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The Impact of Relationship Marketing in Financial Institutions in Emerging Markets: Evidence from Albania

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Abstract- In recent years, managers of financial institutions have increasingly acknowledged the strategic importance of retaining existing customers as a critical determinant of competitiveness and long-term sustainability. Marketing literature consistently highlights the advantages of cultivating a loyal customer base, including reduced churn, enhanced profitability, and stronger advocacy. At the core of customer loyalty lies the quality and continuity of the relationship between the client and the institution. The deeper and more sustained this relationship, the greater the mutual value generated for both parties.

This study examines the role of relationship marketing in the context of financial institutions in Albania, an emerging market where competition and customer expectations are intensifying. Specifically, it investigates how Customer Relationship Management (CRM) practices influence customer satisfaction and behavioral loyalty. A quantitative research design was employed, with data collected through structured questionnaires administered to clients and employees of selected financial institutions across Albania. A purposive sampling method ensured the inclusion of respondents with direct experience in banking and other financial services. A total of over 400 valid responses (300 customers and 100 employees) were analyzed using SPSS version 25.

The Friedman test was applied to assess differences in customer awareness across CRM practices, while a Neural Network Model was used to predict satisfaction based on demographic and behavioral variables. Findings revealed that CRM attributes are not perceived equally, with "CRM enhances customer loyalty" emerging as the most influential factor. The results underscore that effective CRM implementation in Albanian financial institutions relies not only on technological infrastructure but also on human interaction, service accessibility, and personalized engagement strategies. Hence, financial institutions in Albania are advised to prioritize customer-centric CRM strategies, continuous staff training, and targeted communication to strengthen trust, satisfaction, and long-term loyalty.

Keywords: Relationship Marketing, Customer Relationship, Financial Institutions, Albania, Customer Loyalty, CRM, Neural Network.

I. INTRODUCTION

Marketing is a societal process through which individuals and groups obtain what they need and want by creating, offering, and exchanging products and services of value. A holistic marketing approach recognizes that "everything matters" in marketing and integrates four main dimensions: relationship marketing, integrated marketing, internal marketing, and performance marketing (Kotler & Keller, 2008). Similarly, McCarthy (2002) classified marketing activities into the four Ps of the marketing mix: product, price, place, and promotion—concepts that remain foundational in both goods and services marketing.

In the context of financial services, relationship building is even more crucial than in many other industries. Unlike tangible products, financial services—such as loans, savings, investment products, or electronic banking—are largely intangible, complex, and based on trust. Customers often have limited ability to fully evaluate service quality prior to purchase, making personal interaction, transparency, and institutional reputation key determinants of satisfaction and loyalty. The role of relationship managers in banks and other financial institutions is therefore central in establishing credibility, guiding clients through complex financial decisions, and ensuring that trust is continuously reinforced.

In emerging markets like Albania, where financial institutions operate in a rapidly transforming environment, relationship marketing provides a strategic framework to retain customers, build long-term loyalty, and ensure competitive advantage. The quality and continuity of customer–institution relationships are decisive factors in determining not only satisfaction but also advocacy, repeat usage, and cross-selling opportunities.

II. LITERATURE REVIEW

2.1 Relationship Marketing

The concept of relationship marketing gained popularity in the 1990s as an evolution of the traditional transaction-oriented approach. Earlier marketing theory, centered on the 4Ps, was often criticized for its short-term and manipulative focus. In contrast, relationship marketing, developed through the Nordic school of services (Grönroos; Gummesson) and industrial network theory (Håkansson; Johanson), emphasized long-term, trust-based interactions between sellers and customers. Berry (1983) was among the first to formally introduce the term "relationship marketing," highlighting the importance of building enduring customer ties as opposed to one-off transactions.

Relationship marketing in financial services shifts the strategic lens from transactional exchanges toward creating, developing, and sustaining valuable long-term relationships. Trust, commitment, communication, and personalization form the backbone of this approach, particularly in contexts where service complexity and perceived risk are high, as in banking, lending, or investment services.

2.2 Relationship Marketing Strategies in Financial Institutions

1. **Customer Acquisition through Trust and Communication**
   Financial institutions build trust with new clients by ensuring transparent communication, clear product explanations, and advisory-driven selling. Digital platforms such as mobile banking apps, chatbots, and online advisory tools enhance engagement and reduce barriers to adoption.

2. **Customer Retention and Loyalty Programs**
   Retaining existing clients is more cost-effective than acquiring new ones. Banks and microfinance institutions implement loyalty programs, preferential interest rates, and long-term relationship benefits to strengthen bonds with clients. Regular contact, including follow-ups after service usage or loan approval, fosters continuous trust.
3. **Personalization and Lifecycle Marketing**
   Financial institutions segment clients according to life stages and financial needs (e.g., students, families, entrepreneurs, retirees). Tailored offers such as education loans, mortgage products, or retirement savings packages enhance relevance and encourage long-term loyalty.
4. **Multichannel Relationship Management**
   Effective relationship marketing requires integrating customer management across branches, call centers, mobile apps, ATMs, and social media platforms. CRM systems allow institutions to track customer interactions, preferences, and satisfaction levels, ensuring consistency across channels.
5. **Feedback and Continuous Improvement**
   Customer surveys, Net Promoter Scores (NPS), and online reviews provide financial institutions with insights into service quality. By proactively addressing complaints and incorporating feedback into service innovation, institutions can reinforce emotional loyalty and trust.
6. **Service Recovery as a Relationship Opportunity**
   In financial services, moments of service failure—such as delays in transactions, errors in loan processing, or ATM downtime—are critical touchpoints. Institutions applying relationship marketing view these as

2.3 The Impact of ICT on Relationship Marketing Management in Financial Institutions

1. **Enhanced Customer Relationship Management (CRM)**
   Information and Communication Technology (ICT) has empowered financial institutions to develop advanced CRM systems that enable them to:

- Track customer interactions across multiple channels.
- Analyze client preferences and financial behaviors.
- Provide personalized recommendations for banking products, loans, and investment services.

2. **Improved Communication and Engagement**
   ICT tools such as email, SMS, mobile banking apps, chatbots, and social media platforms allow financial institutions to:

- Maintain real-time communication with clients.
- Send instant notifications about account updates, loan approvals, payment reminders, and service changes.
- Encourage two-way engagement that builds trust and transparency.

3. **Efficient Service Delivery**

   By digitizing processes, ICT reduces waiting times and facilitates self-service options:

- Faster loan processing and account opening.
- 24/7 access to services through online banking and mobile applications.
- Increased customer satisfaction through speed, convenience, and reliability.

4. **Customer Retention and Loyalty**
   Digital technologies help financial institutions implement loyalty and retention programs, supported by continuous monitoring of satisfaction indicators such as the Net Promoter Score (NPS). ICT enables them to:

- Retain existing clients by responding quickly to needs and concerns.
- Use predictive analytics and AI to anticipate customer behavior and proactively address issues.

5. **Cost Efficiency and Scalability**
   ICT minimizes paperwork and manual operations, which contributes to:

- Reduced operational costs and human errors.
- Greater scalability in outreach and service delivery without proportional cost increases.

6. **Data-Driven Decision Making**
   Through advanced analytics and reporting, ICT provides financial institutions with tools to:

- Evaluate the effectiveness of relationship marketing initiatives.
- Identify at-risk customers and design targeted retention strategies.
- Detect opportunities for cross-selling and upselling financial products.

ICT has transformed relationship marketing management in financial institutions by making it more personalized, efficient, data-driven, and scalable. Its effective implementation enhances customer satisfaction, loyalty, and profitability. However, the degree of impact depends on the level of technological infrastructure, digital literacy among clients, and regulatory readiness—factors that are particularly relevant in emerging markets such as Albania.

III. RESEARCH METHODOLOGY

3.1 Statement of the Problem

Financial institutions today must focus on delivering maximum value to their customers through effective communication, timely service delivery, and personalized financial products. A significant portion of customer interaction increasingly takes place online rather than directly with employees (Bultema, 2004). One of the common reasons for CRM project failure in the private sector is the lack of clarity about what needs to be achieved from CRM initiatives—both at a macro-program level and at a more micro-functional or activity-based level (Financial & Technology, 2003). In the Albanian financial sector, where institutions operate in a dynamic and competitive environment, the absence of well-defined CRM strategies can hinder relationship building, customer retention, and long-term profitability.

3.2 Objectives of the Study

The main objectives of this study are:

- To assess customer perceptions of CRM practices in financial institutions in Albania.
- To examine the functioning of CRM systems in the Albanian financial sector.
- To identify practical difficulties and challenges faced by financial institutions in implementing CRM in an emerging market context, focusing on barriers in Albania.
- To study customer behavior in relation to CRM practices in financial institutions.
- To provide recommendations for more effective CRM implementation in both public and private financial institutions in Albania.

3.3 Research Method

This study is empirical in nature, based primarily on survey data. Albania was selected as the geographical focus. The methodology section explains the research design, scope, hypotheses, population and sampling, instrumentation, validity and reliability, data collection procedures, and methods of statistical analysis.

3.4 Sources of Data

Both primary and secondary data were utilized. Secondary data were obtained from books, academic journals, websites, and official reports. For primary data, structured questionnaires were designed for two groups of respondents: customers and employees of financial institutions operating in Albania.

3.5 Population and Sampling

The study population consists of two groups: (1) customers of financial institutions who use various products and services (such as loans, savings, and electronic banking) and (2) employees working within these institutions. The geographical coverage focused on Tirana district, as the main financial hub of Albania. From this population, the researcher aimed to collect 400 responses. The final usable sample included 300 customers and 100 employees from selected financial institutions (banks and microfinance institutions) in Tirana. This sample was chosen purposively to ensure representation of both client and institutional perspectives.

3.6 Analysis and Interpretation of Data

Data analysis is a key component of this study, providing insights into customer awareness, satisfaction, and behavioral patterns toward CRM practices in financial institutions. Statistical tools were applied to minimize bias and ensure objective conclusions. The analysis covers socio-demographic profiles of customers, their preferences for financial products, their awareness of CRM practices, and their behavioral responses to CRM initiatives.

3.7 Awareness of CRM Activities in the Financial Sector

Customer awareness of CRM practices was treated as a central dimension. Thirteen indicators were used to measure awareness, including: CRM policies, customer databases, perceived importance of CRM, awareness of financial products, e-CRM applications, benefits of CRM, CRM environment, impact of CRM on awareness, attraction of new customers, contribution to service quality, enhancement of customer loyalty, boost of customer confidence, and overall CRM awareness.

3.8. Hypothesis Testing: Awareness of CRM Practices

Null Hypothesis (H_0): There is no significant difference between mean ranks regarding awareness of CRM activities in financial institutions.

Alternative Hypothesis (H_1): There is a significant difference between mean ranks regarding awareness of CRM activities in financial institutions.

3.8.1Friedman Test Results

The Friedman test was applied to examine differences in customer perceptions of CRM activities. The results produced a Chi-Square value of **1169.917**, with 12 degrees of freedom, and a significance level (Asymp. Sig.) of **0.000**. Since the p-value is less than 0.05, the null hypothesis is rejected at the 1% level of significance.

This result confirms that not all CRM practices are perceived equally by customers. Certain practices stand out as more influential than others.

Among the examined attributes, **"CRM enhances customer loyalty"** received the highest mean rank (11.00), indicating that customers in Albania view loyalty-building as the most important outcome of CRM practices. Other high-ranking items included **"Benefits of CRM"** and **"Customer awareness of financial products"**, highlighting the central role of trust, value communication, and customer education.

3.9. Interpretation and Implications

The rejection of the null hypothesis indicates that customers prioritize some CRM dimensions more than others. Emotional and relational outcomes, such as loyalty and confidence, are given the greatest importance. This suggests that financial institutions in Albania should tailor their CRM strategies to strengthen high-impact practices, focusing on loyalty-building, product awareness, and customer trust.

By aligning CRM initiatives with customer values, Albanian financial institutions can improve satisfaction, enhance competitiveness, and foster sustainable growth in an emerging market environment.

Table 1. Friedman Test for Significant Difference Between Mean Ranks of Awareness About CRM Activities in the Financial Sector

Awareness about CRM activities (practices) of the financial sector	**Mean Rank**	**Chi-Square value**	**Degrees of freedom**	**Asymp. Significant**
CRM policy of the financial companies	6.82			
Customer Data Base of the financial companies	6.74			
Importance of the CRM in financial companies	7.15			
Customer awareness about financial products	7.30			
E-CRM practice in financial companies	7.20			
Benefits of CRM	7.60	1169.917	12	0.000
CRM environment	6.56			
CRM Promotes customers awareness	6.40			
CRM attract new customers	6.80			
CRM promotes service quality of the financial companies	4.72			
CRM enhances customers loyalty	11.00			
CRM boosts customer's confidence	5.72			

Source: Output generated from SPSS

From the above table, it is evident that all variables related to customer awareness of CRM practices in the financial sector demonstrated significance values below 0.05 at the 1% level, leading to the rejection of the null hypothesis. Consequently, it can be concluded that there are statistically significant differences among the mean ranks of customer awareness regarding CRM activities in the financial sector. Among the twelve examined CRM attributes, **“CRM enhances customer loyalty”** obtained the highest mean rank (11.00). This indicates that customer awareness of CRM activities is strongly influenced by the perception that CRM contributes to higher loyalty.

The results further highlight that nearly all CRM attributes considered in the study are relevant in shaping customer awareness, but loyalty-enhancing mechanisms are perceived as the most influential. This suggests that customers associate the importance of CRM with their increased commitment and trust toward financial institutions. Hence, among all attributes under awareness of CRM practices, **loyalty-building emerges as the single most impactful dimension**.

The neural network architecture presented in Table 2 illustrates the complex modeling of customer behavior factors and their impact on overall satisfaction with CRM practices in the financial sector. Using nine input covariates—including technology usage, responsiveness, and service quality—the model applies a single hidden layer with nine units, using the hyperbolic tangent as the activation function. The dependent variable, **overall customer satisfaction**, is modeled in the output layer with an identity function.

This approach captures the non-linear interdependencies between socio-demographic variables and behavioral responses, emphasizing that satisfaction is not determined by isolated factors but by the **synergistic interaction of multiple elements**. The application of neural network modeling therefore provides a robust analytical method to identify the key drivers of customer satisfaction and to design more personalized and effective CRM strategies for financial institutions in emerging markets such as Albania.

These results underline that while most CRM attributes are important, loyalty-enhancing mechanisms stand out as the most powerful drivers of customer awareness and satisfaction.

Neural Network Analysis

The neural network architecture (Table 2) illustrates how multiple customer behavior factors affect overall satisfaction with CRM practices in the financial sector. The model includes **9 input covariates** (e.g., technology usage, responsiveness, service quality) and one hidden layer with 9 units, applying a hyperbolic tangent activation function. The dependent variable—**overall customer satisfaction**—was modeled in the output layer using an identity function.

This modeling approach captures non-linear interactions and interdependencies, showing that satisfaction is not determined by isolated factors but by the **combined effects of service quality, customer interaction, and accessibility**.

The neural network architecture presented in Table 2 provides deeper insights into the modeling of customer behavior and its impact on overall satisfaction with CRM practices in financial institutions. Incorporating nine input covariates—including technology adoption, responsiveness, and service quality—the model applies a single hidden layer with nine units, using the hyperbolic tangent as the activation function. The dependent variable, **overall customer satisfaction**, was analyzed in the output layer using an identity function.

This analytical framework highlights that satisfaction is not shaped by isolated elements but by the **combined and interdependent effects of multiple service-related factors**. The use of neural networks offers a sophisticated approach to uncover the key drivers of satisfaction and to design more personalized, data-driven CRM strategies. For financial institutions in emerging markets such as Albania, this underscores the need for integrated approaches that align technology, service quality, and human interaction to foster stronger and more sustainable customer relationships.

Table 2. Neural Network Model for Overall Customer Satisfaction with CRM in Financial Institutions

Input Layer	Factors	1	Gender
		2	Age
		3	Marital Status
		4	Educational Qualification
		5	Occupation
		6	Annual Income
		7	Type of Family
		8	Family Size
		9	Area of Residence
	Covariates	1	Technology in financial companies
		2	Responsiveness
		3	Promptness in services
		4	Low service charges or commissions
		5	Service Quality
		6	Employee behavior
		7	Proximity
		Number of Units [a]	39
		Rescaling Method for Covariates	Standardized
Hidden Layer(s)		Number of Hidden Layers	1
		Number of Units in Hidden Layer 1[a]	9
		Activation Function	Hyperbolic tangent
Output Layer	Dependent Variables	1	OVERALL SATISFACTION
	Number of Units		1
	Rescaling Method for Scale Dependents		Standardized
	Activation Function		Identity
	Error Function		Sum of Squares
a. Excluding the bias unit			

Source: Output generated from SPSS

The factors of customer behavior influencing CRM practices in financial institutions were modeled using the Neural Network Method. The parameters were optimized to identify the set of variables that most strongly impact overall customer satisfaction. This approach ensures that the network architecture captures the complex interactions between demographic characteristics, behavioral factors, and service quality in determining satisfaction outcomes.

Table 3 presents the relative importance of independent variables affecting overall customer satisfaction. Among all variables, **"Proximity"** emerged with the highest normalized importance (100%), underscoring the critical role of accessibility and closeness of financial services—such as branch networks, ATM availability, and ease of contact with staff. This was followed by **employee behavior (94.0%)** and **promptness in service delivery (88.5%)**, highlighting the centrality of interpersonal interactions and timely responses in shaping customer trust and loyalty.

Interestingly, socio-demographic factors such as **age (78.3%)** and **responsiveness (76.0%)** also demonstrated significant influence, though to a lesser extent. By contrast, variables like **annual income** and **area of residence** showed minimal contribution to satisfaction levels. These findings indicate that service-level and interpersonal dimensions of CRM—rather than customer demographics—are the dominant drivers of positive perceptions in the financial sector.

Overall, the results reinforce the importance of **human-centric CRM strategies** in financial institutions. Customers place the greatest value on accessibility, staff behavior, and efficiency in service delivery, suggesting that investment in these areas will yield the highest returns in terms of loyalty and long-term relationship building in Albania’s emerging financial market.

Table 3. Independent Variable importance for Neural Network Model for the overall satisfaction of the customer with customer behavior in CRM in the financial sector

Independent Variable Importance	Importance	Normalized Importance
Gender	.064	66.2%
Age	.075	78.3%
Marital Status	.048	46.5%
Educational Qualification	.051	54.1%
Occupation	.060	60.0%
Annual Income	.026	28.1%
Type of Family	.040	39.2%
Family Size	.052	56.1%
Area of Residence	.021	25.3%
Technology in financial companies	.060	62.0%
Responsiveness	.074	76.0%
Promptness in services	.090	88.5%
Low service charges or commissions	.050	50.6%
Service Quality	.050	50.0%
Employee behavior	.091	94.0%
Proximity	.101	100.0%

Source: Output generated from SPSS

From the above table, it is evident that all variables related to customer awareness of CRM practices in the financial sector reported significance values below 0.05 at the 1% level, leading to the rejection of the null hypothesis. Therefore, it can be concluded that there are statistically significant differences among the mean ranks of customer awareness regarding CRM activities in financial institutions. Among the twelve CRM attributes assessed, **“CRM enhances customer loyalty”** achieved the highest mean rank (11.00), indicating that customers perceive loyalty-building as the most influential outcome of CRM initiatives.

The findings further suggest that although nearly all CRM attributes are considered important by customers, those directly associated with loyalty and trust emerge as the most impactful. Customers in Albania view CRM not only as a management tool but as a mechanism that strengthens their long-term commitment to financial institutions. Hence, **loyalty-building can be regarded as the dominant driver of awareness and satisfaction** among the CRM dimensions studied.

IV. FINDINGS AND DISCUSSION

4.1 Findings

All customer awareness variables regarding CRM practices in the financial sector were found to be important. Among these, **"CRM enhances customer loyalty"** emerged as the most significant factor.
In customer behavior analysis, **"Proximity"** (physical accessibility and service availability) was the strongest predictor of satisfaction, followed by **employee behavior** and **service promptness**.
Socio-demographic factors (such as income and residence area) had relatively less impact compared to service-level attributes.

4.2Discussion

The results demonstrate that **relationship marketing in financial institutions is multidimensional**. The dominance of "loyalty" in awareness measures underscores the long-term orientation of customer–institution relationships, while the prominence of "proximity" highlights the importance of accessibility and local presence.
Neural network modeling further revealed that **service quality, responsiveness, and interpersonal interactions** play a greater role than demographic characteristics in shaping customer satisfaction. This suggests that Albanian financial institutions should prioritize:

- Strengthening **frontline service delivery** and staff training.
- Investing in **digital technologies** to improve convenience and responsiveness.
- Designing **customer-centric strategies** that emphasize loyalty, accessibility, and trust.

By doing so, financial institutions in Albania can enhance customer satisfaction, build stronger loyalty, and achieve.

4.3Interpretation and Implications

The rejection of the null hypothesis confirms that customers of financial institutions are not uniformly aware of or influenced by all CRM practices. Instead, they tend to prioritize specific aspects—particularly those directly associated with emotional and relational outcomes, such as loyalty and confidence. This finding suggests that CRM initiatives in the Albanian financial sector should be strategically designed to emphasize high-impact areas that resonate with customers' values and expectations.
From the above table, it is evident that all CRM-related variables had significance values less than 0.05 at the 1% level. Therefore, the null hypothesis is rejected, confirming significant differences among the mean ranks of awareness about CRM practices in the financial sector. Among all the variables, **"CRM enhances customer loyalty"** received the highest mean rank (11.00). This indicates that loyalty-building is perceived as the most influential factor by customers of financial institutions in Albania.
These results underline that while most CRM attributes are important, loyalty-enhancing mechanisms stand out as the most powerful drivers of customer awareness and satisfaction.

V. CONCLUSIONS AND RECOMMENDATIONS

This study confirms that well-designed CRM practices significantly influence customer satisfaction and loyalty in the financial sector. The analysis of customer perceptions and behavioral patterns demonstrates that proximity, employee behavior, and loyalty-building strategies are central to CRM success. Financial institutions that deliver secure, efficient, and personalized services are more likely to establish long-lasting customer relationships. In an increasingly competitive environment, customer retention through effective CRM must be recognized as a strategic priority for Albanian financial institutions.

5.1Theoretical Conclusions

- **Relationship marketing is essential for building trust in low-trust environments.** In emerging markets such as Albania, public confidence in financial institutions is relatively limited. Relationship Marketing Management (RMM) fosters long-term trust through transparency, consistent communication, and reliable service delivery.
- **Customer loyalty is driven more by personal interaction than by automation.** While digitalization is advancing, many clients continue to value direct, human-based service, making relationship managers and front-line employees key actors in loyalty strategies.
- **Limited financial literacy and customer awareness reduce CRM effectiveness.** In developing contexts, many customers lack sufficient knowledge of financial products, which diminishes the potential impact of relationship-building initiatives.
- **Many institutions lack integrated CRM systems.** The absence of well-developed tools for managing and analyzing customer data restricts the ability to design personalized and effective relationship marketing strategies.
- **Positive service recovery experiences strongly influence long-term loyalty.** Efficient, empathetic, and transparent handling of service issues—such as loan approvals, transaction errors, or customer complaints—greatly enhances satisfaction and strengthens customer advocacy.

5.2Recommendations

For Financial Institutions

- Implement CRM systems that not only manage client data but also generate actionable insights on customer preferences and behaviors.
- Provide continuous training for employees in customer engagement, complaint handling, and proactive communication.
- Launch awareness campaigns to improve financial literacy, especially in under-served and rural areas.
- Balance digital service accessibility (mobile apps, online banking) with personal interaction to foster trust and reliability.
- Integrate customer feedback loops into CRM systems to continuously adjust strategies based on user experience.
- Invest in staff training programs to enhance interpersonal and communication skills.
- Adopt affordable and scalable CRM solutions, even at basic levels, to track, personalize, and improve customer interactions.
- Diversify communication strategies by combining digital channels with traditional outreach according to customer preferences.

For Policymakers

- Support nationwide financial literacy programs to improve public understanding of financial services and benefits.

- Develop regulatory frameworks that encourage transparency, accountability, and customer-centric practices across the financial sector.

For Researchers and Development Agencies

- Promote localized research to better capture customer behavior and CRM effectiveness in different regions of Albania.
- Encourage innovation in microfinance and inclusive banking, exploring how relationship marketing can support the adoption of such services at scale.

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