EFFECT OF CUSTOMER PERCEIVED VALUE ON CUSTOMER RELATIONSHIP MANAGEMENT PERFORMANCE IN AUTOMOBILE INDUSTRY IN IRAN

ZAHRA EHSANI

A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

Faculty of Management
Università Teknologi Malaysia

NOVEMBER 2015
Specially dedicated to:

*My lovely daughter, beautiful Auvina for her patience*
*My beloved parents for their priceless support and motivations*
*My dear husband Bahram for his support*
*My dear brothers Hossein and Amir and dear sister Sarshar for their motivations*
*My dear grandmother for her motivation.*
ACKNOWLEDGEMENT

The author wished to express her deep appreciation her mentor DR. Noor Hazarina Hashim for her invaluable assistance, guidance, insightful advises, encouragement, and kindness in the preparation of this research. I consider myself very fortunate in being able to work with such a very considerate and encouraging doctor as she. Much appreciation is expressed to the member of the examination committee for the first assessment and for last viva.

The author is also indebted to Universiti Technologi Malaysia (UTM) that provided facilities and support to pursue this degree. I shall also acknowledge the extended assistance from the Faculty of Management (FM) administration team and the Faculty of Graduate Studies (SPS) administration team who supported me all through my research experience and simplified the challenges I faced.

Special acknowledgment is extended to my lovely daughter (Auvina), beloved parents, my dear husband, dear brothers, all of you had to make difficult sacrifices along the way to support my study and of this be sure-know that I love all of you, thanks for everything.

Also, the author would like to thank my friends who helped me during my studies.
Based on relationship marketing theory and consumption experience theory, this research examines the relationship between customers perceived value with customer relationship management (CRM) performance. Despite myriad studies on customer values on CRM performance, studies tend to focus only on the utilitarian rather than hedonistic measurement of value. This study addressed this limitation by considering both, utilitarian and hedonistic aspect, in defining customer values. In this study, the measurement of customer perceived value includes functional value, social value, emotional value and epistemic value while CRM performance is measured through the intangible and tangible aspect. Gender, age, education level, monthly salary and number of car owned were identified as the control variables. Based on the setting in Iran automotive industry, the respondents of this study consist of the customers of Iran Khodro service center in Tehran. This study adopted quantitative approach and used questionnaire survey for its data collection using the multi-stage sampling technique. Four hundred respondents participated in the study. The Partial Least Square technique was used to analyse the relationship between variables. The results of this study supported the relationship between customer perceived value and CRM performance. The results showed that there are significant relationships between functional value, emotional value, social value, epistemic value with CRM tangible and intangible performance. Based on the results of this study, customer perceived value could be used to explain more than 85% of the variance of the CRM performance. Finally, this study contributes to the existing literature by determining the relationship between customer perceived values and CRM performance aspect.
ABSTRAK

# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
<td></td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
<td></td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
<td></td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
<td></td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
<td></td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiii</td>
<td></td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xvi</td>
<td></td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xvii</td>
<td></td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xviii</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Background of the study</td>
<td>1</td>
</tr>
<tr>
<td>1.2</td>
<td>Problem Statement</td>
<td>5</td>
</tr>
<tr>
<td>1.3</td>
<td>Research aim</td>
<td>9</td>
</tr>
<tr>
<td>1.4</td>
<td>Research Questions</td>
<td>9</td>
</tr>
<tr>
<td>1.5</td>
<td>Research Objectives</td>
<td>10</td>
</tr>
<tr>
<td>1.6</td>
<td>Research Scope</td>
<td>11</td>
</tr>
<tr>
<td>1.7</td>
<td>Contribution of Study</td>
<td>11</td>
</tr>
<tr>
<td>1.8</td>
<td>Definition of key terms</td>
<td>12</td>
</tr>
</tbody>
</table>
# LITERATURE REVIEW

2.1 Introduction  
2.2 The concept and definition of CRM  
  2.2.1 CRM and Relationship Marketing Theory  
  2.2.2 Measuring CRM Performance  
  2.2.3 Previous research on CRM  
2.3 The concept of customer perceived value  
  2.3.1 Defining customer perceived value (CPV)  
  2.3.2 CPV and Consumption Value Theory  
  2.3.3 Customer perceived value (CPV) Measures  
  2.3.4 Previous research on CPV  
2.4 Customer perceived value and performance of CRM  
2.5 Demographic variables  
2.6 Theoretical framework and Hypotheses  
  2.6.1 CPV linking to Intangible aspects of CRM relational outcomes  
  2.6.2 CPV linking to Tangible aspects of CRM relational outcomes  
  2.6.3 Intangible linking to Tangible aspect of CRM relational outcomes

# RESEARCH METHODOLOGY

3.1 Introduction  
3.2 Research design  
3.3 Research paradigm  
  3.3.1 Survey approach and Quantitative  
3.4 Questionnaire development
4 DATA ANALYSIS

4.1 Introduction

4.2 Section one: data screening
   4.2.1 Missing data
   4.2.2 Outliers
   4.2.3 Normality

4.3 Section two: demographic profiles
   4.3.1 Descriptive statistics

4.4 Section three: Pre-Analysis
   4.4.1 Non-Response Bias
   4.4.2 Common Method Bias
   4.4.3 Multicollinearity

4.5 Section four: analysis technique
   4.5.1 Testing measurement model
      4.5.1.1 Convergent validity
      4.5.1.2 Discriminant validity
   4.5.2 Construct reliability
4.6 Section five: Structural model 128
  4.6.1 Collinearity assessment 129
  4.6.2 Result of the main relationships 129
  4.6.3 Coefficient of Determination 133
  4.6.4 Effect size $f^2$ 134
  4.6.5 Predictive relevance $Q^2$ and $q^2$ 135

4.7 Section six: testing control variables 136
  4.7.1 Gender 137
  4.7.2 Age 138
  4.7.3 Educational level 139
  4.7.4 Monthly salary 141
  4.7.5 Number of cars owned 143

4.8 Summary 144

5 DATA ANALYSIS 146
  5.1 Introduction 146
  5.2 Discussion of the research findings 146
    5.2.1 Findings of first research question 147
    5.2.2 Findings of second research question 148
    5.2.3 Findings of third research question 151
    5.2.4 Findings of forth research question 153
    5.2.5 Findings of fifth research question 155
  5.3 Theoretical contribution 158
  5.4 Practical contribution 159
  5.5 Research limitations and future research 163
  5.6 Future research 119
  5.7 Conclusion 165

REFERENCES 167

Appendices A-Q 208-243
## LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Previous research on CRM perspectives</td>
<td>21</td>
</tr>
<tr>
<td>2.2</td>
<td>Definition of CRM based different academics’ perspectives</td>
<td>22</td>
</tr>
<tr>
<td>2.3</td>
<td>Summary of the CRM academics’ perspective</td>
<td>24</td>
</tr>
<tr>
<td>2.4</td>
<td>Five perspectives for implementation of CRM program</td>
<td>32</td>
</tr>
<tr>
<td>2.5</td>
<td>Measured used by previous empirical studies</td>
<td>34</td>
</tr>
<tr>
<td>2.6</td>
<td>Empirical studies on CRM performance</td>
<td>38</td>
</tr>
<tr>
<td>2.7</td>
<td>Definitions of customer perceived value as a ratio</td>
<td>48</td>
</tr>
<tr>
<td>2.8</td>
<td>Definitions of CPV as multi-dimension</td>
<td>48</td>
</tr>
<tr>
<td>2.9</td>
<td>Definitions of customer perceived value as trade-off</td>
<td>48</td>
</tr>
<tr>
<td>2.10</td>
<td>Compare Zeithaml (1988) and Sheth et al. (1991)</td>
<td>56</td>
</tr>
<tr>
<td>2.11</td>
<td>Empirical researches on perceived value</td>
<td>62</td>
</tr>
<tr>
<td>2.12</td>
<td>Empirical researches on CPV and different dimension</td>
<td>65</td>
</tr>
<tr>
<td>2.13</td>
<td>Research hypotheses</td>
<td>84</td>
</tr>
<tr>
<td>3.1</td>
<td>Questionnaire items</td>
<td>90</td>
</tr>
<tr>
<td>3.2</td>
<td>Items of the customer satisfaction scale</td>
<td>92</td>
</tr>
<tr>
<td>3.3</td>
<td>Items of the customer commitment scale</td>
<td>92</td>
</tr>
<tr>
<td>3.4</td>
<td>Items of the word of mouth communication scale</td>
<td>92</td>
</tr>
<tr>
<td>3.5</td>
<td>Items of the functional value scale</td>
<td>93</td>
</tr>
<tr>
<td>3.6</td>
<td>Items of the emotional value scale</td>
<td>94</td>
</tr>
<tr>
<td>3.7</td>
<td>Items of the social value scale</td>
<td>94</td>
</tr>
<tr>
<td>3.8</td>
<td>Items of the epistemic value scale</td>
<td>94</td>
</tr>
<tr>
<td>3.9</td>
<td>Items of the control variables</td>
<td>95</td>
</tr>
<tr>
<td>3.10</td>
<td>English pre-test finding</td>
<td>96</td>
</tr>
<tr>
<td>3.11</td>
<td>Cronbach’s alpha of English version questionnaire</td>
<td>98</td>
</tr>
<tr>
<td>3.12</td>
<td>Cronbach’s alpha values of the study’s constructs</td>
<td>99</td>
</tr>
<tr>
<td>3.13</td>
<td>Validity and reliability process in this study</td>
<td>100</td>
</tr>
<tr>
<td>4.1</td>
<td>Normality test</td>
<td>113</td>
</tr>
<tr>
<td>4.2</td>
<td>Frequency table of respondents’ profile</td>
<td>115</td>
</tr>
<tr>
<td>4.3</td>
<td>Descriptive statistics of items</td>
<td>116</td>
</tr>
<tr>
<td>4.4</td>
<td>Chi-squared (Nominal variable)</td>
<td>118</td>
</tr>
<tr>
<td>4.4</td>
<td>Chi-squared (Ordinal variable)</td>
<td>118</td>
</tr>
<tr>
<td>4.6</td>
<td>VIF test of multicollinearity</td>
<td>120</td>
</tr>
<tr>
<td>4.7</td>
<td>Factor loadings of the research constructs</td>
<td>122</td>
</tr>
<tr>
<td>4.8</td>
<td>AVE of the constructs</td>
<td>124</td>
</tr>
<tr>
<td>4.9</td>
<td>Correlations between the main variables</td>
<td>125</td>
</tr>
<tr>
<td>4.10</td>
<td>Factor-loadings and cross-loadings</td>
<td>126</td>
</tr>
<tr>
<td>4.11</td>
<td>Composite reliability and Cronbach alpha</td>
<td>127</td>
</tr>
<tr>
<td>4.12</td>
<td>Supported hypothesis, path coefficients and t-statistics</td>
<td>131</td>
</tr>
<tr>
<td>4.13</td>
<td>Supported hypothesis, path coefficients and t-statistics</td>
<td>133</td>
</tr>
<tr>
<td>4.14</td>
<td>R square</td>
<td>134</td>
</tr>
<tr>
<td>4.15</td>
<td>Effect size of $f^2$</td>
<td>134</td>
</tr>
<tr>
<td>4.16</td>
<td>Predictive relevance of $Q^2$</td>
<td>135</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>4.17</td>
<td>Effect size of $q^2$</td>
<td>136</td>
</tr>
<tr>
<td>4.18</td>
<td>Levene’s F test for homogeneity of variance of gender</td>
<td>138</td>
</tr>
<tr>
<td>4.19</td>
<td>Levene’s F test for homogeneity of variances of age</td>
<td>139</td>
</tr>
<tr>
<td>4.20</td>
<td>Levene’s F test for homogeneity of variances</td>
<td>140</td>
</tr>
<tr>
<td>4.21</td>
<td>Result of ANOVA analysis for educational level</td>
<td>140</td>
</tr>
<tr>
<td>4.22</td>
<td>Levene’s F test for homogeneity of monthly salary</td>
<td>142</td>
</tr>
<tr>
<td>4.23</td>
<td>Result of ANOVA analysis for monthly salary</td>
<td>142</td>
</tr>
<tr>
<td>4.24</td>
<td>Levene’s F test for homogeneity of cars owned</td>
<td>143</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Links between different CRM approaches</td>
<td>24</td>
</tr>
<tr>
<td>2.2</td>
<td>The entities of CRM</td>
<td>25</td>
</tr>
<tr>
<td>2.3</td>
<td>CRM relational outcomes aspects in this study</td>
<td>40</td>
</tr>
<tr>
<td>2.4</td>
<td>Intangible aspect of CRM relational outcomes in this study</td>
<td>41</td>
</tr>
<tr>
<td>2.5</td>
<td>Tangible aspect of CRM relational outcomes in this study</td>
<td>44</td>
</tr>
<tr>
<td>2.6</td>
<td>A means-end model (Zeithaml, 1988)</td>
<td>51</td>
</tr>
<tr>
<td>2.7</td>
<td>Consumption value model (Seth et al., 1991)</td>
<td>53</td>
</tr>
<tr>
<td>2.8</td>
<td>CPV dimensions in this study</td>
<td>67</td>
</tr>
<tr>
<td>2.9</td>
<td>Five steps for improving customer performance</td>
<td>72</td>
</tr>
<tr>
<td>2.10</td>
<td>Research mode</td>
<td>84</td>
</tr>
<tr>
<td>3.1</td>
<td>Research methodology process</td>
<td>86</td>
</tr>
<tr>
<td>3.2</td>
<td>The stage of questionnaire development</td>
<td>89</td>
</tr>
<tr>
<td>3.3</td>
<td>Participant selection process</td>
<td>104</td>
</tr>
<tr>
<td>4.1</td>
<td>Structure model assessment procedure</td>
<td>128</td>
</tr>
<tr>
<td>4.2</td>
<td>Final research model of PLS analysis for main structural</td>
<td>130</td>
</tr>
<tr>
<td>4.3</td>
<td>Result of PLS analysis</td>
<td>132</td>
</tr>
</tbody>
</table>
### LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>Customer Relationship Management</td>
</tr>
<tr>
<td>CPV</td>
<td>Customer Perceived Value</td>
</tr>
<tr>
<td>RM</td>
<td>Relationship Marketing</td>
</tr>
<tr>
<td>WOM</td>
<td>Word-of-Mouth</td>
</tr>
<tr>
<td>FV</td>
<td>Functional Value</td>
</tr>
<tr>
<td>EV</td>
<td>Emotional Value</td>
</tr>
<tr>
<td>SV</td>
<td>Social Value</td>
</tr>
<tr>
<td>EpV</td>
<td>Epistemic Value</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modeling</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
</tr>
<tr>
<td>AVE</td>
<td>Average Variances Extracted</td>
</tr>
<tr>
<td>CR</td>
<td>Composite Reliability</td>
</tr>
</tbody>
</table>
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>APPENDIX</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>English Version of Questionnaire</td>
<td>208</td>
</tr>
<tr>
<td>B</td>
<td>Persian Version of Questionnaire</td>
<td>212</td>
</tr>
<tr>
<td>C</td>
<td>Missing Value</td>
<td>215</td>
</tr>
<tr>
<td>D</td>
<td>Outlier</td>
<td>217</td>
</tr>
<tr>
<td>E</td>
<td>Independent sample test of all items</td>
<td>221</td>
</tr>
<tr>
<td>F</td>
<td>Result of efa to verify common method bias</td>
<td>227</td>
</tr>
<tr>
<td>G</td>
<td>Descriptive Statistics of Gender</td>
<td>228</td>
</tr>
<tr>
<td>H</td>
<td>Result of T-test analysis for Gender</td>
<td>229</td>
</tr>
<tr>
<td>I</td>
<td>Descriptive statistics of Age</td>
<td>230</td>
</tr>
<tr>
<td>J</td>
<td>Result of ANOVA analysis for Age</td>
<td>232</td>
</tr>
<tr>
<td>K</td>
<td>Descriptive Statistics of Educational Level</td>
<td>234</td>
</tr>
<tr>
<td>L</td>
<td>Result of the ANOVA</td>
<td>236</td>
</tr>
<tr>
<td>M</td>
<td>Descriptive Statistics of Monthly Salary</td>
<td>237</td>
</tr>
<tr>
<td>N</td>
<td>Result of ANOVA analysis for Monthly salary</td>
<td>239</td>
</tr>
</tbody>
</table>
O  Descriptive Statistics of Number of Cars owned 240

P  Result of ANOVA analysis for Number of Car owned 242

Q  Result of the ANOVA 243
CHAPTER 1

INTRODUCTION

This chapter introduces the research background and statement of the problem. The following sections illustrate research objectives, research questions, scope of the research, and contribution. The final sections describe definition of key terms and research outline.

1.1 Background of the Study

Iran’s auto industry is the second largest industry in Iran after oil and gas. Currently, Iran’s auto industry is the 12th largest industry in the world and the largest in the Middle-East. This research is about Iran Khodro Car Company (IKCO), the national car manufactory which was established in 1962.

According to Iran Khodro’s website (ikco.ir) in 2015, IKCO is the main automaker of Iran with the head office in Tehran. It has a production capacity of over 1,000,000 units per year, employs about 21 thousand employees, and has more than 2000 service centres around the country. IKCO has both domestic and international markets for sales distribution. It exports its cars to more than 30 countries mainly located in Middle East, North Africa and East Europe regions.

Managing customers are becoming more challenging for business, as customers become more knowledgeable and demand for greater attention (Hogan, 2001; Smith, 2012). Hence, many companies focused to fulfil customers’ needs by
building good relationship. As such, to business customer relationship management (CRM) has become critical (Hogan, 2001; Foss, Stone, and Ekinci, 2008; Hung et al., 2010). Relationship Marketing (RM) (Berry, 1983) is the foundation of Customer Relationship Management (CRM) that focused on the long-term relationships with stakeholders to gain a competitive advantage (Christopher et al., 1991; Morgan and Hunt, 1994; Harker, 1999; Wu and Wu, 2005; Huang and Wang, 2009; Hung et al., 2010; Smith, 2012). One of the main groups of stakeholders is the customer (Friedman and Miles, 2006). The main focus of both relationship marketing theory and CRM is the long-term individual relationships between customer and company that will achieve benefits for both of them (Sin, Tse, and Yim, 2005).

The definition of CRM varies from industries and applications (Winer, 2001; Buttle, 2004). Some researchers defined CRM as a business philosophy (e.g. Ryals and Knox, 2001; Zablah et al., 2004b; Huang and Wang, 2009), a business strategy (e.g. Parvatiyar and Sheth, 2001; Karakostas, Kardaras, and Papathanassiou, 2005; Tarokh and Ghahremanloo, 2007), a technological tool (e.g. Bose, 2002; Campbell, 2003). To date, there is no consensus on the meaning of CRM (Winer, 2001; Woodcock and Starkey, 2001; Ngai, 2005; Hung et al., 2010), as well as how to measure performance of CRM (Wang et al., 2004).

Nonetheless, the literature agrees that the ultimate aim of CRM is to create and maintain long-term relationships with customers. CRM helps to create positive returns for the company (Slater and Narver, 1994; Oliver, 1999; Hung et al., 2010; Smith, 2012) and it is more important in service industries (Hogan, 2002; Bourdeau, 2005). Thus, CRM is an extensive strategy and process for obtaining and retaining existing customers to create superior value for the customers and managing long-term relationships with customers (Srivastava, Shervani, and Fahey, 1998; Parvatiyar and Sheth, 2001).

Value is the fundamental basis for all marketing activities (Holbrook, 1994). Value implies an interaction between a customer and a product or service (Payne and Holt, 2001). Value is the outcome of an evaluative judgment (Holbrook, 1994). One of the most important marketing strategies of the twenty-first century is to create
value for customers (Moreau, et al., 2012). According to Vargo and Lusch (2008), creation of superior value for customer is a key element for ensuring companies success. Related to value, customer perceived value is defined as customer’s expectations or value that customers experience by using a product or service, and it influences purchasing behavior (e.g. Day, 1990; Mazumdar, 1993; Vulder, 2011; Bettman et al., 1998).

Zeithaml (1988), using utility theory, defined customer perceived value as a customer’s overall assessment of the utility of a product or service based on perceptions of what is received and what is given. Zeithaml (1988) proposed that all costs that incurred to customers should be combined as perceived costs whereas the benefit components of perceived value should include perceived quality, and other intrinsic and extrinsic attributes (Monroe, 1990; Flint et al., 2002; Sanchez and Iniesta, 2007).

In defining value, Zeithaml (1988) focused on the deductive measurement and measures customer perceived value as the difference between the total sum of benefits achieved and costs incurred. Perceived costs include all the costs that are incurred to customers, such as monetary price and non-monetary price (e.g. time and effort), and benefit components include perceived quality, and other intrinsic and extrinsic attributes. Zeithaml (1988) measured customer perceived value by measuring the functional value of a product. The functional value is measured based on quality (superiority or excellence) and price. According to Zeithmal (1988), the more a consumer spends on a product the higher customer’s expectations on the quality of product (Berry and Yadav, 1996; Salter, 1997; Fiol et al., 2011).

Later work by Sheth et al. (1991a), using consumption value theory, defined customer perceived value as a function of multiple consumption values include functional, social, emotional, epistemic and conditional values. Consumption values make differential contributions in any given choice situation. Consumption values are independent. Overall perceived value has been measured with single-item or multi-item scales (Dodds, Monroe, and Grewal, 1991; Chiou, 2004; Pura and Gummerus, 2007).
Sheth et al. (1991), defined customer perceived value based on Holbrook and Corfman’s (1985) consumption experience theory by arguing that products should be largely evaluated as two dimensional structures based on utilitarian and hedonic criteria. Sheth et al. (1991) assumed that choice behavior may be motivated not only by utility or utilitarian value, but also by hedonic aspects such as the service use experience.

Zeithaml’s (1988) definition on perceived value concept focused on the deductive measurement of predefined value categories. It focused on the utilitarian aspect, shopping costs, and defined value as a one-dimensional construct (functional value: functional attributes of products). In contrast, Sheth et al. (1991) conceptualized perceived value as multi-dimensional which includes functional value, social value, emotional value, epistemic value, and conditional value. Sheth et al. (1991) evaluated perceived value based on parallel measurement. Sheth et al. (1991) defined perceived value as value judgment based on benefits. Finally, Sheth et al. (1991) considered utilitarian and hedonic aspects both for products and services. Nonetheless, to date there are a few studies that define customer perceived value based on Sheth et al.’s (1991) definition.

The auto industry was formerly focused on product, while today the industry focuses on service to create long-term relationships with customers. However, the creation of long-term relationships is a difficult process in an industry distinguished by mass production such as the auto industry. As a result, knowledge about customers and a focus on customers’ needs and wants is considered as contributing to a car company’s competitive advantages (Mittal and Lassar, 1998). Despite their important role and contribution to business, there is, up to now, little consensus on customer perceived value and its relationship with CRM relational outcomes in the auto industry. The following section describes the problem statement of this study.
1.2 Problem Statement

Customer relationship management (CRM) is an essential structural process which is supported by relationship marketing theory that centers on creating, keeping, and increasing long-term relationships with customers (e.g. Morgan and Hunt, 1994; Berry, 1995; Coltman, Devinney, and Midgley, 2010). Although relationship marketing theory is the foundation of CRM, there is a lack of empirical research linking CRM relational outcomes based on relationship marketing theory (Stefanou et al., 2003; Hung et al., 2010; Smith, 2012).

Numerous studies have been conducted to investigate the acceptance and implementation of CRM performance (e.g. Wu, 2002; Tamilarasan, 2011), but there is no general agreement on how to evaluate CRM performance (e.g. Morris et al., 2002; Kotler, 2002; Wang, et al., 2004; Tamilarasan, 2011). 70% of the CRM projects reported failure to meet their objectives (Payne and Frow, 2006). The success rate to implement CRM is less than 30% (Mishra and Mishra, 2009). The key documented reason for failure is due to lack of appropriate measure used by companies or organisations to monitor performance of CRM (Pedron and Saccol, 2009). According to Payne and Frow (2005), appropriate measure is performance monitoring which defined to be more customer-oriented. While CRM activities have a different effects depending on the background of where and when they are performed (Boulding et al., 2005), using appropriate measure may help them to be succeed. Although successful performance of CRM helps companies to increase profit and achieve competitive advantage (Boysen, 2013), there is a lack of appropriate measures used by empirical research studies to monitor performance of CRM.

Since, there is no consensus on the meaning of CRM, the definition of CRM varies from industries and academics (e.g Winer, 2001; Buttle, 2004; Huang and Wang, 2009). From the industries’ viewpoint, most previous studies on CRM focused on companies’ viewpoint and managerial’s viewpoint (e.g. Gefen and Ridings, 2002; Sin et al., 2005; Griffith, Yalcinkaya, and Calantone, 2010), with limited consideration given to the customers’ viewpoint (Ramani and Kumar, 2008).
Although understanding customer’s needs and wants is the key successful performance of CRM, there is a lack of study on CRM with focuses on customer’s viewpoint. From the academics’ viewpoint, most previous research defined CRM as a business philosophy (e.g. Ryals and Knox, 2001; Zablah et al., 2004b), as a business strategy (e.g. Parvatiyar and Sheth, 2001; Tarokh and Ghahremanloo, 2007), and as a technology (e.g. Bose, 2002; Campbell, 2003; Hung et al., 2010). A few studies define CRM through its relationships with philosophy and strategy (e.g. Payne, 2006; Liou, 2009). Although the philosophy approach is customer-oriented approach and strategy approach used as the interface with customers to understand the needs and behaviors of customers and achieve competitive advantage, but there is a lack of research to define CRM through its relationships with philosophy and strategy.

The basic problem which arises from lack of customer-orientation is the poor implementations of CRM performance (e.g. Wu, 2002; Raman and Pashupati, 2004; Wang et al., 2004; Tamilarasan, 2011). To avoid this problem, companies need to be more customer-oriented. To be customer-orientated, companies need to better understand customers and customers’ requirements by build and maintain relationship with their customers to provide superior value for the customers. An essential element of any customer-oriented organization strategy is understand customer perceived value in a given product or service (Desarbo et al., 2001). Hence, new theoretical frameworks to structure the different dimensions of perceived value are needed.

Most previous researches on customer perceived value tend to focus on utilitarian value to measure customer perceived value (e.g. Zeithaml, 1988; Monroe, 1990; Kotler, 2000; Flint et al., 2002; Hellier et al., 2003; Chiou, 2004; Wang et al., 2004; Bhasin, 2010). Although customers experience utilitarian and hedonic value and evaluate experiences along utilitarian and hedonic dimensions (Babin et al., 1994), there is a lack of research with focus on both utilitarian and hedonic value (Pihlström and Brush, 2008). However, certain experience includes utilitarian and hedonic value. Hence, should be considering both utilitarian and hedonic value. So,
more research is needed with focus on utilitarian and hedonic value to measure customer perceived value.

Most previous customer perceived value models have been empirically tested in the traditional interpersonal service and electronic service environment (Shankar et al., 2003), with limited consideration on the automobile industry. The auto industry is one of the most globalized industries (Humphery and Memedovic, 2003, Nag et al., 2007). The auto industry is still regarded as one of the world’s important and fundamental industry (Nag et al., 2007) which called as “industry of industries” (Drucker, 1946). Currently, automobile industries are undergoing huge pressure from competitors and customers for survival and growth (Pophaley and Vyas, 2010). Accordingly, the role of satisfied consumers in automobile industries to achieve market targets is more important than ever. To succeed in competitive market, the products and services of an automobile industry must be maintained based on consumers’ expectations (Yee et al., 2011). The key success of any auto manufacturers is to meet customers’ expectations and responsive to customer demands (Binder et al., 2007). Despite the importance of auto industry, few studies have been conducted to auto industry of Iran particularly Iran Khodro Company of Iran (Boroujeni et al., 2013).

Iran Khodro automobile industry (IKCO) is one of the most known and crucial industry in Iran. Iran Khodro Company (IKCO) is the first company among top 100 Iranian leading industrial companies. IKCO is the largest auto maker company in Iran with more than 95% of the total market share (Rahmati and Yousefi, 2011). IKCO manufactures the cars of its own brand such as Samand, Runna, Dena, Sarir and Soren and it does not produce any luxury cars. Although the ultimate aim of IKCO’s company is becoming the most successful Iranian company with world class competency (Rahmati and Yousefi, 2011), but searching through databases and Iran annual reports shows customer satisfaction is remarkably low regarding the product and services of IKCO’s car in 2002. As well, Iran Khodro’s news in 2002 reported that CRM is not implemented properly in IKCO similarly based on previous studies the performance of CRM is disregarded in IKCO (e.g. Kavosh et al., 2011). Hence,
more customer-oriented research is needed to empirically test the automobile industries of Iran.

As a final point, the rapidly changing environment of business and industries has significant effect on industries’ activities and performance. In addition, in a highly competitive environment where the acquisition of new customers has often proved much more expensive than retaining and expanding the ones companies already have. Knowledge about customers and understanding customers’ requirements is a key success of companies to build and keep customers in long-term relationship to achieve competitive advantages (Mittal and Lassar, 1998). The rapid changing of technology to reach and store customers’ information in competitive market has significant effect on companies’ performance. To remain in competitive market, companies need to use latest technology to reach and store mass of customers’ information (Bahari and Elayidom, 2015).

As well, organizations need large amounts of customers’ data for CRM implementation (e.g. Lewis, 2005; Bahari and Elayidom, 2015). Customers’ information can used in companies for decision making, forecasting and predicts the future customer behaviours (Ngai et al., 2009). Customers’ data or customers’ personal information help companies to recognize their customers and build long-term relationship with customers to achieve competitive advantage (Bahari and Elayidom, 2015). Companies use customers’ information as a basic source of their activities. Accordingly, industries’ activities and performance are influenced by customers’ information as external factors (Bahari and Elayidom, 2015). Customers’ information as external factors assessed as demographic variables in previous studies (e.g. Rouhani and Hanzae, 2012; Ekhlassi, 2012). However, there has not been enough investigation on external factors such as customers’ information as demographic variables in customer perceived value studies and in the CRM performance (e.g. Greve and Albers, 2006; Grégoire and Fisher, 2008; Turel et al., 2010). Reviewing the literature, this study chose some basic information of customers such as gender, age, educational level, monthly salary, and number of cars owned as demographic variables that may influence the main relationship of this study.
Consequently, to fill these gaps in the literature, this study aims to establish an empirical examination by providing a model to investigate the relation between customer perceived value factors with CRM relational outcomes in automobile industry in Iran.

1.3 Research aim

Based on relationship marketing theory (Berry, 1983) and consumption value theory (Sheth et al., 1991), this research hypothesizes that companies need to understand customer perceived value to increase CRM relational outcomes. Hence, the aim of this study is to develop and empirically test a conceptual model of customer perceived value including functional value, emotional value, social value, and epistemic value and the relationship between the outcomes of these perceived values’ with CRM relational outcomes.

1.4 Research Questions

1. To what extent does customer perceived value influence CRM relational outcomes in the automobile industry?

2. What is the relationship between (a) functional value, (b) emotional value, (c) social value, (d) epistemic value and CRM intangible relational outcomes in the automobile industry?

3. What is the relationship between (a) functional value, (b) emotional value, (c) social value, (d) epistemic value and CRM tangible relational outcome in the automobile industry?

4. What is the relationship between intangible aspect and tangible aspect of CRM relational outcomes in the automobile industry?
5. What is the different between CPV’s outcome and CRM aspects based on (a) gender, (b) age, (c) education level, (d) monthly salary, (e) number of cars owned as control variables?

1.5 Research Objectives

The research will examine the relationship between the outcomes of these customer perceived values’ with CRM relational outcomes. Thus, to provide solutions to the research problem, these research objectives were identified and formulated as follows:

1) To examine and empirically test a framework on the relationship between customer perceived value and CRM relational outcomes in the automobile industry.

2) To investigate the relationship of (a) functional value, (b) emotional value, (c) social value, (d) epistemic value with CRM intangible relational outcomes in the automobile industry.

3) To investigate the relationship of (a) functional value, (b) emotional value, (c) social value, (d) epistemic value with CRM tangible relational outcome in the automobile industry.

4) To investigate the relationship of intangible aspect with tangible aspect of CRM relational outcomes in the automobile industry.

5) To identify the influence of (a) gender, (b) age, (c) education level, (d) monthly salary, (e) number of cars owned as control variables on the relationship CPV outcomes and CRM aspects.
1.6 Research Scope

This study focused on Automaker Company in Iran (Iran Khodro Company). The researcher chose Iran Khodro Company as it is the largest automaker company in Iran, which leads to a wide range of customers. Customers of Iran Khodro Company in Tehran are selected as the respondents in this research.

1.7 Contribution of this study

This study addresses the previous limitation on customer perceived value (CPV) by considering both utilitarian and hedonic value. This study measured the CPV using the consumption value model (Sheth et al., 1991) with focus on both utilitarian and hedonic value. This study is to use existing measures for the four elements of value in the original consumption value’s elements which include; functional value, emotional value, social value, and epistemic value to process customer perceived value.

One of the contributions of this study is to empirically validate Sheth et al.’s (1991) framework within the automobile and developing country settings. Based on Sheth et al.’s (1991a) framework, four dimensions of customer perceived value were applied in this study: functional value, emotional value, social value and epistemic value. Until recently, detailed studies concentrating on understanding the relationship between CPV and CRM performance were not available, nor had any such study been undertaken in the auto industry of a developing country. Thus, there is an opportunity to investigate that relationship in that context.

The second contribution is applying the performance monitoring concept to measure CRM relational outcomes. In this study CRM focuses on customer’s viewpoint. So, in this study the performance evaluation of CRM is based on the relational outcomes (relations quality as intangible aspect and behavioural as tangible aspect) (e.g. Jain et al., 2003; Wang et al., 2004; Kim and Kim, 2009). Thus, in this study CRM relational outcome factors include satisfaction and commitment as an
intangible aspect of CRM relational outcomes, and word-of-mouth communication as a tangible aspect of CRM relational outcomes to increase profit and achieve competitive advantage.

Likewise, in this study CRM relational outcome is based on customer-orientation model to better understand customers’ needs and wants to achieve profits and competitive advantages. As well, to fill previous the research gap, this study focuses on CRM relational outcomes based on the relationship marketing theory to build and maintain long-term relationship with customer to achieve profit and competitive advantage. Then, based on the performance evaluation of CRM in this study, this study defines CRM relational outcomes as a philosophy and customer-focused business strategy to create long-term relationship with customers to increase company’s profit and achieve competitive advantage by improving customer value.

Finally, this study is being conducted in order to provide a basis for an assessment of the future of the auto industry in Iran. The auto industry is one of the most globalized industries (Sturgeon et al., 2007). The important characteristic of the auto industry is intense competition (Doner and Ravenhill, 2006). Despite the importance of auto industry, few studies have been conducted to auto industry of Iran particularly Iran Khodro Company of Iran (Boroujeni, Jafari, and Najafian; 2013). Hence, the results of this study are expected to contribute to the understanding of customer perceived value, and CRM relational outcomes towards customers. Therefore, Iran auto makers will also have greater understanding of their customers, and be able to make necessary adjustments to fulfill their customers’ needs and wants. It is expected that in this way, some knowledge will be added to marketing research in the auto industry field.

1.8 Definition of key terms

The following terms are used in this study. These items will be explained in more detail in chapter two:
Customer perceived value: Customer perceived value is the value that a customer perceives to receive and experience by using product or service, and it influences directs purchase behavior (Sheth et al., 1991; Bettman et al., 1998; Helander and Ulkuniemi, 2011). In this study, customer perceived value is defined as a multidimensional construct of the utilitarian and hedonic value of product and service and measured through four variables including functional value, emotional value, social value, and epistemic value. This study considers both product and service in the defining customer perceived value.

Functional value: In this study, functional value refers to the attributes related to the product and services quality and services performance through personal experiences and expectations of the IKCO’s product and services.

Emotional value: In this study, emotional value refers to the feelings that a product and services generates through experiences and expectations of using product and services related with hedonistic such as enjoyment and fun experiences with IKCO’s product and services.

Social value: In this study, social value refers to the product’s and services’ ability to enhance association with social groups through personal experiences and expectations of IKCO’s product and services.

Epistemic value: In this study, epistemic value refers to the novelty aspect of a product and services; a product’s and services’ capacity to arouse curiosity and offer novelty through personal experiences and expectations of IKCO’s product and services.

CRM relational outcomes: CRM performance includes both perceptual (e.g. satisfaction, loyalty, word-of-mouth) and objective (e.g. profit, turnover, return on investment). This study focuses only on the perceptual measurement; indicating a focus on the relational outcomes. Hence, this study uses two measurements; intangible and tangible to measure the CRM relational outcomes. Then, based on the performance evaluation of CRM in this study, this study defines CRM relational
outcomes as a philosophy and customer-focused business strategy to create long-term relationship with customers to increase company’s profit and achieve competitive advantage.

Intangible aspect of CRM relational outcomes according to Wang et al. (2004) includes satisfaction and according to Kim and Kim (2009) includes commitment.

**Satisfaction:** Satisfaction is defined as an evaluation of a product and service experience (Hunt, 1997). Satisfaction is the overall evaluation of service that shapes future interactions (Crosby et al., 1990). In this study satisfaction indicates the overall evaluation of service experience based on personal experience and expectations of IKCO’s services.

**Commitment:** Commitment is defined as a consumer’s sense of belonging and involvement with a service provider similar to emotional bonding (Rhoades et al., 2001; Fullerton, 2003). In this study commitment indicates the consumer’s sense of belonging and involvement with a service provider based on personal experience and expectations of IKCO’s services.

The second aspect is Tangible aspect of CRM relational outcomes which emphasizes the probable behaviors of customer (Buttle, 2004; Hendricks et al., 2007). In this study, tangible aspect of CRM relational outcomes includes word-of-mouth communication (WOM) (Cornelsen, 2002; Wang et al., 2004). These behaviors clearly create tangible advantage, such as profit, and in this study are considered as the final focus of CRM.

**Word-of-Mouth Communication:** Word-of-mouth communication is defined as “any information about a target object such as company, brand and service, transferred from one individual to another either in person or via some communication medium” (Brown et al., 2005, p.125). In this study Word-of-mouth communication indicates the transfer of positive personal perceptions about services to other people based on personal experiences and expectations of IKCO’s services.
1.9 Outline of thesis

In this chapter, were introduced key conception and concepts of the research. It has also clarified the background of research, statement of problem, research questions, objectives, scope of the research and significance of the study and contribution. Moreover, it provided important definition of key terms of the study.

The next chapter reviews the literature related to this study. The literature review starts by discussing CRM performance and its background and theories. It continues with discussion related to the main theories in this study and customer perceived value. Review of literature provides critical analysis of related theoretical and empirical literature on CRM performance and CPV. As a final point, the research model and research hypotheses are explained for this study.

Chapter three discusses the research methodology and items measurement for testing the proposed conceptual model. The chapter includes the research design, sample frame, method of study, research instrument, questionnaire development, data collection process, and data analysis method. In chapter four, presented an analysis of collected data and evidences with the initial model. Finally, chapter five consists of discussion of hypotheses and conclusion of research findings.
REFERENCES


Cengiz, E. (2007). Evaluate the dimensions of perceived value for health care products Karadeniz Technical University. Turkey.


