet their customers' expectations, but they should try to excite them in one or another way. Loyalty, building satisfaction and profitability is not something that can be decided upon in a second or a day and then be implemented. It can only come from building and sustaining close and long term relationships, therefore we can conclude that in services much attention must be paid to relationship marketing. Relationship marketing replaced traditional, transaction oriented, approaches of marketing by placing more emphasis on the creation of customer value by means of developing and maintaining relationships. (Ossel et al., 2003)

There are some factors that may act to influence the way in which relationships changed in terms of what constitutes quality, and managers need to identify these. Macro variables, such as the industries involved and the broader economic situations are obvious candidates, since they are likely to influence the levels of investment and of asset which are especially dedicated to the particular relationship. More over, the key players or decision makers involved in the relationship have an influence in identifying the overall relationship quality. The

different constructs which are fundamental in relationship qualities are summarized in Table 2.2. (Naudi and Buttle, 2000)

Construct	Cosby et al. (1990)	Mohr and Spekman (1994)	Storbacka et al. (1994)	Wilson and Jantrania (1996)	Naude and Buttle (2000)
Trust	✓	✓		✓	✓
Satisfaction	✓		✓	✓	✓
Commitment		✓	✓		
Coordination		✓			✓
Communication		✓	✓		
Joint Problem Solving		✓			
Bonds			✓	✓	
Goal Congruence				✓	
Investments				✓	
Power					✓
Profit					✓

Table 2.2: Major Constructs of Relationship Quality
Source: Naudi and Buttle(2000)

2.2.3. Interaction

The interaction can be defined in programs such as contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customerzing services. Many companies perceive that the best initial approach toward relationship marketing is investing in complaint handling process to show commitment to customer .Satisfaction with handling complaint has direct impact on trust and commitment and can cancel out the original negative experience if handled to the customer's satisfaction or delight. (Izquiredo et al. 2005).

"The IMP interaction process is based on the importance for researchers and managers of understanding the interaction between active buyers and sellers in continuing business relationships. The group has been very dynamic in working on

areas of business marketing, purchasing and inter-company networks" (Ford et al. 2002).

IMP model has been the result of collaboration between researchers in France, Italy,
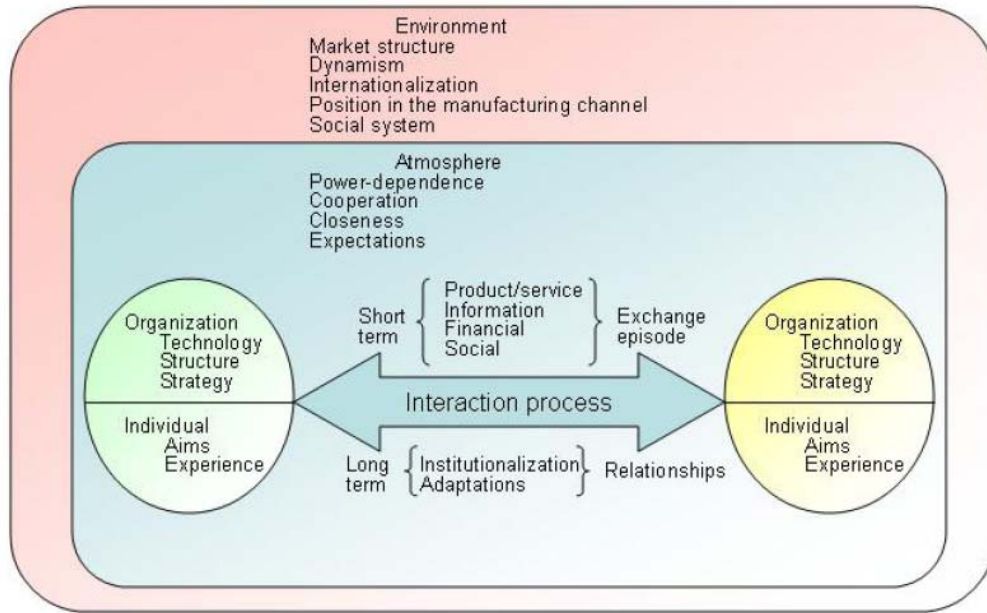
Figure 2.8: Illustration of Interaction Model
Source :(Hakansson, 1982; Cited by Ford et al. 2002).

Sweden,West Germany and Great Britain. According to figure 2.8, the study was on several purchasing and selling firms from those countries, in order to generate a more comprehensive image of these relationships, consider figure 2.8. This interpretation is important in marketing management and purchasing management. They highlight the importance of relationship which exists between buyers and sellers in industrial marketing. (Ford et al. 2002).

Cannon et al. (1999) contribute to the business marketing and procurement literature by illustrating new understanding about the nature of buyer-supplier relationship which is shown in figure 2.9.
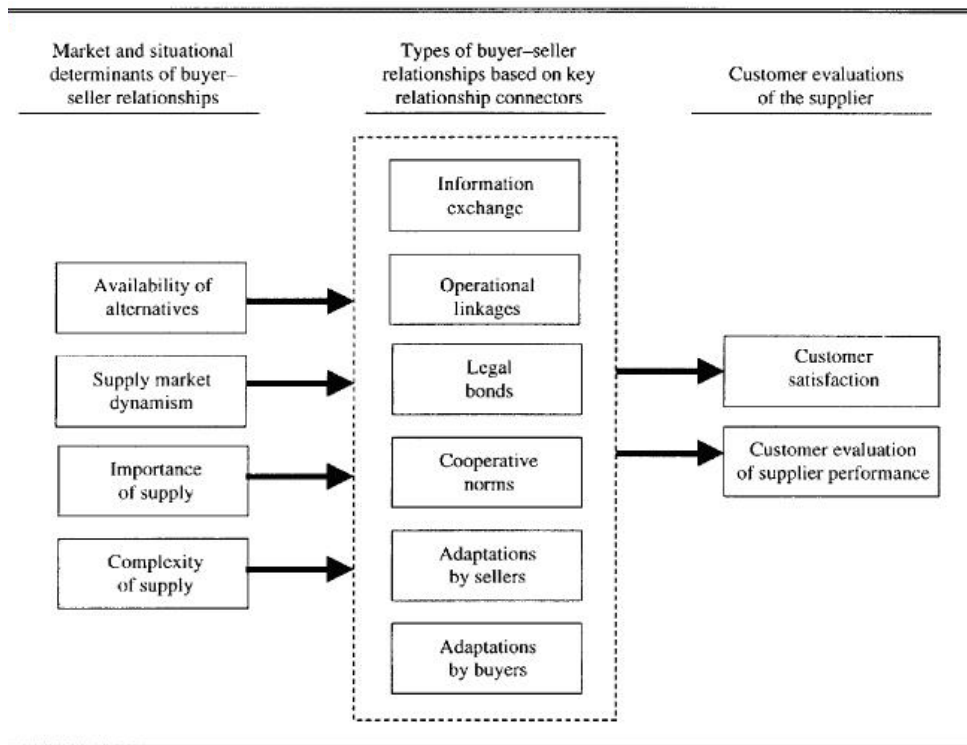
Figure 2.9: Schematic Overview of key constructs relevant to the practice of Buyer-Supplier Relationships

2.3. Relationship Marketing Outcomes

The following figure is taken from the study of Thurau et al. (2002) on long term relationships' outcomes and they develop a comprehensive table which is the analysis approach of some important "Long term relational outcome" studies and classified by different approaches and summarized in table 2.3.

Selected Approaches Explaining Long-Term Relational Outcomes

Name	Type	Description	Key Construct	Illustrative Research
Satisfaction approach	Univariate	Customer satisfaction as antecedent of relational outcomes (i.e., customer loyalty and positive word-of-mouth communication)	Customer satisfaction with the service provider's performance	Anderson (1998); Anderson and Sullivan (1993); Fornell (1992); Hallowell (1996)
Service quality approach	Univariate	Service quality as antecedent of relational outcomes	Perceived quality of service delivered by the provider	Boulding, Kalra, and Staelin (1993); Zeithaml, Berry, and Parasuraman (1996)
Trust approach	Univariate	Trust as antecedent to relational outcomes	Customer trust in the relationship partner (i.e., the service provider)	Bendapudi and Berry (1997); Moorman, Zaltman, and Deshpandé (1992)
Commitment approach	Univariate	Commitment as antecedent of relational outcomes	Customer commitment to the relationship	Pritchard, Havitz, and Howard (1999)
Commitment-trust theory	Multivariate	Commitment and trust as key mediating variables between antecedents and relational outcomes	Customer commitment and trust	Kalafatis and Miller (1997); Morgan and Hunt (1994)
Service profit chain	Multivariate	Customer loyalty as antecedent to firm profitability in a causal chain of several loyalty-determining constructs	Service quality, satisfaction, employee loyalty, employee satisfaction, internal service quality	Heskett et al. (1994); Loveman (1998)
Value-situation model	Multivariate	Perceived value and situational variables predict repeat purchase behavior	Value of the service as perceived by the customer and the customer's individual situation	Blackwell et al. (1999)
Relationship content approach	Multivariate	Three basic relationship contents fundamentally shape the process of relationship building	Economic content of the relationship, resource content, social content	Crutchfield (1998); Morgan (2000); Morgan, Crutchfield, and Lacey (2000)
Relationship quality approach	Multivariate	Customer evaluation of transactions and the relationship as a whole predict relational outcomes	Satisfaction, trust, commitment, various other constructs	Crosby, Evans, and Cowles (1990); Hennig-Thurau and Klee (1997); Smith (1998)
Relational benefits approach	Multivariate	Relational outcomes for the firm are dependent upon the customer's receiving certain relational benefits	Different types of relational benefits include confidence benefits, social benefits, and special treatment benefits	Gwinner, Gremler, and Bitner (1998); Reynolds and Beatty (1999a)

Table 2.3: Long Term relational out comes
Source: Thurau et al.(2002)

2.4. Performance

The ''supplier development'' term was used in the literature to explain efforts by manufacturers to increase the number of viable suppliers and improve suppliers' performance. (Leenders ,1966; Cited by Krause et al., 1998) More specifically, suppliers' development has been described as any effort by an industrial buying

41

company in order to improve the performance or capabilities of its suppliers (Krause et al., 1998).

2.4.1. Performance Measurement

By the 1980's researchers realized that traditional performance measure were insufficient to manage organizations competing in modern market (Johnson and Kaplan, 1987)

There are a large number of performance measurement frameworks (Keegan et al., 1989; Lynch and Cross, 1991; Fitzgerald et al., 1991; Kaplan and Norton, 1992; Bourne et al., 2005) and multiple processes for the design of performance measurement systems (Bitton, 1990; Dixon et al., 1991; Kaplan and Norton, 1993, 1996; Neely et al., 1996, 2002b; Krause and Mertins, 1999; Cited by Bourne et al., 2005).when it comes down to it, the organizational context, performance measurement content and process will all impact on the outcome. (Bourne et al., 2005)

At present, there is a continuing debate in the performance measurement literature, whether performance measurement has a positive impact on business performance or not. Many researchers working to redevelop performance measurement system presume that their efforts will have a positive impact on the organization's overall performance (Bourne et al., 1999).

There are a large number of published papers on the impact of performance measurement about organizational performance Although these studies show that the majority of papers found that performance measurement had a positive influence on organizational performance, further analysis propose that with using the more carefully research methods the less likely performance measurement would have a positive impact on the organizational performance. The conclusion is that the research findings are different and all cannot be true in this case, while some researches have found that the use of non-financial performance measures has a positive impact on business performance (Ittner and Larcker, 1998, 2003; Banker et al., 2000; Cited by Bourne et al., 2005) others found no relationship (Perera et al., 1997; Neely et al., 2004; Cited by Bourne et al., 2005).

Internal context	Authors
System maturity More mature systems are more effective	Evans (2001) and Martins (2002)
Organisational structure Importance of aligning structure and measurement	Hendricks *et al.* (1996) and Bourne *et al.* (2002)
Organisational size Measurement is easier in larger organisations and more problematic in smaller ones	Hoque and James (2000) and Hudson *et al.* (2001a, b)
Organisational culture Alignment between the cultural elements embedded in the measurement system and the users' cultural preference is beneficial	De Waal (2002), Gates (1999), Johnston *et al.* (2002), Lingle and Schiemann (1996), Lockamy and Cox (1995), Maisel (2001), Malina and Selto (2002) and Bititci *et al.* (2004)
Management style Appropriate style is important, appropriate style may be different in different settings and phases of implementation and use	Gelderman (1998), Libby and Luft (1993), Hunton *et al.* (2000), Simon (1987) and Bititci *et al.* (2004)
Competitive strategy Measures should be aligned to strategy	Kaplan and Norton (1996, 2001), Lockamy (1998), Mendoza and Saulpic (2002), McAdam and Bailie (2002) and Neely (1998a)
Resources and capability Companies need resources and capabilities to implement and refresh their measurement systems	Bourne (2004) and Kennerley and Neely (2002)
Information systems infrastructure High data integrity and a low burden of data capture are important	Bititci *et al.* (2002), Eccles (1991), Lingle and Schiemann (1996) and Manoochehri (1999)
Other management practices and systems There should be alignment between measurement and other systems (e.g. budgeting, compensation)	De Toni and Tonchia (2001), Eccles (1991), Eccles and Pyburn (1992), Kaplan and Norton (1966), Kaplan and Norton (2001), Moon and Fitzgerald (1996) and Otley (1999)

Table 2.4: International contextual factors impacting performance measurement effectiveness
Source: Bourne et al. (2005)

In table 2.4 Bourne et al. (2005) reviewed the literature in which the impact of external context on perceptions of performance measurement effectiveness is studied. Some researchers argued that performance measurement usefulness is contingent on the speed of change and the measurability of performance. Published study suggests that external environmental factors have impact on perceived performance measurement effectiveness, but still there is no overarching framework to describe

this relationship. The impact of internal context has been more widely studied and there are many aspects mentioned, from organization size and structure, culture and management style, management resources and capabilities, to the interface between the measurement system and other processes and the maturity of the system itself. They are summarized in Table 2.4.

"Performance measurement has been identified in four main processes which are: being design, implementation, use and refreshing" (Neely et al., 2000; Cited by Bourne et al., 2000);

In many organizations the problem with the performance measures used is that they are rarely integrated with each other or aligned to the business processes (Lynch and Cross, 1991; Cited by Neely, 1999).

Different performance measurement used in the literature, many studies define performance outcome as business performance which are related to the profitability and can be return of investment and etc. in the study of Izquierdo's the emphasis will be on the Market performance, which refers to: the companies's market position improvement that is, building awareness about products and penetration in the market; "shaping customers' perceptions of the organization and their products" (Srivastava et al., 1999; cited by Izquierdo et al., 2005); "and the rise in customer loyalty and retention" (Evans and Laskin, 1994; Cited by Izquierdo et al., 2005):

Previous researchers of Market Orientation only confirm the relationship between market orientation and performance for a number of SBUs in a limited number of US firms. Nevertheless, since the theory establishes a clear link between the market orientation of firms and their achievement of their objectives or profit, it is anticipated that this relationship should also extend to whole companies, in other industries, and in different countries and cultures. (Caruana et al., 1996)

Ittner and Larcker (2003) suggest that performance measurement is used to:

- "Help direct the allocation of resources;
- Assess and communicate progress towards strategic objectives;
- Evaluate managerial performance."

The impact of Performance measurement shows us a way of introducing individual strategic extend targets; and ensures that when the business performance is

fading, corporate management knows when to move. The need for organizations to establish their strategies align with their performance measurement systems is well established in the literature (Dyson, 2000, McAdam and Bailie, 2002; cited by Izquierdo et al., 2005).

The impact of organizational characteristics and the nature of sector, within which organizations operate, have been addressed in the literature concerning strategic planning. However, limited published research has been conducted on the influence on performance measurement (Hudson et al., 2001,2005, Kennerley and Neely, 2003; cited by Izquierdoet al., 2005).

"According to measures of marketing output, we can propose that the value created by relationship marketing with customers is reflected in two aspects: market performance and economic performance." (Izquierdo et al., 2005)

2.4.2. Market Performance

Market performance is the firm's market position improvement that is, building product awareness and market penetrations also shaping customers' perceptions of the organization and their products (Srivastava et al., 1999; cited by Izquierdo et al., 2005); and the rise in customer loyalty and retention (Evans and Laskin, 1994; cited Izquierdo et al., 2005):

- Market position (either awareness or penetration), should be the programs and activities' first result that addressed to attract customers; it could be consumers' cognitive response that the company sends to the market as a signal. The loyalty programs' result is increasing in repeat-purchase loyalty with no increase in penetration. Izquierdo et al.(2005)

- Customers' perception of the company's image represents consumers' affective answer to the company's marketing activities. Attraction and loyalty programs can form customers' perception about the company or the service it provides (Izquierdo et al.,2005).

  "If the customer has an image of friendly relationship, personalized treatment or service quality, we could say that their loyalty program has had success. Otherwise, if the customer frequents a service provider only because of

promotions, price reductions and advertising, attraction programs have been successful, but loyalty programs probably have failed." (Izquierdo et al.,2005)

- As a final point, loyalty is the activities that test out the interaction and customers' repeat-purchase and implies a behavioral answer. Anticipations of positive reinforcements cause relational behaviors. Researchers have not decided entirely about the effect of loyalty programs on loyalty. When it comes to relationships with firms, customers are involving in a wide range of different things, (Szmigin and Bourne ,1998;Cited by Izquierdo et al.,2005) Many customers do not really want a long-term relationship and act out of self-interest, getting more for less.(Izquierdo et al.,20005)

2.4.2.1. Market Position

Market position is a composite index that meets customers' awareness of the firm and raise in penetration (number of customers) after the implementation of relationship marketing activities. (Izquierdo et al., 2005)

2.4.2.2. Customer's Perception

"Supplier evaluations and audits, providing performance feedback to suppliers, and supplier certification, should provide both the buyer and supplier with important information exchange that should ultimately help buyers to improve their own performance" (Krause, 2006). Service quality models mostly just observe the one specific service episode's quality. They do not explain development of customer's perception of service quality over time when the customer keeps on using the service. (Liljander and Strandvik, 1995)

2.4.2.2.1. Image

In the service marketing literature, corporate image was first identified as an important factor in the overall evaluation of the service and the company (Bitner, 1991; Grönroos, 1984; Gummesson and Grönroos, 1988; Cited by Andreassen et al., 1998).

Except image as a function of accumulation of purchasing/consumption experience over time, most organizations also provides complex and noisy informational environments such as advertising, direct marketing in order to attract new and maintain existing customers. In the Perceived Quality Model (Grönroos, 1988; Cited by Andreassen et al, 1998) perceived quality is a function of expected quality (generated from market communication, image, word-of-mouth, and customer needs) and experienced quality (generated from technical quality and functional quality). Corporate image is a filter which influences the perception of the operation of the company. (Andreassen et al, 1998)

"Corporate image is created a halo effect on customers' satisfaction judgment." (Andreassen et al, 1998)

Customer's satisfaction toward the received service, improved their attitude toward the company. This attitude will then affect the consumers' satisfaction with the organization. (Andreassen et al, 1998)

So we can strongly admit that Image is one of the most important factors that will shape the customer perception about the firm. According to Izquierdo et al.(2005) there are three types if image used in their study also the customers' perception in this study will be measured with four variables:

 - **Expert image**, that refers to the perception of good reputation in the market, workers' skills and the quality of the service

- **Convenience image**, which consists of "the proximity to the customer", "rapid answer to the customer's needs" and "being respectful and polite to the customers+;

- **Promotional image,** refers to the perception of a firm that performs activities such as advertising, promotion and price reduction (Izquierdo et al.). Cravens and Piercy (2003) define promotion strategy in other words which consists of planning, implementing, and controlling an organization's communications to its customers and other target audiences.

Izquierdo et al. (2005) stated that achieving management's preferred communications objectives with each audience is the purpose of promotion in the marketing program. And, lastly, personalized relationships as the value that customer

gives to a friendly relationship with employees, to personalized treatment and to confidence on employees

Promotion strategy consists of a group of connected communications activities. it combines advertizing, personal selling, sale promotion, direct marketing, and public relations into an integrated program for communicating with buyers and others who influence purchasing decisions. (Cravens et al., 2003)

2.4.2.2.2. Personalized Relationship

Personalized relationships is defined as the value that customer gives to a friendly and polite relationship with member of staffs (Izquierdo et al.,2005), existence of trust between two parties in telecommunication firms and the B2B relationship between managers leads to personalized treatment and confidence on employees. Personalized relationship is the last component of customer perception that will be measured in this study.

2.4.2.3. Customer's Loyalty

"The degree of customers' loyalty measured as the percentage of loyal customers, the percentage of incomes associated with loyal customers and the rise of loyal customers after the implementation of relationship marketing activities."(Izquierdo et al., 2005)

Commitment to customers and service quality enhance satisfaction, which leads to close and successful relationships (Buttle, 1996; Cited by Izquierdo et al., 2005) while we understand this marketing fact that that holding on to existing customers is more profitable than winning new customers the firm will try to make their existing customer more satisfy and provide them incentives such as discounts, free products or free consultancy. These loyalty programs are structured marketing efforts, which reward, and therefore encourage, loyal behavior. (Izquierdo et al., 2005)

2.4.2.3.1. Dimensions of customer Loyalty

Sheth (2002) stated that customer attitude is difficult to measure, for financial and practical purposes; customer retention is generally used as an indicator of customer loyalty. However, attitude and behavior can be very different. (Sheth and parvatier, 2002)

Different loyalty types are shown in the matrix in figure 2.10 and can be matched with different forms of relationships.

- Truly loyal customers are willing to seek out a particular service, location or brand.
- Spuriously Loyal customers tend to be more motivated by impulse, convenience, and habit-that is, if the conditions are right.
- Latent loyalty applies to customers who are loyal simply because they have no other choice.
- No loyalty. Obviously there will always be some customers who display no loyalty to a particular company or brand.

		Buying Patern	
		Positive	Negative
Attitude	Positive	True Loyalty	Spurious Loyalty
	Negative	Latent Loyalty	No Loyalty

Figure 2.10: The dimensions of customer loyalty

Source :(dick,A.S. and Basu,K.(1994) jurnal of academy of marketing science ;cited by Sheth and parvatier,2002)

2.5. World Telecommunication growth

International Growth of Mobile Phones had been growing fast these years. It took 120 years willing subscribers to register for one Billion cell phone service in the world and at the end on 1997 they reach this goal
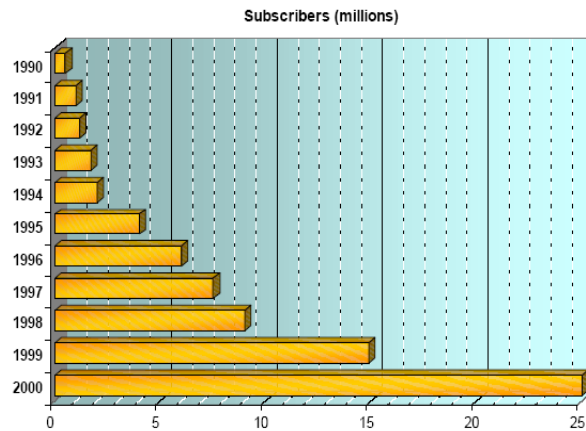
Figure 2.11: Growth of mobile phone subscribers
Source: IEGMP (2004)

These days world telecommunication has shifted from Analogue to digital, narrow band to broad band and access to information and communication technologies continues to grow at high speed. Statistics show that the 14% of the world's population that lives in the countries (Canada, France, Germany, Italy, Japan, Russia, the UK and the US) accounts for 34% of the world's total mobile users.(ITU,2004) this statistics show that telecommunication industry does not.
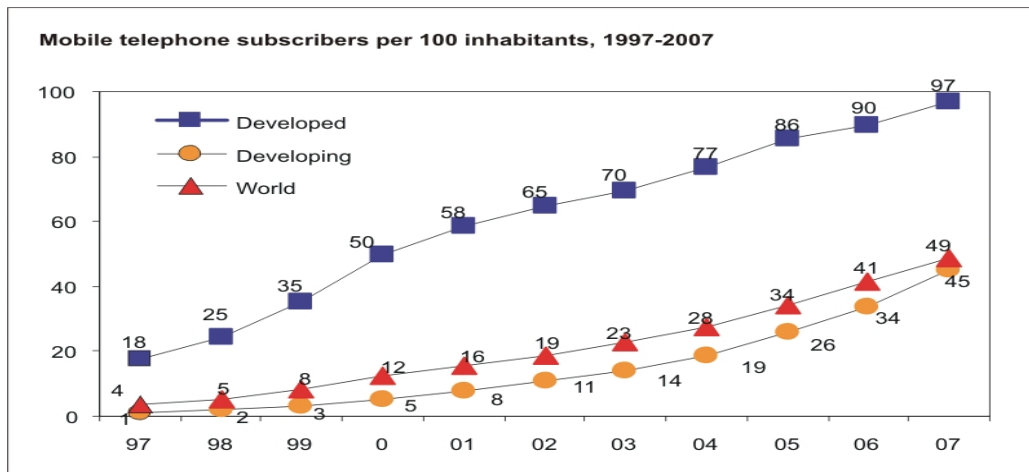
Figure 2.12: Mobile Telephone Subscribers per 100 inhabitants
Source: ITU publication (2002)

ITU statistics show that in 2004, the telecommunication industry had experienced continuous growth, as well as rapid progress in policy and technology development, in an increasingly competitive and networked world .The growth of mobile subscribers is likely to continue in compare with fixed phone and internet users to be so for years to come (figure 2.12).

Globally, telecommunications revenues totaled approximately $1.4 trillion in 2004, with industry projections of single-digit percentage growth over the next five years.
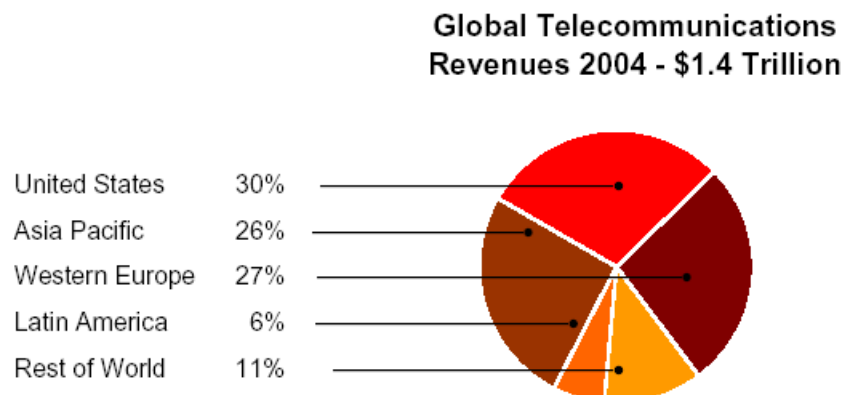
Figure 2.13: Global Telecommunications Revenue 2004
Source: Global Insight Inc. (2006)

Growth is expected to be dominated by wireless and data, which estimates suggest may total two-thirds of a more than $1.7 trillion market by 2009.
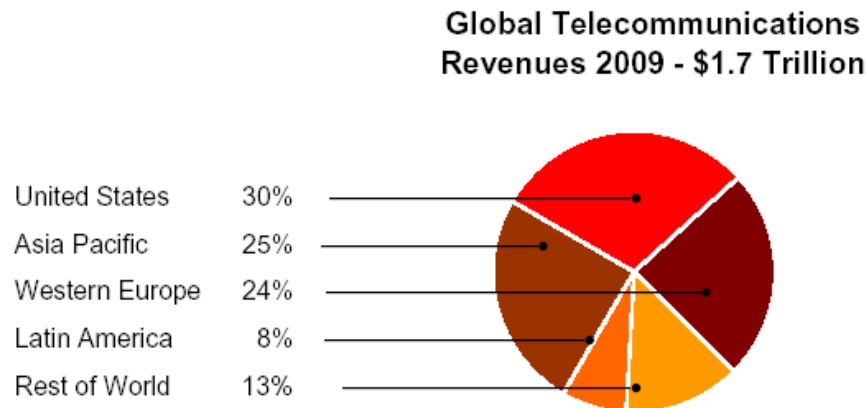
Figure 2.14: Global Telecommunications Revenue 2009
Source: Global Insight Inc. (2006)

Iran is among the first five countries which have had a growth rate of over 20 percent and the highest level of development in telecommunication, and is also proud to have been awarded the UNESCO special certificate for providing telecommunication services to rural areas.

With regard to the important role of telecommunication in all aspects of our lives, Iran has taken great steps in the development of telecommunication networks and, for this purpose, TCI, as the main responsible organization, has utilized the most advanced equipment and services such as digital switching centres , optical fibre cables, mobile phones, data networks, satellite services, and telephone special services during the recent years, and has also succeeded to manufacture more than 80 percent of the required equipment inside Iran.

2.5.1. Iran Telecommunication Market

Telecommunication Company of Iran (TCI) was established in 1971 with a new organizational structure as the main responsible administration for the entire telecommunication affairs, and Iran Telecommunication Industries (ITI) was also

founded in the same year to manufacture the required equipment for the national long-distance network.

Considering telecommunication market of Iran following information will be observed:

- **Market Size/Penetration:** There were 10.6 million mobile subscribers in Iran by September 2006, equivalent to a penetration rate of 15.4%, up from 7.2 million subscribers by year-end 2005(global insight website,2006) and in September 2007 we have face more than 18 million mobile phone subscribers . We had 22.6 million fixed line users in September 2006 and we are facing 23.244 million users in fixed line in September 2007.

- **Competition:** the main competition in Iran telecommunication market is in mobile market. The nationwide monopoly of state-owned operator MCI was brought to an end in October 2006 when Irancell launched services. In addition there are three further operators who offer localized services, in Tehran, on the island of Kish and in the city of Isfahan respectively.(Global Insight Inc., 2006)

- **Outlook:** The government plans to license a third national GSM operator during 2007. The main barriers to service take-up have been a lack of capacity, poor service reliability, and price. However, these issues are gradually being addressed, with the roll-out of pre-paid lines in May 2005 by Rafsanjan Industrial Complex, in partnership with Millicom, and plan to bring in nationwide market competition.(Global Insight Inc., 2006)

Telecoms - Iran 2006						
Mobile: Basic Statistics						
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Mobile Subscribers ('000)	962.6	2087.4	2187	3376.5	4300	7222.5
Mobile Penetration (%)	0.6	0.8	1.5	3.2	3.3	10.6

Table 2.5: Mobile Basic Statistics
Source: Global Insight Inc. (2006)

Competition is one of the important factors in Iran telecommunication industry and also in mobile sector; the main competition is between two big providers MCI and Iran cell .see table 2.6.

	2G	2.5G	3G
State of Competition	Competition	-	-
Leading Players	MCI Irancell	-	-
Source: Global Insight Inc.(2006)			

Table 2.6: Iranian Mobile Providers Competition
Source: Global Insight Inc. (2006)

There are five different Mobile Service Providers in Iran using second Generation systems and there is a little growth in 2.5 Generation see Figure 2.7. (Global Insight Inc)

Mobile Networks				
	2G	2.5G	2.75G	3G
Irancell	Oct2006(GSM 900)	GPRS	-	-
MCI	June1994(GSM 900)	GPRS	-	-
Mobile Telecommunications Company of Esfahan	June2002(GSM900)	-	-	-
Telecommunication Kish Company	March1995(GSM900)	-	-	-
Rafsanjan Industrial Complex (RIC)	May 2005 (GSM)			

Table 2.7: Mobile Market Liberalization
Source: Global Insight Inc. (2006)

Iran's Latest Telecommunication network statistics for fixed line and mobile and fiber optic is shown in table 2.8

Index	Unit	Year 2006	Year 2007
Number of Fixed Line Subscribers	Number(Million)	22.6	23.02
Fixed Line penetration Index	Percentage	32.57	32.47
Fiber Optic Netwoek	Kilomiter	75000	76000
Number of Mobile Phone subscribers	People(Million)	15.38	18.38
Number of cities with mobile coverage	City	1016	1016
Mobile phone peneteration Index	Percentage	22.2	25.7
Transmition chanells	Chanel(million)	1.371	1.63
International chanels (network input)	Chanel	11226	11527

Table 2.8: Iran latest telecommunication statistics

Source: Iran telecom 8th international fair hand book (2007)

2.6. Conclusion

Since relationship marketing includes all activities directed towards the establishment, development and maintenance of exchange relationships, the activities of a relational strategy should comprise the next objectives: attraction (creating relationships); loyalty (developing relationships); and interaction (maintaining relationships).

"There is an art to absorb customer by using different techniques such as CRM in order to manipulate companies' policies ahead of them" (Ghavami, Olyaei, 2006)

We can propose that the value created by relationship marketing with customers is will reflected in market performance.

Market performance refers to: the improvement of the firm's market position that is, building product awareness and penetration in the market; shaping customers'

perceptions of the organization and their products; and the rise in customer loyalty and retention.

In the empirical research of this study the focus will be on services because the interpersonal nature of services makes them particularly well suited for relationship building (Berry, 1995). Certainly, a relationship with a service provider is particularly valuable to the customer because it engenders the trust that is necessary to ensure quality service and preserve the relationship and because many services require the interaction between customers and service providers.

And the sector of telecommunication services has been chosen for different reasons, owing to the economic risk and technical complexity of these services like high involvement that is between two telecom parties.

According to what mentioned above, to answer the research questions of this study the model is presented in Figure 2.15.
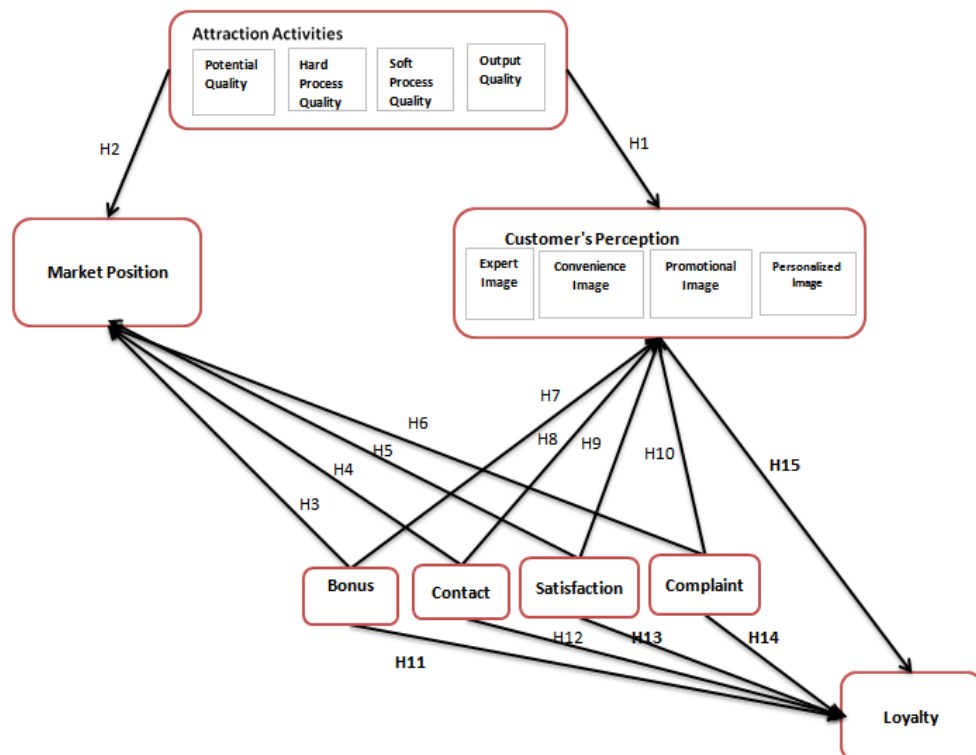
Figure 2.15: proposed model

2.7. Frame of References

The result of the literature review and the relationship between CRM programs and market performance are shown in brief. The first table contains all the journal articles that are referred from the literature and the second table consists of all the books studied and reviewed.

	Author	Relationship Marketing	Customer Attracting Programs Service Quality	Loyalty and Interaction Programs Bonus-Personal Contact-Customer Satisfaction-Complaint	Performance	Market Performance		
						Market Position	Customer's Perception	Customer Loyalty
1	Kumar (2002)			X				X
2	Hakansson (1982)	X						
3	Parasuraman et al. (1988)		X	X				X
3	Parasuraman et al. (1985)		X					
5	Parasuraman et al. (1991)		X					
6	Caruana et al., (2000)		X	(satisfaction and Value)				
7	Caruana et al., (1996)		X	(satisfaction and Value)				
8	Sheth & Parvatiyar, 2002			X				
9	Neely et al. (1999)				X			
10	Berry, L.L. (1995)			X				
11	Naude et al. (2002)	B2B marketing						
12	Buttle, F. (1996)	X		X				

13	Toivo (1996)	X					
14	Thurau, (2002)			X		X	
15	Grönroos, C. (1996)	X					
16	Grönroos, C. (1988)		X				
17	Grönroos, C. (2000)	X					
18	Grönroos, C. (2001)		X				
19	Morgan, R. and Hunt, S. (1994)	X					
20	Ravald, A. and Gro¨nroos, C. (1996)	X		X			
21	Durvasula et al.(1999)		B2B service quality				
22	Durvasula et al.(1998)		B2B service quality				
23	Reinartz, W.J. and Kumar, V. (2002)			Loyalty			Profitability
24	Richards, T. (1998)			X			X
25	Izquierdo et al.(2004)			X			
26	Izquierdo et al.(2005)			X			
27	Svensson,2004		X				
28	Liljander,V. Strandvik,T. (1995)	X	X			X	
29	Dedeke,A.,(2003),		X	X			
30	Liu et al.(2000)		X				
31	Kumar,V., Peterson,A.(2005)			Customer satisfaction x	X		Customer Loyalty & profitability
32	Gounaris,S.,(2005)		B2B service quality	X			

33	Yau, (2000)	X						
34	Yau,(2004)	X						
35	Szmigin and Bourne, 1998	X						
36	Bourne et al.,2005				Performance Measure			
37	Johnson,HT.(1983),				Performance Measure - business performance			
38	Ittner(2003)				X			
39	Bourne et al.(1999)	X			X			
40	Gilbert,D.(1996)	X						
41	O'Malley(2004)	X						
42	Krause et al. (1998)				X		X	
43	Krause et al. (2006)				X		X	
44	Andreassen,W, Lindestad,B.,(1998)		X	X			X	
45	Batiz-Lazo,B., (2001)	Value creation						
46	Cannon.Joseph p.,(1999)	Relationship in Business Market						
47	Franco and Bourne.(2004)				Performance Measurement			
48	Jørgensen (2001)	Relationship Building						
49	Ghavami,A.,Olyaei,O., (2006),	X						

50	Rauyruen, P. (2005).	Relationship Quality						B2B Loyalty
51	Izquierdo ,et al. (2005)		B2C	X	X	X	X	X
52	Shani,D., Chalasani,S. (1992)	Relationship Marketing						
53	Van Looy et al.(2003)			Satisfaction				

Table 2.9, Frame of Reference of articles about Impact of CRM on Market performance

| | Author | Relationship Marketing | Customer Attracting Programs | Loyalty and Interaction Programs | Performance | Market Performance | | |
			Service Quality	Bonus-Personal Contact-Customer Satisfaction-Complaint		Market Position	Customer's Perception	Customer Loyalty
1	Sheth, J., Parvatiyar, A, (2002)							
2	Gro¨nroos(2000)		X	Loyalty satisfaction				Loyalty
3	Johnson,and Kaplan(1987)				X			
4	Cravens,D.,Piercy,N.F .,(2003)	X				X		
5	Looy.,V et al.(2003)		X	X				
6	Ossel,G,Gemmel,p.,Looy,B.,(2003)		X	X				X
7	Ford et al.(2002)	X		X				X
8	Buzzell, R. and Gale,B.(1987)	X			X	X		

Table 2.10, Frame of reference of books about Impact of CRM on Market performance

Chapter III

Research Methodologies

3 Research Methodologies

In this chapter the methodological approaches used in order to reach to the purpose and answer the research questions' description. All of The steps are explained one by one to give an overview of how the data have been obtained and treated.

3.1 Research Philosophy: Positivism/Phenomenology

When the philosophy of a research is positivism, we assume that the researcher is independent of and neither affects nor is affected by the subject of the

research. When the research reflects the principles of positivism, working with an observable social reality is preferred and the end product of such research can be law-like generalizations similar to the work of physical and natural scientist.

We may criticize the positivism tradition, as the social world of business and management is far too complex to lend itself to theorizing by definite laws. Business situations are complex, even unique. The phenomenologist would argue that generalisibility is not of crucial importance. We live in the ever-changing world of business organizations. This might be the only way to discover "the reality working behind the reality".

It is important to consider that there is no research approach "better" than another, they are "better" at doing different things. Lots of researches are a mixture of two philosophies. (Saunders et al, 2000).

In this study in order to answer the questions which are as follows:"Is there a significant relationship between Attraction activities and market position?", "Is there a significant relationship between Attraction activities and customers' perceptions about the firm?", "Is there a significant relationship between Loyalty and interaction programs and customers' perceptions   about the firm?", "Is there a significant relationship between Loyalty and interaction programs and customers' loyalty about the firm?","Is there a significant relationship between Loyalty and interaction programs and market position?" and at last "Is there a significant relationship between Customers' perception about the firm and Loyalty?" Quantitative data are used and the research philosophy would be mixture of both positivism and phenomenology.

In the next section the research purpose will be discussed according to exploratory and explanatory studies.

3.2 Research Purpose: Exploratory/Descriptive/Explanatory

Researches are classified in terms of their purpose. There are three type of research which are, exploratory research, descriptive and explanatory research that are explained below. (Saunders et al., 2000)

3.2.1. Exploratory Research

Exploratory research is characterized by its flexibility. When a problem is broad and not specifically defined, the researchers use exploratory research as a beginning step. By an exploratory research we mean a study of a new phenomenon. Exploratory studies are a valuable means of understanding what is happening; to seek new insights; to ask questions and to assess phenomenon in a new light (Yin, 1994).

Exploratory research has the goal of formulating problems more precisely, clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas and forming hypotheses. It can be performed using a literature research, surveying certain people about their experiences, focus group and case studies. Exploratory research may develop hypotheses, but it does not seek to test them. (Darabi, 2007)

3.2.2. Descriptive Research

When a particular phenomenon is under study, the research is needed to describe it, to clarify and explain its inner relationships and properties (Huczynski and Buchana, 1991). The descriptive research will portray an accurate profile of people, events or situations (Robson, 1993). In academic research, descriptive research is stricter than exploratory research.

Descriptive research in contrast with exploratory research defines questions, people surveyed and the method of analysis prior to beginning of data collection. In other words, who, what, where, when, why and sometimes how of the research aspects should be defined. Such preparation allows one the opportunity to make any required changes before the process of data collection has begun. However, descriptive research should be thought of as a mean to an end rather than an end, itself. (Yin, 1994)

3.2.3. Explanatory Research

When the focus is on cause-effect relationships, the study can be explanatory explaining which causes produce which effects (Yin, 1994). Our concern in casual analysis is how one variable affects, or is "responsible for," changes in another variable. The stricter interpretation of causation is that some external factor "produces" a change in the dependent variable.

Explanatory research which is grounded in theory is another research purpose type, and the theory is created to answer why and how questions. In business research, sometimes we find that the cause-effect relationship is less clear. We are more interested in understanding, explaining, predicting and controlling relationships between variables than we are in detecting causes. Explanatory studies go beyond description and attempts to explain the reasons for the phenomenon that the descriptive study only observed. In an explanatory study, the researcher uses theories or hypotheses to represent the forces that caused a certain phenomenon to occur.

"There is possibility to have more than one purpose in a study and the research purpose can be made of two or all of three main categories of research purposes"(Saunders et al., 2000). Moreover Yin (1994) highlights that the boundaries between the categories are not always clear. Our research purpose and research questions indicate that this study is mainly descriptive and explanatory, yet as exploratory in pilot test; this means that we are going to answer a "what" question and also find out how casual relationship between variables in our conceptual framework will be established. As mentioned earlier, an exploratory research is used in pilot study phase and helped us to modify the research model if it is needed.

3.3. Research approach

We can say that the research approach is deductive when the theory and hypothesis are developed and a research strategy is designed to test the hypothesis, or it can be inductive when the data is collected and theory is developed as a result of

data analysis. The deductive approach owes more to positivism and inductive approach owes more to phenomenology. (Saunders,2000)

In this study the research questions are developed .Research strategies are designed and research questions are answered accordingly. So we can say that the research approach is deductive.

Based on the study of Guba and Lincoln (1994), two approaches or methods – quantitative and qualitative – are available to researchers. The most important difference between the two approaches is use of numbers and statistics. The choice of research approach naturally depends on the defined research problems and the data needed for solving these problems.

The qualitative approach emphasizes on processes and meanings that are not measured in terms of quantity, amount, intensity or frequency. The qualitative approach provides a deeper understanding of the phenomenon within its context (Guba and Lincoln, 1994; cited by Ghanatabadi, 2005)

Moreover, qualitative researchers stress the socially constructed nature of reality that states the relationship between the researcher and the phenomenon under investigation. On the other hand, quantitative researchers emphasize the measurement and analysis of causal relationships between variables.

According to Cochran and Dolan (1984) that relate the differences between qualitative and quantitative research to the distinction between exploratory (qualitative) and confirmatory (quantitative) analysis. When there is little theoretical support for a phenomenon, it may be impossible to develop precise hypotheses, research questions, or operational definitions. In such cases, qualitative research is appropriate because it can be more exploratory in nature. (Sullivan, 2001;Cited by Darabi et al.)

According to Malhotra and Birks(2003), quantitative research is suitable for measuring both attitudes and behavior. Quantitative research can be used to create models that predict whether or not someone holds a particular opinion or would act in a certain way based on an observable characteristic. Quantitative research techniques search for quantify data by applying some form of statistical analysis. After comparing two research approaches in this study, quantitative approach has been chosen. We have created a model by reviewing the related literature and thereby building our research hypotheses. In fact, we are trying to explain the link between customer relationship marketing activities and market performance .also qualitative

research will be necessary in the pilot test to find out what are the Iranian factors and customizing the existing factor on the telecom Industry of Iran.

3.4 Research Strategy

In this section the research strategy will be explained. Then it will be express whether the research strategy have been used in this study has been experiment, survey, case study or grounded theory and it will be mentioned whether the study has been cross-sectional or longitudinal.

3.4.1. Experiment /Survey /Case study /Grounded Theory

As Saunders et al. (2000) pointed out there are several research strategies that can be employed in the research such as: experiment, survey, case study, grounded theory, ethnography and action research. The most important step is that the appropriate strategy for the research question(s) and objectives be chosen. These strategies should not be thought of as being mutually exclusive. Some of these strategies are described in brief here.

We can say that experiment is a classical form of research that owes much to the natural sciences also social sciences, especially psychology. It involves the definition of a theoretical hypothesis, selection of samples and allocation of them to different experimental conditions, introduction of planned changes, measurement on some variables and control of other variables.

Survey is a popular method and common strategy in business research. In Surveys, the collection of a large amount of data from a sizeable population in a highly economical way is allowed. Based most often on questionnaire, data are standardized and comparison is easy. It is also easily understood. But time consumption is much in designing and piloting questionnaire, after that in analyzing the results, even with an appropriate computer package aid. Disadvantage of quantitative method is that data collected by the survey method, may not be as wide ranging as those collected by qualitative research methods. There can be limited number of questions. Another threat is that the respondent might answered questionnaires badly. There are also other data collection devices that belong to

survey category such as structured observation and structured interviews where standardized questions are asked from all interviewees. Questions "what" and "how" tend to be more the concern of the survey method.

Saunders et al. (2000) define case study as the progress in detailed, intensive knowledge about a single case, or a small number of related cases. This strategy is of particular interest when the point is to gain a rich understanding of the context of the research and the processes being enacted. Case study can be a very worthwhile way of exploring theory. The case study approach has considerable ability to generate answers to the questions "why" as well as "what" and "how".

Grounded theory is the greatest example of the inductive approach. It is better to think of it as a mixture of induction and deduction. In this theory the data collection begins without initial theoretical framework formation. Theory is developed from data generated by a series of observations. These data lead to generation of predictions that are then tested in further observations.

Yin (1994) has also recognized five strategies; experiments, survey, analysis of archival information, histories and case studies. Each of these strategies is a different way of collecting and analyzing empirical evidence. Yin has differentiated strategies according to three conditions. These conditions which have shown in table (3.1) are the type of research questions, the extent of control an investigator has over actual behavioral events and also the degree of focus on contemporary as opposed to historical events.

Research Strategy	Form of Research Question	Required Control Over Behavioral Events	Focus on Contemporary Events
Experiment	How, Why	Yes	Yes
Survey	Who, What, Where How much, How many	No	Yes
Archival Analysis	Who, What, Where How much, How many	No	No
History	How, Why	No	No
Case Study	How, Why	No	No

Table 3.1: Relevant Situations for Different Research Strategy

Source: Yin (1994)

In this study, the research questions start with 'what'. Also this study is on contemporary events and without any control on the behaviors. So, survey strategy is appropriate for this study. Survey method will be employed to find the relations between customer relationships marketing programs and market performance of the B2B telecommunication companies who provide service or to see what is the impact of customer relationship marketing on market performance of Iranian telecommunication companies. A questionnaire is designed in order to find out these relationships. To answer these questions a quantitative approach is used.

3.4.2 Cross-Sectional / Longitudinal

Research designs, independent from which strategy is taken can be cross-sectional or longitudinal according to the time perspective. When the research is like a "snapshot" taken at a particular time it is cross-sectional. Most research projects undertaken for academic courses are time constrained, so this strategy is taken. In these studies usually survey is employed. Also many case studies are based on interviews and conducted in a short period of time. When the perspective is "diary" it is longitudinal. Its main strength is the capacity to study change and development (Saunders et al. 2000).

The time perspective of this research is cross-sectional. The impact of relationship marketing in Iranian telecom managers' point of view is analyzed at a particular time.

The appropriate sample should be selected. The sample selection of this study is mentioned in the following section.

3.5 Selection of Sample

In this research there is no possibility to collect or analyze the data available owing to restrictions of time, money and often access. Sampling techniques provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub-group rather than all possible cases or elements.

The sampling techniques are divided into two types which are probability or

representative sampling and non-probability or judgmental sampling.

The population of interest was defined as the Iranian top managers, business managers or marketing managers of telecommunication companies who provides service. Sample was taken from the database of Iranian Telecommunication syndicate who had past relationship with our company. To ensure the survey sample represents the population, non-probability sampling method was adopted.

In this study the empirical research focuses on services because the interpersonal nature of services makes them particularly well suited for relationship building (Berry, 1995). Certainly, a relationship with a service provider is particularly valuable to the customer because it engenders the trust that is necessary to ensure quality service and preserve the relationship and because many services require the interaction between customers and service providers.

The telecommunication service sector has been chosen for different reasons. Owing to the economic risk and technical complexity of these services (high involvement), Industrial customers usually establish close relationships only with one service providers. As it has been demonstrated, services with a high degree of professionalism and services where the customer has a high degree of personal involvement facilitate the conditions for relationship marketing. In the B2B context in Iran, there are different types of service telecommunication companies, first group who are the operators for mobile phones also Fixed line which is a monopoly market and own by the government. We can say that they are the main customers of other organizations which provide those equipments, installations, or planning for them. In this study the focus is on industrial customers so mobile and fixed line subscribers/users are not include in our sampling. The second group are vendors that are responsible for providing equipments for the third group (general contractors) who are responsible for planning and equipments installation, those general contractors also have some subcontractors for each provinces and they commissioning installations and planning for general contractors .so subcontractors are making fourth group in our sampling and also we can put other companies in the fifth group that are providing different type of services for different business customers. Our sampling will be among Iranian managers of different levels in telecommunication companies that have explained above.

In order to gather more completed questionnaires "Iran International ELECOM and TELECOM Fair" has been chosen to distribute questionnaires. This

international exhibition was suitable for this research because most of the firms which taken part, cover the research criteria for sample selection. I also used my work connections and select those companies which are known and had past relationship with our company in the international fare to fill my questionnaire.

In this study, according to Cochran formula the required sample size should be equal to 120.

3.6 Some Approaches to Gain Access

Feasibility is one of the most important determinants of what is chosen to research and how to undertake the research (Saunders et al. 2000). Access is a problematic area. "The reality of undertaking a research project may be to consider where you are likely to be able to gain access and to develop a topic to fit the nature of that access." Several strategies can be used to gain access. The strategies that he mentions are:

- Allowing yourself sufficient time
- Using existing contacts and developing new ones
- Providing a clear account of purpose and type of access required
- Overcoming organizational of individual concerns about the granting of access
- Identifying possible benefits to the organization or individual in granting you access
- Using suitable language
- Facilitating ease of reply when requesting access
- Developing your access on an incremental basis
- Establishing your credibility with intended participation

In this research so much time was spent in order to gain access and reach to respondents and collect questionnaires. Regarding that I have worked with many different telecommunication companies, the study can be more successful by using existing contacts, where we have a friend, relative or colleague. Their knowledge of us means that they are able to trust our stated intentions. They can trust assurances given about the use of any data provided. This increases our credibility.

It is suggested to contact someone who can grant access to others, for example manager of an organization. This person acts as "broker" or "gatekeeper".

A clear account of purpose and type of access required was provided by introducing the purpose of this research in brief. Demonstrating the clarity of the research purpose helped to establish credibility. Also to maintain this purpose and introduce the research, before delivering the questionnaire an explanation was given to the managers. After introducing the project and its purpose, I have told the participants how I believed they would be able to help this study.

The usual respondents' "concern about time or resources" was overcome by trying to simplify the questionnaire and explain to each respondent personally and face-to-face to reduce time needed for understanding the questionnaire. Questionnaires were distributed. I made many appointments with the managers in order to explain them about the questionnaire purpose. The concern about "sensibility" was not very high in this research. The concern about "confidentiality" was overcome by ensuring the respondents that this issue would be carefully honored.

The respondents were asked to give some demographic information and then cooperate on an incremental basis they first asked to rank the alternatives with seven points of Likert scale.

In the next chapter, the instrumentation used for this research will describe.

3.7 Measurement of the Constructs and Pilot Test

The questionnaire consists of nine parts (Appendix A). First part gathered general information about respondents' gender, age, education and their positions in that company also companies field of work.

The second part asked the respondents to answer twenty two INDSERV (Industrial service quality) questions, in order to avoid complexity of relations in the model the questions are reduced to four by using mean of questions forming four dimensions of industrial service quality that are , potential quality, hard process quality, soft process quality and output quality used for measuring attraction activities.

Third part consists of bonus measured by price reductions and offering free services, customized service due to the customer's needs (four questions), Forth part is of contact measured by strategies for conducting contact with customers (three question); Fifth part which is customer satisfaction, measured by efforts companies

make to have satisfy customer (three questions) and the sixth part which is complaint, measured by effort to answer and avoid customer's complaint (three questions). Part seven consists of twelve customers' perception questions that in order to avoid relations' complexity between constructs the questions reduced to four by using simple mean method, that are expert image, convenience image, promotional image and personalized relationship and used for measuring customers' perception. Part nine consist of two market position questions and part eight consists of four customers' loyalty questions.

Questions in all parts of the questionnaire were assessed using a seven point Likert scale (except the general information in the first part) with end points of 'strongly disagree' and 'strongly agree'.

Constructs	Measures*		Source
Attraction activities	Indserv(4Qs)	Potential quality	Gounaris(2005)
		Hard Process Quality	Gounaris(2005)
		Soft Process Quality	Gounaris(2005)
		Output Quality	Gounaris(2005)
Bonus	Price reduction and Free service(4Qs)		Izquierdo(2005)
Contact	Contact for future service (3Qs)		Izquierdo(2005)
Satisfaction	Effort to satisfy customers(3Qs)		Izquierdo(2005)
Complaint	Efforts to answer and avoid customer's complaint(3Qs)		Izquierdo(2005)
Customer's Perception	Expert Image(1Q)		Izquierdo(2005)
	Convenience Image(1Q)		Izquierdo(2005)
	Promotional Image(1Q)		Izquierdo(2005)

		Personalized Relationship(1Q)	Izquierdo(2005)
Market Position		Awareness and rise in penetration(2Qs)	Izquierdo(2005)
Customer's Loyalty		Percent of loyal customers	Izquierdo(2005)
		Percentage of income associated to loyal customer	Izquierdo(2005)
		Rise of loyal customer after implementation	Izquierdo(2005)

Table 3.2: Constructs and measures

After the questionnaire was developed, it was important to make the items compatible with Iranian business culture, so, the questionnaire was translated to Farsi language. Pilot test was then conducted in order to assess the questionnaire's comprehension and eliminate potential problems. The preliminary questionnaire was administered to a group of managers of 10 Telecommunication Companies who are also holding MBA degree or ecommerce and marketing degree, in the second run, the questionnaire administered to a group of 25 Service firms who are engaged in providing telecommunication services and are senior managers and other level of management. As the result of the pilot test, several questions were reworded, and a few statements were made more applicable to Iranian environment.

3.8 Data Collection

Questionnaires are administrated in different ways depending on the amount of contact with the respondents. Questionnaires can be self-administered. "Online", "postal" and "delivery and collection" questionnaires are among self-administered ones. They can also be interviewer administered, e.g. telephone questionnaire and structured interview (Saunders et al. 2000). In this study a delivery and collection questionnaire was used. However, in some limited cases according to the time restriction of the managers, I enjoyed using telephone and email survey.

There were 120 questionnaires distributed. 105 questionnaires were collected. And 4 of them were poorly answered so 101 were reliable to use .This indicated 87% response rate. As respondents were first asked whether they wish to answer the questions or not and also due to the prior working relationships with those managers and reminding them of filling the questionnaire so many times, the response rate was high.

3.9 Reliability and validity

Reliability can be defined as the degree to which measurements are free from error and, therefore, give in consistent results. In other words, Reliability concerns

the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials (Carmines and Zeller, 1979).

Internal consistency involves correlating the responses to each question in the questionnaire with those to other questions in the questionnaire (Saunders, 2000). Although there are variety of methods for calculating internal consistency, of which one of the most frequently used is Cronbach's alpha, which is the degree of inter-correlations among the items that constitute a scale. An reliability 0.60 and 0.70 or above is considered to be the criteria for demonstrating internal consistency of new scales and established scales respectively (Nunnally, 1988; cited by Gounaris, 2005)

In this study the Cronbach's alpha is 0.92 which shows that the factor scales are internally consistent.

Validity is defined as how much any measuring instrument measures what it is intended to measure (Carmines and Zeller, 1979). Due to the complex nature of proposed research model, the Structural Equation Modeling (SEM) approach was used for testing the validity of the model (Bagozzi, 1988). This method allows a researcher to test the proposed structure of a model entirely for the set of relationships simultaneously between dependent variables and independent variables.

3.10 Statistical Analysis

In this research the data analysis was done by using the PLS (Partial Least Square), which is one of the SEM techniques. Structural Equation Modeling (SEM) technique like LISREL and Partial Least Square (PLS) are second generation data technique that is used to test the extent to which IS research meets recognized standards for high quality statistical analysis (Gefen, 2000). By means of SEM, researchers could answer a set of interrelated research questions in a single, systematic and comprehensive analysis by simultaneously modeling the relationship among multiple and dependent constructs. This capability for simultaneous analysis differs greatly from most first generation regression models such as linear regression, ANOVA and MANOVA, which can analyze only one layer of linkages between independent and dependent variable at a time.

(Comparison between capabilities of these three approaches, LISREL, PLS and Linear Regression is provided in appendix B).

In contrast with first generation regression tools, SEM not only assesses the Structural Model, the assumed causation among a set of dependent and independent constructs, but in the same analysis, also evaluates the measurement model-loading of observed measurements on their expected constructs. The outcome is a more accurate analysis of the proposed research model and mostly, a better methodological assessment tool (Gefen, 2000). (Summaries of the objectives of each technique and limitations such as sample size and distribution are presented in appendix C).Due to the formative nature of the measures used and non normality of the data, LISREL analysis was not appropriate for data analysis of this study (Chin and Gopal, 1995). Thus, the visual PLS 1.04b1 software was chosen to perform the analysis.

3.11 Chapter Summary

In this study the Quantitative research approach was selected, and the measurements of constructs were developed according to prior studies. The pilot test was run and target population has been defined. A sample of 120 small and medium sized enterprises was identified by using database of our company including the past purchase and selecting them according to past purchase relationships with them. The contact person was usually the owner of the business or top level manager and in some cases the experts in that company who had more work experience than others. 105 questionnaires were gathered .After data filtering to eliminate invalid responses the number of questionnaires decreased to 101 so the response rate is 86%. Structural Equation Modeling was selected for statistical analysis.

Structural Equation Modeling, multivariate technique combining aspects of multiple regression for examining dependence relationships and factor analysis for representing unmeasured concepts with multiple variables was used to estimate a series of interrelated dependence relationships simultaneously. (Gefen, 2000)

Chapter IV

4 Data Analysis

This chapter provides demographics and descriptive statistics; reliability and validity assessment and the results of hypotheses tests are delivered. The software which has been used for this thesis is Visual Partial Least Square.

4.1 Survey Response

Questionnaires were filled by Iranian telecom companies' managers; the total sample size was 105 which 101 of them completed but 4 of them was poorly answered. Table 4.1 lists the sample demographics.

Measure	Items	Frequency	Percent
	Male	86	85.14
Gender	Female	15	14.85
	Total	101	100

	30-35	14	13.86
	35-40	29	28.71
	40-45	40	39.60
Age	45-50	6	5.94
	50-55	3	2.97
	55-60	5	4.95
	60-65	4	3.96
	Total	101	100
	Bachelor	54	53.46
Education	Masters	44	43.56
	PHD	3	2.97
	Total	101	100
	Eng	35	34.65
	Technical Manager	17	16.83
	Business Manager	3	2.97
Position	Project Manager	14	13.86
	Marketing Manager	10	9.90
	CEO	22	21.78
	Total	101	100
	Sales and Installations	34	33.6
	Contractor	31	29.70
	General contractor	3	2.97
Field of work	Subcontractor	12	11.88
	Research and design	10	9.90
	Solutions	11	10.89
	Total	101	100

Table 4.1 Sample demographic

4.2 Measurement (Outer) Model

In PLS the convergent validity of measurement model for reflective measure is assessed by examining the correlation between the components or item measure scores

and their construct scores. Table 4.2 presents information concerning the weights and loadings of the measures to their respective constructs. Weights should be interpreted for formative measure while loadings for reflective.

In reflective measures, all items are observed as parallel measures capturing the same construct of interest. Thus, the standard approach is used for evaluation, where all path loadings from constructs are expected to be strong i.e. 0.7 or higher (Limayem et al. 2000). In the case of formative measures, all item measures can be independent of each other while they are viewed as items that create the "emergent factor". Hence, high loadings are not necessarily true, under this situation Chin (1995) suggests that the weights of each item be used to assess how much it contributes to the overall factor.

In order to check the validity and reliability of the reflective constructs, we used weights and loadings, in addition the internal composite reliability (ICR) score as another indicator, is recommended to assess the reliability of the reflective measurement (Chin, 1998). ICR is not the same as Cronbach's Alpha, which all of the items weights equally without loading considerations. For a composite reliability score 0.6 or higher value is recommended (Fornell and Larcker, 1981). We didn't use this indicator for the composite reliability in the measurement model of this study; because ICR is not necessary for formative measures.

The reliability and validity of research findings are very important to be undertaken. This can be achieved by put emphasize on both the adequacy of the research design and the quality of the measurement procedures employed. In order to validate the instrument, this study will perform validity and reliability tests, examine correction coefficients between the realized constructs. As can be seen in table 4.2, the reliability values of each construct are greater than the benchmark of 0.70 which is recommended by Bagozzi and Yi (1988) as good indicator of reliability. One of the constructs has reliability 0.69 that is nearly 0.7 and we can partially accept it.

Construct	Number of Items	Composite Reliability
Attraction	4	0.731233
Bonus	4	0.714254

Contact	3	0.774873
Customer Satisfaction	3	0.711868
Complaint	3	0.86372
Market position	2	0.691899
Customer's Perception	4	0.701578
Loyalty	3	0.745127

Table 4.2: constructs reliability

This showed that all measures had strong and adequate reliability. The composite reliability was estimated to evaluate the internal consistency of the measurement model.

Another item for checking reliability of a reflective measure is average variance extracted (AVE) and is average of the squared loading of each item on a construct. It is used to asses how well a theoretical latent construct explains the variance of a set of items that are supposed to measure this construct. In other words, AVE is used to measure the amount of variance captured by the indicators of a construct versus the amount of variance caused by the measure error (Yao, 2004).AVE must be higher than 0.5 for all reflective measures. In this study according to the fact that we don't use reflective measures, AVE is not used.

There are two types for identifying discriminate validity of reflective measurements (Chin, 1998):

1. Items must have a higher correlation with the construct they are supposed to measure than with any other constructs in the model.

2. The square root of AVE of each construct must be greater than the correlation of the two constructs (Staples et al., 1999; cited by Chin, 1988).

While the reliability and cross-loadings cannot be used to evaluate the reliability and validity of the formative indicators, these majors are evaluated on the basis of their substantive content, and by comparing relative size and statistical

significance of their estimated weights (Chin, 1998).The result is presented in table (4.3). All formative measures, significant and non-significant, will remain in model for estimating model. On the other hand the reliability of formative measures can not be examined before using the measures in PLS.

Factor	Variable	Weight	T-Statistic	
INDS	INDS1	0.2463	1.2219	NS
	INDS2	0.4141	1.1936	NS
	INDS3	-0.0637	-0.3003	NS
	INDS4	0.6115	2.4868	**
B	B1	0.0556	0.1667	NS
	B2	-0.6513	-2.7462	**
	B3	0.7685	2.4129	**
	B4	0.302	1.3447	NS
CON	PC1	0.6179	1.944	*
	PC2	-0.4174	-1.5783	NS
	PC3	0.7683	2.3384	**
CS	CS1	0.5395	1.856	*
	CS2	0.7826	2.9367	**
	CS3	-0.263	-1.6371	NS
COM	COM1	0.2929	0.7752	NS
	COM2	-1.5836	-2.8622	**
	COM3	1.4747	2.9362	**
MP	MP1	0.8187	2.1142	**
	MP2	0.2839	0.7467	NS
CP	CPEX	0.3818	1.712	*
	CPC	0.7084	2.3994	**
	CPP	-0.4731	-2.4868	**
	CPPR	-0.3132	-1.28	NS
LO	L1	-0.648	-2.0578	**
	L2	0.9017	2.1634	**
	L3	-0.0772	-0.1667	NS

Table 4.3: Constructs weights

P-Values: *<0.01, **<0.05, NS: Non-Significant

According to what mentioned above, the PLS measurement Model is satisfactory, now the next step is to evaluate Structural model.

4.3 Structural (Inner) Model

R-square is used for structural model assessment for dependent constructs, the size and significant level of structural path coefficient and t-statistics. The t-statistics are estimated by means of the bootstrap re-sampling procedure. The structural model results are summarized in figure 4.1 and table 4.5. In table 4.5 the proposed hypotheses, the path coefficient, the observed t-statistics and significant level are shown.
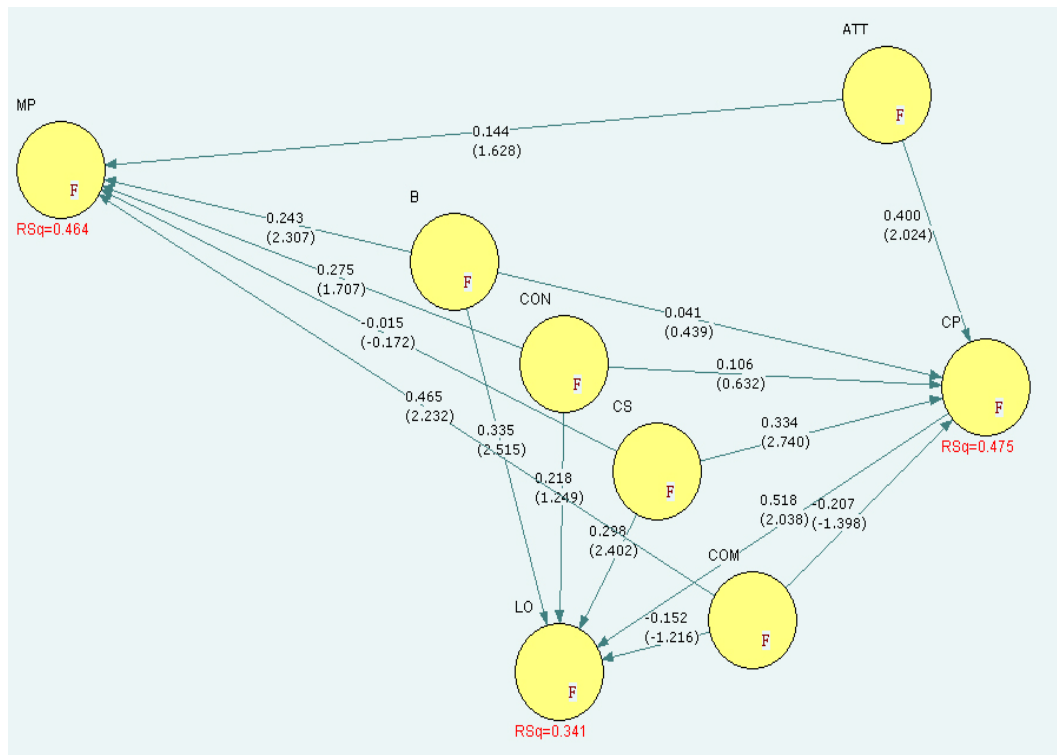
Figure 4.1: Estimated results for proposed model

4.3.1 R-square

In this study, Visual PLS is used to test hypotheses. Visual PLS provides the squared multiple correlation (R^2) for each endogenous construct. R^2 is used to measure the percentage of construct variation that is explained by the model (Wixom and Watson, 2001).

In this study, all the exogenous factors in the model explained 0.475 percent of Customer's Perception about the firm and 0.464 percent of Market Position. Also Bonus, Personal contact, Satisfaction and Complaint explained 0.341 percent of Customer's Loyalty.

Construct	R²
Customer's Perception	0.475
Market Position	0.464
Loyalty	0.341

Table 4.4: (R²) for each endogenous construct

4.3.2 Structural Path

In this step the proposed hypotheses should be evaluated by using the significant level of the estimated structural path. Table 4.5 shows the proposed hypotheses, the path coefficient, the observed t-statistics and significant level.

H	Effect[1]	Path Coefficient	T-Statistics	Remarks
H1	*ATT->MP*	0.144	1.628	NS
H2	ATT->CP	0.400	2.024**	S
H3	*B->MP*	0.243	2.307**	S
H4	*CON->MP*	0.275	1.707	NS
H5	*CS->MP*	-0.015	-0.172	NS
H6	*COM->MP*	0.465	2.232**	S
H7	*B->CP*	0.041	0.439	NS
H8	*CON->CP*	0.106	0.632	NS
H9	*CS->CP*	0.334	2.740**	S
H10	*COM->CP*	-0.207	-1.398	NS
H11	B-> LO	0.335	2.515**	S
H12	CON->LO	0.218	1.249	NS

H13	CS->LO	0.298	2.402**	S
H14	COM->LO	-0.152	-1.216	NS
H15	CP->L	0.518	2.038**	S

Table 4.5: Structural model results

ATT, Attraction; B, Bonus; C, Contact; SC, customer satisfaction; Com, Complaint; CP, Customer's Perception; LO, Loyalty; S, Supported; NS, Not Supported; P-Values :*< 0.0 1, **<0.05,

4.3.3 Market Position

Market position is measured as composite index that gathers customers' awareness of the firm and rise in penetration-number of customers. (Izquierdo et al., 2005)

According to our research findings, Attraction activities that are based on offering a high industrial service quality (INDSERV) does not enhance market position (awareness and penetration) of the firm ($\beta = 0.4$, $p < 0.05$) so H1 is not supported. This reveals that the industrial service quality based on the study of Gounaris (2005) that used in this study is not related to the market position which is awareness and penetration of telecom companies in Iran's market. This result is inconsistent with the result of Izquierdo et al. (2005) that Attraction activities, based on offering high service quality will enhance garage's market position.

The following is the developed scales and variables for measuring the loyalty and interaction programs by Izquierdo et al. (2005).

According to activities regarding holding back to existing customers, thirteen items proposed that were reduced to four variables (following the previous process). The first variable (bonus) includes the offer of price reductions, or free services or consultancy to existing customers; the second one (customer satisfaction) comprises

to the effort to fit to deadline and to budgets and getting a satisfied customer, the third one (complaints) that highlights the effort to answer and avoid customer's complaints; finally, the last variable (contact with customers) includes the activities of making contacts with customers in order to remind them of future services, verifying if they are satisfied or why they do not still loyal with the company.

Offering Bonus to existing customers ($\beta = 0.243$, $p < 0.05$) has positive direct effect on market position we can say that H3 is supported, although contacting existing customers ($\beta = 0.275$, $p < 0.05$) has not significant effect on market position, Customer satisfaction ($\beta = -0.015$, $p < 0.05$) has no impact on market position so both H4 and H5 are not supported.

The results suggest that offering bonus play an important role in firm's awareness and penetration in the market. In contrast with activities done to satisfy customers and, keeping contact with existing customers do not play an important role in awareness and penetration of telecom market. The result of keep in contact on market position is inconsistent with the study of Izquierdo et al. (2005).

Answering customers' complaint and do some corrective actions to avoid their complaints, ($\beta = 0.465$, $p < 0.05$) have influenced market position and supports H6.

The effect of five antecedents (i.e., attraction activities, bonus, contact, customer satisfaction and compliant) accounted for 46.4% of variance in market position; this is an indication of good explanatory power of the model for market position.

4.3.4 Customer's perception

In order to measure customers' perception we directly ask Iranian telecom managers about the reason why customers choose their company.

Regarding H2, the effects of Attraction programs on Customers' Perception is significant ($\beta = 0.4$, $p < 0.05$) so we can say that H2 is supported and is consistent with the study of Izquierdo et al. (2005) in which service quality and activities based on commercial attraction affect the perception customer have of the garage.

Also Bonus which telecom companies offer to existing customers has not significantly influenced customers' perception about the firm, (β=0.041, p< 0.05), and doesn't support H7, also keep in contact with existing customer's has no impact on customers Perception about the firm (β= 0.106, p<0.7084)would not support H8.

The results imply that there should be other factors affecting customer's perception about the firm than offering bonus and keeping contact with the customers in Iranian telecom companies.

The companies effort to have satisfied customers (Customer Satisfaction) has impact on Customer's Perception about the firm (β= 0.334, p< 0.05) so H9 is supported.

Answering customer's complaint and corrective actions to avoid complaints have not significantly affect customer's perception about the firm (β= 0.106, p< 0.05) and H10 is not supported.

According to these results ,we can say that attraction activities through providing a good industrial service quality (INDSERV measure) and conducting efforts to meet customer's satisfaction has significant effect on customers' perception about the telecom companies in Iran who are providing service for other companies. Moreover customer satisfaction efforts have stronger effect than attraction activities on customers' perception. The research model explains 47.5% of customer's perception about the firm.

4.3.5 Customers' Loyalty

According to Izquierdo et al. (2005) study, the degree of customer's loyalty is measured by the percentage of loyal customers, the percentage of incomes associated with loyal customers and the rise in loyal customers after implementing relationship marketing activities.
Findings of this study reveal that offering Bonus to existing customers positively influence customer's Loyalty (β=0.335, p<0.05) and supports H11.
The strategies that look for contact with customers are not related to customer's loyalty (β=0.218, p<0.05) and H12 is not supported.

We can observe the significant effect of customer's satisfaction on loyalty (β=0.298, p<0.05) thereby supporting H13.

Being concerned about customer's complaint among telecom managers does not affect customer's loyalty (β=-0.152, p<0.05) so H14 is not supported.

We can see that offering bonus and conducting effort to have satisfied customers has impact on customer's loyalty .according to Izquierdo et al. (2005) these are activities holding back to existing customer's and named Loyalty and interaction programs.

For telecom managers the customer's perception about the firm has positive effect on customer's loyalty (β=0.518, p<0.05) the results support H15.

4.4 Chapter Summary

This chapter presented the results of data analysis. Respondents' profile has been presented in the beginning of this chapter. Structural Equation Modeling using visual PLS has been employed to test the proposed research model. Significance test for all paths were conducted using the bootstrap re-sampling procedure; the results of the structural path analysis of the research model provide support to 7 hypotheses. Then the research questions of the thesis have been answered.

Chapter V

Discussion and Conclusion

5. Discussion and Conclusion

In this chapter the theoretical and practical implications of thesis are presented. The Limitations and managerial contributions of this research will be mentioned and future researches will be suggested.

5.1 Theoretical Implications

This research provides both theory development implication for academics and practical implication for managers and executives. The main contribution to theory development involves the confirmation of some hypothesized relationships among constructs of customer relationship marketing strategies-attraction activities, loyalty and interaction programs- and market performance which will be customers' perception, market position and customers' loyalty in Iranian telecommunication companies.

As explained above in chapter two, the relationship marketing includes all activities regarding the establishment, development and maintenance of relationships(Morgan and hunt,194), there are three types of relationship marketing activities that oriented to attract customers, to retain and the others oriented to maintain the relationship, according to Izquierdo et al.(2005), loyalty and interaction programs defined as activities refer to holding back to existing customers and retaining them(contact them and answering their complaint)which will enhanced personal and friendly relations with the customers. So they proposed four variables which are bonus, contact, customer satisfaction and complaint forming the concept of loyalty and interaction programs. All of these four constructs provide customers close and successful relationships. Therefore due to this point of view in this chapter the term loyalty and interaction programs used instead of Bonus, Satisfaction, Contact and Complaint.

According on Izqueirdo(2005), market performance is defined as the market position improvement of the company, which is building awareness and penetration in the market ;shaping customer's perceptions of the organization and increasing customer loyalty and retention.

Based on the results from this research, customer relationship marketing strategies and market performance are correlated to each other.

Results suggest, however, the service quality do not have impact on market position, offering bonus to existing customers also being concerned about their complaint has great impact on awareness and penetration .This means that, loyalty

and interaction programs are more influential on companies' awareness and penetration in the market which implies that telecommunication market of Iran prefer more loyalty and interaction activities.

Dealing with awareness and penetration, the attraction activates (service quality) does not play an important role for positioning in the market. The findings show that attraction and loyalty programs will explain 46% of variance in market position.

Attraction activities has greater impact on customer's perception which means that attraction in compared with loyalty and interaction programs is more influential in shaping what customers prefer about the firm .This can be explained easily due to the technical complexity of the telecommunication services so service quality (attraction activities) is more important for customers to shape their perception about the company .In contrast loyalty and interaction programs are less influential on customers' perception and more on market position and loyalty.

Customer's perception represents customers' affective answer to the firm's marketing activities .Attraction and loyalty programs can shape customer's perception about the firm or the service it provides. This study has tested four factors of loyalty and interaction programs on customer's perception but just one of them (customer satisfaction) was significant. Findings show that attraction activities were influential on perception of customers about the firms this means that attraction program have been successful but loyalty programs is partially influential in shaping customer's perceptions. Results show that attraction and loyalty programs will explain 47.5% of variance in customers' perceptions.

And at last the results support the significance of customers' perceptions about the firm has impact on loyalty. This also shows that loyalty and interaction programs (customer satisfaction, bonus) and customer's perception accounted for 34% of explained variance of loyalty.

At last we can conclude that interaction and loyalty programs in compare with attraction activities are more influential on market performance.

5.2 Practical Implications

Research's findings are of particular importance to managers who are responsible for developing and implementing strategies. These findings will help corporations understand the effectiveness of relational exchange from the firm's perspective, and develop appropriate relationship marketing strategies accordingly.

The instrument used in this research is available for management to measure their relationship marketing activities and market performance. Although the analysis focuses on the telecommunication service sector, our results would have implications to other services that have similar characteristics, such as high involvement, high degree of professionalism. According to the literature that focus on customer retention as a more profitable approach than attracting new ones, we can be conclusive about that; our findings imply conducting loyalty and interaction programs with the customers have a great impact on market performance. Service providers should put their efforts into offering price reduction, customized services and free consultancy also they should meet deadline and estimated costs to be sure of having satisfied customers and they should put their efforts into reducing the number of complaints and handling properly those that will occur complain rather than improving service quality to obtain market performance. Due to the technical characteristic of the equipments in today's Iran telecom market , service quality should be more significant in this sector, but the results show that interaction between customers and providers is more influential in the awareness, penetration and shaping customers' perception and at last more customers stay loyal with the company, So top managers in telecommunication companies should be more eager on continuing their loyalty and interaction programs with existing customers to be sure of having future market performance and having loyal customers.

In spites of the findings, positive impact of customer perception, loyalty and interaction programs on the extent to which customers are loyal about the company has been confirmed. For this reason, service providers should prioritize appropriate actions to get loyal customers.

Customers are playing the most important role in company's success. This statement is the heart of marketing thinking and drives research into relationship marketing. In telecommunication industry of Iran the marketing concept didn't always dominate organizational thinking. Indeed many firms emphasis on organizational efficiency and the use of relationship marketing strategies to persuade. Relationship marketing provides us with a short cut to formalize our relationship with the customers we serve rather than standing above these markets. Nowadays Iran's telecom market becomes dynamic. the reason is the rapid growth of the mobile technologies and presence of second and recently the third operators .Hence this has involved too many actors in its network such as general contractors and many subcontractors, vendors .The most important factor that should not be ignored is the fact that one of the main customers are operators, due to the form and number of participation, there is a large number of buyers the transaction is buy side. The most important factor affecting decision making for choosing a supplier depends on price they offer. Price is the most important factor in Iran in recent years. The cheaper is the more suitable this is true even thought proved in some cases that the price will prevailed quality but this fact cannot be ignored that in Iran, relationship is also over take the price, we can assume all the telecommunication companies as a network they all have different types of relationship with each other this will emphasize our finding in this research that the customer's perception about the firm has a great impact on the loyalty. Trust and relationship between mangers are part of measures used for customers' perception. This is a sensible fact in Iran's telecom market.

5.3 Contributions

Due to this fact that industrial service quality is more appropriate for this research area, I substitute INDSERV construct to measure the B2B service quality in model instead of servqual which is customer side and not appropriate for B2B context. So using INDSERV construct will be the theoretical contribution of this study.

An uncritical emulation and extrapolation from the experiences of the developed countries marketing concept and IT adoption behavior to developing countries with different cultural and economical environments can lead to inefficient and ineffective performances of organizations in those countries (Kanumgo and Jaeger, 1990).

Performance, therefore, we believe that an investigation of these concepts in Iranian business environment deemed necessary.

This study provides a direct test of applicability of a Spanish paradigm to a Middle East country (Iran) with a completely different cultural and economical system.

Despite the phenomenal growth in market, there is no other study conducted in Iran's market about the best relationship strategies.

5.4 Limitations

There are numbers of limitations associated with this study. First, obtained data were from the managers' perspective and we have not taken into account the customers' point of view due to the limited number of customers in this industry. Second, we have focused only on a service sector and we have only considered telecommunication service providers. It would be useful to obtain a broader sample selection. Third, cross-sectional data were used to test the association of relationship marketing activities with market performance, although it is important to mention that the study provides only a snapshot at a single point in the time, which means that the research is valid if other external environment variables is ignored, such as government regulations, economic cycle, competitive environment and etc.; fifth, we have obtained a low level of significance for some relationships. Further research should contribute to support them better. In addition, the reliability of some measurement scales should improve. Sixth, the effect of relationship marketing on performance could be time dependent. Hence, companies that are implementing the relationship marketing strategies today may not experience the actual effect until years from now.

5.5 Future Research

Future research is mainly based on the current limitations; therefore, future research will seek to generalize the model developed in this study to other services. Also although the sample size is 101 which are adequate and theoretically acceptable but the results show that increasing the sample size will increase the accuracy of these results.

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Appendix A: Questionnaire

	1	2	3	4	5	6	7
Attraction Programs							
Industrial Service Quality (INDSERV)							
Potential quality							
1-You potentially offer full service to your customers (In your technical field)							
2-Your company potentially has the ability to employ required personnel							
3-Your company potentially has the ability to purchase required facilities							
4-Your company potentially has the required management philosophy							
5-Your company Has a low personnel turn-over							
6-Your company potentially can join network partners and associates							
Hard process quality							
7-The company Keeps time schedules							
8-The company stays in (Honor) financial agreements							
9-The company holds the required budgets							
10-The project finalization meets deadlines							
11-The company looks at details							
12-The company does not understand customers' needs							
Soft process quality							
13- The company listens to customers' problems							
14- The company is open to offered suggestions/ideas							
15- Managers and personnel possess pleasant personality							
16-You Argue with the customers if necessary							
17-The company respects customers' needs							
Output quality							
18- The company reaches predetermined objectives after each project							
19- The company has a notable effect on their customers							
20- The company Contributes to their customer's sales/image							
21-Are you creative in terms of your offerings							
22- The company is consistent with strategy of your industrial customers							
Loyalty and Interaction Programs							
Bonus							
23- The company offers price reductions to existing customers							
24- The company offers free consultancy to existing customers							
25- The company offers daily project progress reports							

26- The company provides customized services according to existing customers' needs							
Personal contact							
27-The company contacts customers to remind them of future services							
28- The company contacts customers to verify if they are satisfied							
29- The company contacts former customers to find out why they do not still stay loyal with the company							
Satisfaction							
30- The company is concerned about having satisfied customers							
31- The company makes efforts to meet deadlines in order to satisfy customers							
32 – If customers' satisfaction requires more expenses, the company incurs them.							
Complaints							
33-Customers' complaints are handled individually by those responsible for it							
34- The company is concerned about answering customer complaints							
35- The company undertakes corrective actions to avoid situations that have							
originated complaints							
Customer's Perception							
Please rank your customers' perception about the company in the following questions:							
Expert image							
36- High reputation of the company							
37- Employers' technical skills							
38- Service quality							
Convenience image							
39- Proximity to the customer							
40- Company's response rate to the customer							
41- Respectful behavior to the customer							
Promotional image							
42- Advertising							
43- Promotions and price reductions							
Personalized relationship							

44- Customers' valued friendly relationship with employees							
45- Customers' valued personalized treatment							
46- Trust in company's manager is important for (Industrial) customers							
47-Friendly relationships between managers of both sides are important to the customers view							
Market position							
48- After the implementation of attraction and loyalty programs the company							
is more known than others							
49-After the implementation of attraction and loyalty programs the number of customers has increased							
Customer Loyalty							
50- The company already holds loyal customers before implementing attraction loyalty programs							
51- Increase in loyalty percentage of loyal customers after implementation of attraction and loyalty programs							
52- Increase in the percentage of incomes associated with loyal customers after the implementation of attraction and loyalty programs.							

Appendix B: Comparative Analysis between Technique

Issue	LISREL	PLS	Linear Regression
Objective of Overall Analysis	Show that the null hypothesis of the entire proposed model is plausible, while rejecting path-specific null hypotheses of no effect.	Reject a set of Path-specific null hypotheses of no effect.	Reject a set of path-specific null hypotheses of no effect.
Objective of Variance Analysis	Overall model fit, such as insignificant Chi-Square or high AGFI.	Variance explanation (R-Square).	Variance explanation (R-Square).
Required Theory Base	Requires sound theory base. Supports confirmatory research.	Does not necessarily require sound theory- base. Supports both exploratory and confirmatory research.	Does not necessarily require sound theory- base. Supports both exploratory and confirmatory research.
Assumed Distribution	Multivariate normal, if estimation is through ML. Deviations from multivariate normal are supported with other estimation techniques.	Relatively robust to deviations from a multivariate distribution.	Relatively robust to deviations from a multivariate distribution, with established methods of handling non-multivariate distribution.
Required Minimal Sample Size	At least 100-150 cases.	At least 10 times the number of items in the most complex constructs.	Supports smaller sample sizes, although a sample of at least 30 is required.

Appendix C: Compatibility by Research Approach

Capabilities	LISREL	PLS	Regression
Maps paths to many dependent (latent or observed) variables in the same research model and analyze all the paths simultaneously rather than one at a time.	Supported	Supported	Not-Supported
Maps specific and error variance of the observed variables into the research model.	Supported	Not-Supported	Not-Supported
Maps reflective observed variables.	Supported	Supported	Supported
Maps formative observed variables.	Not-Supported	Supported	Not-Supported
Permits rigorous analysis of all the variance components of each observed variable (common, specific, and error) as an integral part of assessing the structural model.	Supported	Not-Supported	Not-Supported
Allows setting of non-common variance of an observed variable to a given value in the research model.	Supported	Not-Supported	Supported by adjusting the correlation matrix.
Analyzes all the paths, both measurement and structural, in one analysis.	Supported	Supported	Not-Supported
Can perform a confirmatory factor analysis.	Supported	Supported	Not-Supported
Provides a statistic to compare alternative confirmatory factor analysis model	Supported	Not-Supported	Not-Supported