Impact of CRM, IMC, and PE on Purchase Intentions: Evidence from the Real Estate Market of Bangladesh

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Abstract

This study sought to identify the relative roles of Customer Relationship Management (CRM), Integrated Marketing Communication (IMC), Customer Referral Campaign (CRC) and Perceived Experience (PE) in the formation of the Purchase Intentions (PI) of Bangladeshi consumers. A total of 111respondents were literally categorized into apartment owners and prospective buyers, were eventually surveyed with the structured and self-administrated questionnaires followed by few in-depth interviews. The results of the study suggest that the three variables; CRM, IMC and PE appear to have significant direct impact on the formation of the Purchase Intentions (PI) of the apartment in Dhaka city. Conversely, CRC found to have no effect on the Purchase Intention (PI).

Key words: CRC, CRM, IMC, Purchase Intention (PI), Word of Mouth (WOM)

1.   Introduction

It is the contention of this paper that customer (or client) relationship management (CRM) is about managing not only existing but also prospective customers. The CRM philosophy can be implemented throughout the whole lifecycle of assets. As a management philosophy and set of tools, CRM has been successfully applied which covered a wide range of sectors which have been seen to recognize the need for CRM approaches to take into considerations an increasingly verse range of critical business in fiercely competitive industries, Real Estate sectors is one of them. Increased comparativeness means that the Real Estate businesses must be able to react even faster and more specifically to individual customer demands to win customer loyalty for as long as possible(Roy and Cochrane, 1999).

In order to create competitive advantages and achieve better results, real estate business relationships offer opportunities for several reasons which make the understanding of satisfaction, retention, and loyalty an important area of research. It states that the objective of CRM in the House Building Company is to build long-term relationships with customers. Thus, Customers will have positive Word of Mouth and spread to other prospective customers. (Hutt and Speh, 2004)indicated that due to establish and maintain long-term relationship between CRM in House Building companies and its customers, must establish a high level of customer relationship which is a core-marketing goal. CRM activities have become more viable and eventually have regarded as a vital toolfor business success. It is also considered as an important key to house building companies' success and profit.

Customer Relationship Management practices provides a company with the information necessary to know their customers understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners(Wedel and Kamakura, 2012). CRM is an enterprise wide approach to understand and influence customers' behavior through meaningful communication to improve customers' acquisition, customer retention, customer loyalty, and customer profitability. CRM may be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer(Peppers et al., 1999). This study examines the impact of the variables such as CRM, CRC, IMC and PE in the formation of the Purchase Intentions (PI) of Bangladeshi consumers of real estate.

2.   Literature Review:

Many Academics and practitioners generally take keen interest in professional adoptability of CRM since 1990s (Payne and Frow, 2005). It has been defined in many ways by different authors because of the introduction of the concept; consumers' decision-making process is highly dimensional and complex in nature. Learning about the consumer buying behavior is not so easy tasks. Very often consumers themselves are not sure that what exactly influences their purchases(Kotler and Armstrong, 2010). However, the best definition of CRM is developed by (Payne and Frow, 2005)by stating that 'CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with important customers and customer segments. CRM maintains the potential of relationship marketing strategies and Management Information Systems (MIS) activities to create profitable and long-term relationships with customers and other key stakeholders.

CRM provides broad opportunities to use data and information to both understanding customers and co-creating value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information technology, andits applications in the real world (Boulding et al., 2005). This is the way how CRM plays the vital role of value creation for customers, employees and shareholders so called stakeholders. (Payne et al., 2001) .(Levitt, 1960) gave the idea that for firms to stay in current operations, they should not focus on selling products but rather on fulfilling needs. In other words, it is a process of dual creation of value of CRM, again (Levitt, 1969)introducing the concept of the augmented product, stressing that consumers are interested in the total buying experience, not just the core product. Organizations are realizing the importance of the vital role played by relationships in achieving and maintaining the cutting edge at the market place. It is the customer which gives an opportunity to the organization to serve him (Payne et al., 2001).

Every organization sets its own policies and strategies to manage relationship with its customers to survive and sustain in the fiercely competitive environment. If organizations can learn enough about individual customers (Customers tastes and preferences), there will be a high probability to be more satisfied, trusting and willing to talk positively to others (Word of Mouth) about the organization's wonderful approaches and the organizational procedures for which new customers can be retained(Khan &Haque,2008).In the context of service industries, CRM practice has been widely adopted in an

endeavor to increase return on investment (ROI) through a relationship-oriented management approach (Barnes and Howlett, 1998).

It's a well-known fact that in a wide variety of industries - ranging from B2B service providers to consumer brands to ecommerce companies - positive word-of-mouth is the lowest cost and most effective way to generate customer intention, new leads, and immediate sales. Recently, the Word of Mouth Marketing Association (WOMMA, 2014) measured the total marketplace impact at $6 trillion dollars, and found that the value of a single word-of-mouth impression is anywhere from 5 to 100+ times more valuable than a paid media impression.

In today's digital world, positive word-of-mouth interactions can exponentially drive sales when leveraged through referral marketing programs. Referral marketing is when a company rewards fans, customers, influencers, and affiliates - basically any defined contact - for referring their products/services. Some company already started offering incentivized with monetary or nonmonetary rewards to imply Customer referral program. Customer Referral Campaign (CRC) has a powerful effect on consumers purchase intention. Marketing researchers denote this term as "word of mouth," We have studied the impact of referrals for decade which are interpersonal communication with far greater influence over consumer attitudes and behavior than either conventional advertising or neutral print sources (Buttle, 1998), and the value of personal referral constitute a significant portion of a customer's value (Kumar et al., 2007). It is studiedin10,000 accounts in a large German bank over a period of three years, and found that customers obtained through referrals are both more loyal and more valuable than other customers(Schmitt et al., 2011).

3.   Methodology

A total of 111 apartment buyers of Dhaka city were surveyed with the structured and self-administrated questionnaires followed by couples of paired interviews (these were carried out between June, 2017 and August, 2017).According to (Hoyle, 1995) a sample size of 100 to 200 is considered as a good starting point in carrying out path modeling. Each individual was approached with a structured questionnaire and requested to fill out the questionnaire and to return it to the researcher. Questionnaire items were primarily adopted from the prior studies related to real estate market. In order to match the research contest which was quite challenging task, researcher made some wording changes and incorporated some new questions as well.

All new questions went through the standard reliability test in order to ensure the internal consistency of the new items used in this study.

Questionnaire was divided into two parts; part one of the questionnaire consisted of five demographic questions while part two of the questionnaire comprised of sixteen categorical questions anchored with the manifest variables. All respondents were asked to fill out the questionnaire measuring their responses in five-point Likertscales ranging from strongly disagree(SD) to strongly agree(SA). Collected data were coded into statistical software, namely SPSS for the initial descriptive analysis. In order to test the stated hypotheses, SmartPLS 2.0 which is a complete structural equations modeling simulation developed by (Hair et al., 2011), was employed. However, some items(e.g., appendix) were eliminated due to poor factors loading in order to make the scales more reliable(Vinzi et al., 2010)
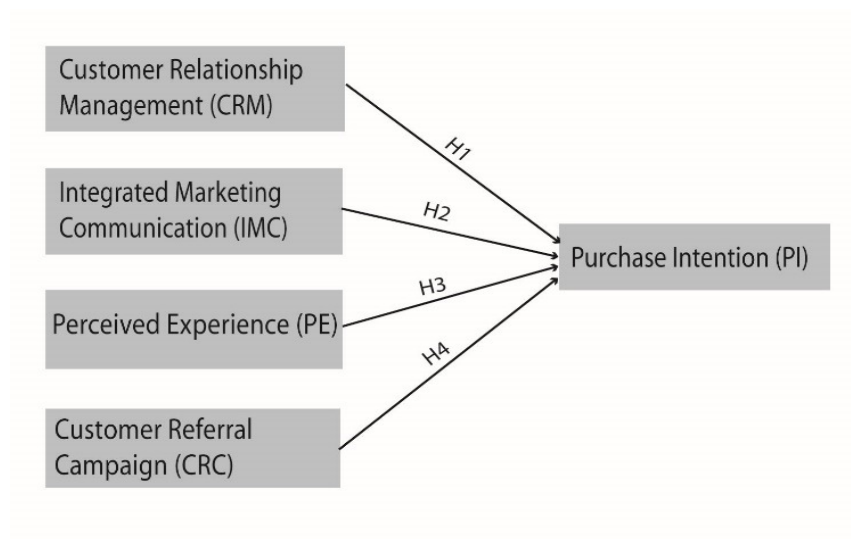
Research Model

Figure 1: Research Model

Figure 1 portrays the proposed research model of the study needs to be tested and analyzed. The arrows linking the endogenous and four exogenous variables are mainly forming the causal relationships between constructs. The above model gives birth to the following hypotheses need to be tested using a standard simulation.

Development of the Hypothesis

(Shani and Chalasani, 1992) have defined relationship marketing as" an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value added contacts over a long period of time" (p. 44). Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers creating superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value(Payne and Frow, 2005) .

Despite confusion and ambiguity, several scholars have, nevertheless, proposed definitions of the concept of IMC. IMC is the concept under which a company carefully integrates and coordinates its many communication channels to deliver a clear, consistent and compelling message about the organization and its message (Achrol and Kotler, 1999). Integrated Marketing Communication is a step towards an integrated approach in achieving efficiency by synergy. By definition, It involves the merging of distinct communication functions in a way that allows an organization to speak with "one voice, one look" (Fitzpatric, 2005).

Customer referral programs (CRPs)—defined as deliberately initiated, actively managed, continuously controlled firm activities aimed to stimulate positive word of mouth among existing customer bases have received increasing attention from marketing researchers and practitioners(Schmitt et al., 2011) . Their objectives are to use the social connections between existing customers and noncustomers to attract the latter to the firm. To achieve this conversion, the firm invites existing customers to participate in a CRP. Customers participated voice recommendations to prospects, which results in a reward if the recommendation leads to the recipient purchasing the recommended product (East et al., 2001). It is found that Referrals have long been identified as a source of new customer acquisition, (able to create

Purchase intention) especially in industries with high experience and credence qualities, Thus, potential customers able to overcome the difficulties to evaluate the service in advance (Dobele and Lindgreen, 2011). Therefore, we propose the following hypotheses:

H1: CRM will contribute to the formation of Bangladeshi consumers' purchase intentions.

H2: IMC will contribute to the formation of Bangladeshi consumers' purchase intentions.

H3: Purchase intentions of Bangladeshi consumer will be positively influenced by PE.

H4: CRC will have a positive influence on purchase intentions of Bangladeshi consumer.

4.   Result and Analysis

Demographics of the Respondents

The respondents of the study are mainly residing in Dhaka city; more than 60% of them are service holder of different organizations. Almost half of the respondents are in the income group of more than 1 lac, on the other hand, almost 30% of the respondents are in between 70k to 1 lac. Moreover about 20% of the respondents' income level is below 50k. In addition, nearly 20% of the respondents are owner of various businesses, rest are in teaching profession. During out survey, we found that nearly, 40% of the respondents are the owners of apartments and the rest are planning to acquire apartments in Dhaka city.

Reliability and Validity Analysis:

Table 1: Reliability and validity

	AVE	Composite Reliability	R Square	Cronbach's Alpha	Communality	Redundancy
CRC	0.5032	0.7523	0.0000	0.5075	0.5032	0.0000
CRM	0.5549	0.7848	0.0000	0.5804	0.5549	0.0000
IMC	0.5454	0.7013	0.0000	0.1748	0.5454	0.0000

PE	0.8020	0.8898	0.0000	0.7670	0.8020	0.0000
PI	0.9057	0.9665	0.3265	0.9479	0.9057	0.0776

Source: Estimated Result

From the table 1, it can be seen that the Cronbach's Alpha levels of the constructs; CRC, CRM, PI, PE appear to have adequate level. However, Alpha level of the construct, namely IMC appear to have inadequate value since the computed value is below the standard. According to (Dobele and Lindgreen, 2011)higher value for Cronbach's alpha indicates good internal consistency, but it does not mean that the scales are one-dimensional, we, therefore, did not eliminated the IMC construct from the model. Overall, it can be concluded that all scales used in this study have good internally consistency. Furthermore, all the AVE values and Composite Reliability values seem to have adequate since all estimated values exceeded the standard cut point (Vinzi et al., 2010).
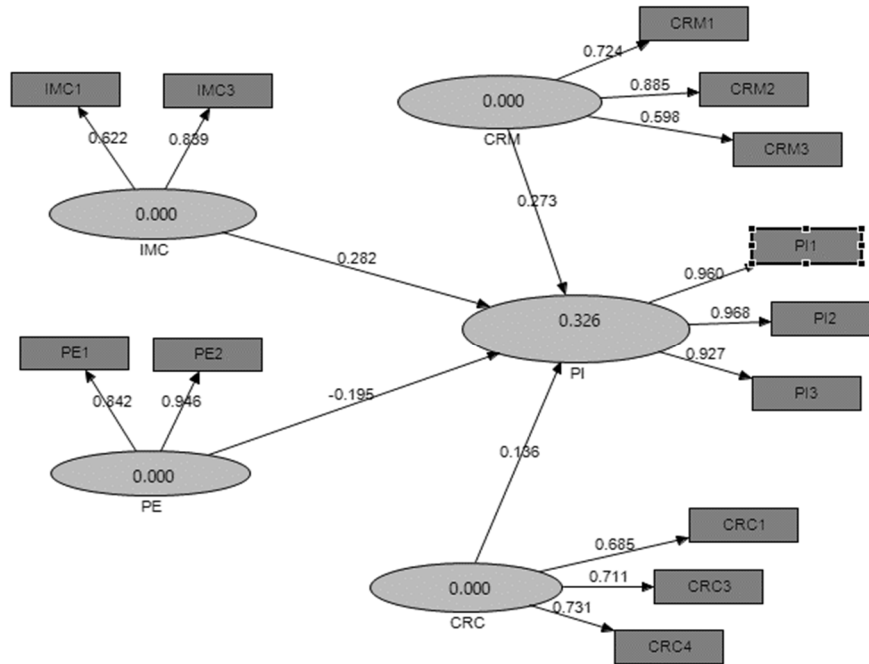
Analysis of the Structural Model:

Figure 2: Structural Model
Source: Simulation Output

Figure 1 depicted above encompasses the structural model of the study, which a direct output is taken from the simulation. The above model consists of five different constructs, four of which are exogenous in nature. The outer model comprising thirteen manifest variables. From the model exhibited in figure 2, it can be observed that the loadings of all manifest variables are quite satisfactory. Over all, the four variables; CRC, CRM, IMC and, PE together explaining nearly 33% ($R^2 = 0.326$)variance in purchase intention(PI)(Wong, 2013). In addition, if we look into the path coefficients of four hypothesized paths, it shows that among all variables, IMC has the strongest effect on PI followed by another variable, namely CRM.

Correlation Analysis:

Table 2: Correlations

Constructs	CRC	CRM	IMC	PE	PI
CRC	1.0000				
CRM	0.4205	1.0000			
IMC	0.4185	0.1303	1.0000		
PE	-0.0712	-0.4241	0.1495	1.0000	
PI	**0.3830**	**0.4499**	**0.3452**	**-0.2781**	1.0000

Source: Estimated Result

Table 2 shows the estimated correlations of four causal relationships. It appears that the significant positive relationships were found between CRC and PI (0.3830), CRM and PI (0.4499), IMC and PI (0.3452). However, the significant negative relationship was found between PE and PI (-0.2781), although the relationships are either positive or negative, the strengths of the relationships remain weaker. Therefore, to determine the statistical significant of the paths, it is more evident to run the regression analysis.

Testing Research Hypotheses

Table 3 Path coefficient and hypotheses

Hypothesized Paths	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)	Result
CRC -> PI	0.1579	0.0901	0.0901	1.5141	**Not Supported**
CRM -> PI	0.2876	0.0842	0.0842	3.2454	Supported
IMC -> PI	0.2733	0.0983	0.0983	2.8646	Supported
PE -> PI	-0.1951	0.0816	0.0816	2.3838	Supported

Source: Estimated Result

To calculate the t-statistics of the hypothesized paths, we simple run Bootstrapping which is also declared as a nonparametric approach. All t-values are given in the column five of the table 3. Thus, the hypothesized paths between CRM and PI (3.24), IMC and PI (2.86), and PE and PI (2.38) are statistically significant at a significance level of 5 percent ($\alpha = 0.05$; two-sided test). However, The Significant t-value of the hypothesized path between CRC and PI (1.52), which is below the standard cut point. Therefore,

the Hypothesized path between CRC and PI of the inner model is statistically not significant at all.

5.   Managerial Implications

Result confirms that CRM, PE and IMC have direct positive roles in the formation of purchase intentions of Bangladeshi consumer. Therefore, real estate companies tend to focus more on CRM activities. In addition, real estate companies should focus on building different loyalty programs that lead to more advocates clients, as result purchase intentions will be directly associated with CRC such as EWOM and WOM. However, PE is also proven as an influential factor that is directly affecting PI. Therefore, companies should engage existing buyers and should focus on customer satisfaction. However, CRC found to have no role in developing purchase intentions. Thus, companies may avoid extensive activities related to CRC and focus more on Customer Relation and Customer Satisfaction.

6.   Conclusions and Future Research Directions

This study attempted to examine the roles of CRM,CRC,PE and IMC in the formation of Purchase Intention (PI) of Bangladeshi buyer. Study incorporated structural equation modeling approach in order to analyze the research model stated in the earlier part of the paper. Study found that three out of four construct had significant positive impact on purchase intention (PI). Unfortunately, CRC had no effect on purchase intention among Bangladeshi consumers. This study can further be extended by incorporating more variables such as trust, client service, post purchase behavior of the seller, compliance with the existing model.

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APPENDIX A: Questionnaire Items

CRC: Customer Referral Campaign (α =0.5075)
CEC1: I often influenced by the persons who have proper information regarding apartments
CRC2: Sender really helped me with the purchase while considering final decision. *(eliminated due to poor factor loading)*
CRC3: I received valuable insight from the person whom I trusted more
CRC4: The person I trust influences me a lot to make my purchase decision

CRM: Customer Relationship Management(α =0.5804)
CRM1: I prefer to have long term relationship with the seller before purchasing apartment in Dhaka city
CRM2: I actively gather authentic information from the seller while taking purchase decision
CRM3: Sellers post purchase behavior really satisfied me to recommend others to buy apartments from the same developer.

PE: Perceived Experience (α =0.7670)
PE1: Site visiting is essential for a buyer to buy apartment in Dhaka city
PE2: Visiting Project status helps me to rely on seller proposition as he described
PE3: Project location influences me a lot to take the final decision *(eliminated due to poor factor loading)*

IMC: Integrated Marketing Campaign (α =0.1748)
IMC1: Direct communication influences me a lot to make the purchase decision
IMC2: Mass media has no influence on purchasing decision. *(eliminated due to poor factor loading)*
IMC3: Corporate image affects me to purchase apartment in Dhaka city

PI: Purchase Intention (α =0.9479)
PI1: I intend to purchase apartment in Dhaka city in future
PI2: I would consider purchasing apartment in Dhaka city.
PI3: I plan to purchase apartment in Dhaka city.