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PROPOSING A MODEL FOR AN IDEAL RELATIONSHIP BETWEEN WEALTHY CITIZENS AND STATE-OWNED BANKS USING GROUNDED THEORY

Ali Hashem Zehi, Soroush Sayyari*

(*Corresponding Author)

Abstract. Early investigations on the banking industry indicate that a considerable part of bank's resources is provided through a limited number of valuable customers. However, many domestic banks in general and state-owned banks in particular, do not provide a clear definition on valuable customers, leading to the lack of an understanding of the subjective expectations of the customers regarding the nature of an effective relationship. This study aims to explain the size and components of the ideal relationship between the customers and banks according to the customers' comments. Codes extracted from interviews with fourteen privileged customers of banks are analyzed using the grounded theory as a qualitative research approach. Accordingly, dimensions of the paradigmatic model and elements of a good relationship with the privileged customers are explained. After the analysis of the proposed model, some suggestions are presented for future bank managers and researchers in this field.

Key words: privileged customers, customer relationship management, Grounded Theory, State-owned Bank

Introduction. Nowadays, marketing is considered as one of the main instruments for businesses in identifying customers' needs and preferences to achieve the maximum profit (Haghshenas Kashani, 2012). Success in relationship with customers is not achieved only through functional desirability of the products or services because from the perspective of the consumer, the value does not exist within a product or service, but the potential and actual value is in the minds of consumers (Kapferer, 2008). It is clear that among a diverse range of bank customers, distinctive and valuable customers are more profitable than normal and short-term customers. So, it is necessary to try to manage deep and long-term relationships at functional and conceptual levels (Liang & Wang, 2005).

Thus, one of the most important service industries of each country is banking industry. Initial investigations on the banking industry indicate that in most of banks in the world, 5% of customers create more than 85% of the bank's profitability (Shahraki, 2012). Studies resulted from the analysis of customers resources suggest that among the thirty million accounts belonging to natural and legal customers of the bank, only a limited number of customers (approximately 352,000 customers) can be considered as owners of more than eighty percent of the bank's resources. However, 51% of financial resources belong to only 1% of the bank's customers, including thirty thousand customers. Among more than 7 million customers in Tehran, 91% of the bank's resources are owned by only 81,000 customers (equivalent to 1% of customers in Tehran). More than 99% of the bank's resources are owned by13% of customers. Therefore, banks will lose more than 90% of their financial resources by leaving only one percent of their customers in Tehran.

Research Background. In many organizations, there is no certain definition and classification on privileged customers. In such circumstances, there are no scientific theories and patterns to maintain and improve relationships with customers (Ruta, 2008; Ernst & Young, 2003). In spite of the mentioned benefits for customer relationship management, in many cases customer groups are not distinguished from each other in call centers (Ghafari Ashtiani, 2011) because it is considered just from the perspective of information technology and with the objective of designing a software system (Ameli, 2011). A system of relationships with key customers can identify the most important customers using data converted to information and knowledge and the relationship-based marketing approach (Ruta, 2008).

The researchers suggest that the promotion of long-term relationships with key stakeholders, especially in today's highly competitive business environment, is considered as an important strategy. Many organizations have accepted

this concept as relationship-based marketing (Arnett, 2003). Historical development of customer relationship management in banks begins from call center and ends with contact centers and finally customer relationship management (Fadaee Manesh, 2010).

In order to investigate the behavior of customers, the company begins using something known as relationship-based marketing to limit the dissatisfaction of customers and increase their loyalty (Bose, 2002). The term "relationship-based marketing" was first introduced by Berry (1983) in a press conference on service marketing and Jackson (1985) used it in the context of business a few years later. However, this phenomenon, a relationship-based approach to maintain interactions with customers, is as old as the history of trade and business (Gronroos, 2004). In fact, relationship-based marketing is defined as a type of marketing to attract, develop, maintain and promote relationships with customers (Zohori, 2009). The rationale for using relationship-based marketing is that companies will be forced to focus on long-term financial benefits (Gilbert, 1996).

Kamalian et al. (2013) investigated 54 companies in their study. The results of the study indicated that apart from of technology, other factors, including change management, organizational structure, management of customer knowledge, processes, strategies, culture and people play an important role in the success or failure of the studied systems.

The Ernst & Young consulting company conducted a study on 28.560 bank customers from 35 countries in 2012. The results indicated that most customers in the banking system have changed their bank or they are going to change it. Furthermore, the number of customers who only have a relationship with a bank has decreased from 41% to 31% and the number of customers who have accounts in three banks has increased from 21% to 31%. According to the obtained results, customers' tendency has increased to change their banks because of a 40% reduction in the level of customers' trust in the banking system around the world. They want to get more customized services and flexible products (Ernst & Young, 2012).

Ulson et al. (2011) investigated banking industry. They focused on three types of the relation that can improve the relationship between service providers and customers: Financial relations, social relations and structural relations (such as a variety of methods to provide information or research reports).

Khanlari (2011) used a mixed method to propose an evaluation model through the grounded theory in his doctoral dissertation. After conducting in-depth interviews with 14 experts on customer relationship management in the banking industry, he used a zig-zag approach for open, axial, and selective coding.

Ranjbarian and Barari (2009) conducted a study entitled "Relationship-based marketing as an approach to improve customer satisfaction" to investigate the relationship between marketing fundamentals, such as trust, commitment, communication, conflict management, and competence, and customer satisfaction with banking services.

Research methodology

Nowadays, ontology and epistemology in most communities affected by the dominant paradigm in the West are based on a positivist approach. In this paradigm, the empirical strategy plays a central role, and the ideal methodology is quantitative and statistical. Some measures have been taken to overcome the limits of positivism, and the most important one is the interpretative approach (Ullah, 2009). Pathology of theorizing phenomenon in developing countries shows that the scientific community is limited to positivist paradigm and greater emphasis on comparative approaches prevents creative thoughts of scholars in the third world and the creation of new ideas (Alvani et al., 2007). Studies in the past two decades suggest that the increasing interest in qualitative research creates the governance of a new paradigm, leading to realism (Mehrabi, 2011). In this regard, the grounded theory, as an inductive methodology for theory discovery, provides an opportunity for researchers to give a theoretical report on general features of the issue and use experimental observations to strengthen findings (Mello, 2009). The grounded theory is usually used when researchers need a theory or a general explanation for a process (Creswell, 2012).

The aim of the present study was to identify causal, context, intervening, and core conditions, strategies, and consequences to create an ideal relationship with real valuable customers in banks. This research was conducted in the period 2015-2016. In order to develop a process model, the population consisted of privileged customers (customers with a minimum six-month average balance 1,000 million Rials in total deposits). Two methods of theoretical and purposive sampling were used. Sampling continues until the formulation of the theory reaches the saturation level. The main method of data collection in this study was in-depth interview.

Research findings

For implementing the grounded theory based on Strauss's approach, data were analyzed using theoretical coding. In this way, the appropriate codes were assigned to various pieces of data. These codes were defined in a conceptual framework, known as open coding. Then, the researcher considered the different aspects of the categories using the axial coding to find the relationship between them. The researcher collected data on people, events and different situations using theoretical sampling and the concepts emerging from the data in order to provide a complete picture of the concepts and categories. Finally, categories were monitored using the selective coding and the theoretical framework appeared based on the following diagram (Strauss & Corbin, 1999).

Open coding

Open coding is the analysis process of naming concepts and classification and discovery of features and their dimensions in data through constant comparison. Researchers analyze various concepts to obtain different views on the importance and status of the concepts (Corbin & Strauss, 2008). Codes related to interviews with fourteen privileged customers of the state-owned bank were extracted using open coding. Respondents answered questions

related to each dimension of the paradigmatic model and explained the existing conditions. The paragraphs and finally the entire text of the recorded interviews were reviewed using content analysis method, and finally they were conceptualized and categorized. Concepts and categories (class of concepts) were determined based on the similarity, the conceptual relationship, and common features of open codes. In the following table, open codes, sub-categories, and categories of causal, context, intervening, and core conditions, strategies, and consequences are discussed. Causal conditions: the conditions which are considered as the main factor causing the phenomenon under study. The results are described in the following table.

Table 1: Open codes and categories of causal conditions

main category: causal conditions	sub-categories	Concepts (open-codes)
	Interactive communication	- Interpersonal skills of heads of branches
		- control and management of crabbed staff
		- communication skills of officials
		- Maintaining dignity and respect for the customer
		- knowledge and awareness of staff, especially heads of branches
		- customer-orientated insight and understanding of branch officials
		- gender proportionality
		- Behavioral discipline
	System performance	- Standardization of the quality of services in various branches
		- Infrastructure of systems and technology
		- Professional licenses (central bank)
		- Facilitating the validation system
		- Implementation of facilitated processes
		- system discipline
		- benefiting from experiences of efficient retired personnel
		- system of monitoring, control and management
		- Accountability and dealing with complaints
	Customized services	- Flexibility of the organization for expectations of customers
		- specializing for providing certain services
		- Creating customized stations
		- providing appropriate services and facilities
		- Presence at the customer site
		- providing non-personal services
		- Providing services outside the queuing system

Core phenomenon: the main event to which series of actions / reactions are attributed to control or manage it (Corbin & Strauss, 2008). The core phenomenon in this study is a good relationship with privileged customers of state-own banks. Details are presented in the following table:

Table 2: Open codes and core categories

core category: good relationship with privileged customers of state-own banks	sub-categories	open-codes
	Creation of the expected value for customers	- Designing products and services based on customer needs
		- improving the level of customer awareness about the product
		- providing more value compared with competitors (delighting customers)

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	Business partnerships	- Material and financial incentives
		- Speed of service delivery
		- Creating win - win relationships
		- Understanding and providing business opportunities
		- Supporting the customer's business
		- Customer support in recession
		- Sufficient understanding of customers' business
	Continued interactive relationships	- Creating interactive relationships with customers
		- Maintaining interactions with customers
		- Creating interactive relationships with customers
		- Customer relationship in times of emergency
		- Unattended access to heads of branches
		- Donations with dignity
		- Sufficient understanding of the customer
	Role of reference groups	- considering staff and managers related to privileged customers
		- Verbal recommendations of counterparts
		- Providing customized service for close relatives

Context conditions: they indicate a series of special features related to the phenomenon; in other words, the location of events associated with the phenomenon over time, including strategies of the interaction to control, manage and respond to the phenomenon (Corbin & Strauss, 2008). In the present study, the context conditions include two factors as the following table:

Table 3: Open codes and categories of context conditions

context conditions	sub-categories	open-codes
	bank brand and position	- Redefining the special position of banks in special services
		- Redefining expectations of businesses, governments and other stakeholders of the bank
		- considering confidence-building process
		- Assurance of quality and support
		- Background of customers' experience
		- Customers' mental image of state-owned banks
		- Financial support for state-owned banks
Organizational and cross-organizational factors: the relationship between upstream organizations and the bank's management, and branches		- Ranking branches
		- The systematic, comprehensive, and sustainable act between line and staff
		- The facilitating role of heads about granting the credit
		- The creation of collaborative approaches between line and staff in decision-making process about customer service and product for privileged customers
		- compliance with the general norms of society

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Deregulation	-	Deregulation and avoiding unnecessary bureaucracy
	-	Conducted informally in emergencies
	-	Risk-taking of line and staff managers
Organizational Maturity	-	evolved infrastructure of information technology
		- developed virtual banking
		- Insight and knowledge of line and staff
Organizational Justice	-	

Intervening conditions: they are general and wider conditions affecting the actions / interactions (Corbin & Strauss, 2008). According to the content analysis of interviews in this study, four components are considered as intervening conditions: historical, social, cultural, economic, and political factors. The details are presented in the following table:

Table 4: Open codes and categories of intervening conditions

| Intervening conditions	sub-categories	open-codes
	External factors	- Performance of competitors especially private banks
		- Specialized needs of customer
		- Government regulations
	Macro-economic factors	- Depression and prosperity of the industry
		- Trade sanctions
		- Automatic sanctions in the international arena
		- reflecting effects of macroeconomic policies in the branch programs
	Internal Factors	- Island system for branch banking
		- Changing heads of branches
		- Knowledgeable and committed personnel
		- Customer -oriented insight of senior managers
	Barriers to change	- Financing costs for changing banks
		- Emotional costs
		- Spending time on finding a new bank
		- Organizational and commercial requirements

Axial coding

The relationship between categories (axial coding) is a series of procedures that connect data with each other through a link between categories and subcategories. Thus, axial coding refers to the process of forming main categories and sub-categories. It is done using a paradigm (pattern model) to show the relationship between causal, context, intervening, and core conditions, strategies, and consequences. In the present study, the good relationship between the bank and the customers was selected as the main objective based on the features of the relationship with other categories, repetition and abstraction of data.

Selective coding

A theorist proposes a theory by selecting the axial category based on which the other categories are formed and the totality is made systematically and linking it to other categories. Thus, an abstract description is provided for a process which is studied in the research. The theoretical model for a good relationship between banks and privileged customers is as follows:

Figure 1: The theoretical model for a good relationship between banks and privileged customers
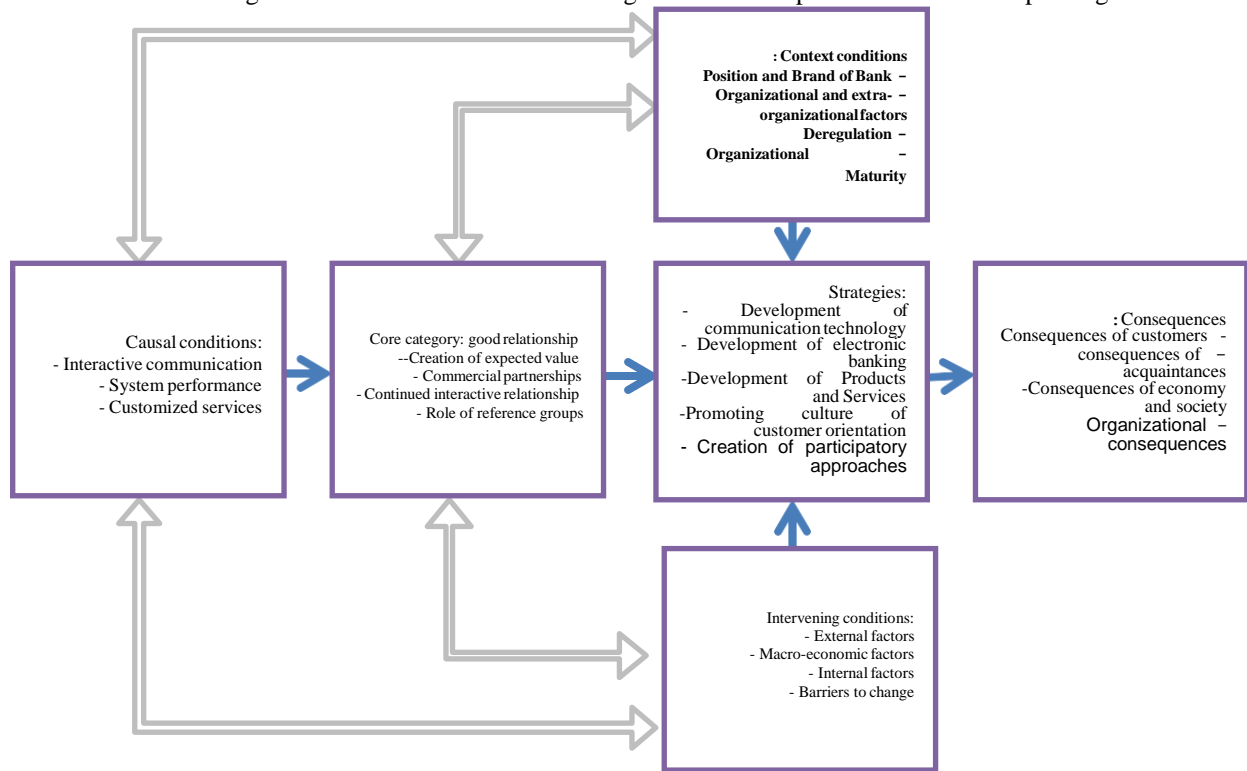
Model validation
Although some researchers believe that the discussion about the reliability and validity of data and research results is related to quantitative research (Christensen & Johnson, 2008), the fact is that the validation of data and results in qualitative research is a very important part of the research process (Creswell, 2012). There are various methods for validation in grounded theory. In the present study, two methods of reviewing by the participants and non-participants in the study (five faculty members) were used and the proposed model was confirmed.

Discussion and Conclusion
In this study, the grounded theory was used to propose an evaluation model for the process of customer relationship management, leading to strategies and consequences. Strategies are considered as a set of measures to manage and respond to the phenomenon under investigation. Consequences are the outputs or results of actions and reactions.

Table 5: concepts and categories of strategies

Main category: Strategies	sub-categories	open-codes (concepts)
	Development of communication technology	- Facilitating privileged customers' access to branches
	Development of electronic banking	- Equipping e-banking contact channels with customized services for privileged customers
		- Development of information infrastructure and data bases
	Development of Products and Services	- Providing customized service and VIP
		- Improving the current service delivery processes
		- Providing innovative and creative products and services
	Promotion of customer-oriented culture	- Improving the behavior of employees
		- Upgrading the system of responding to complaints and criticism of privileged customers
		- Periodic and regular surveys of customers privileged
		- Targeted and systematic communication with customers
	Creation of participatory approaches	- Playing a supportive role in the financing of customers
		- Respecting the integrity and confidentiality of customers' financial

information.

Table 6: concepts and categories of consequences

Main category: consequences	sub-categories	open-codes (concepts)
	Consequences related to the privileged customers	- Increasing privileged customer satisfaction - Receiving needed services - Maintaining dignity and respecting for privileged customers - Increasing the speed of services delivery
	Consequences related to family and acquaintances of privileged customers	- Financial support from the first-degree relatives of privileged customers - Providing facilitated services for blood and non-blood relatives of privileged customers
	Consequences related to privileged customers' business	- Providing facilitated services for staff to whom privileged customers refer - Development of business for privileged customers
	Consequences related to the economy and society	- Economic development - Promoting the welfare of society -Employment and development of talented specialists in private companies
	Organizational consequences	- Increasing the level of bank resources - Ensuring the sustainability of the bank resources - Reducing the level of risk arising from the withdrawal of privileged customers' resources from the bank - Promoting bank position in the competitive market of the banking industry

It is important to consider the following issues to create an ideal relationship between banks and privileged customers:

- Lack of proper attention to the different parts of the market in many domestic banks
- Diversity of banking systems in many Iranian banks, leading to heterogeneous databases
- Lack of customer-oriented organizational structure and procedures
- Lack of a clear definition on the concept of customer relationship, sometimes leading to false perceptions of the components and performance of the system

It is suggested that future researchers consider the development of measurement scales for the variables of this model to increase the generalizability of the research findings.

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