Relationship Marketing for Building Long term Customer Satisfaction in Banking Industry

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ABSTRACT---- *Relationship marketing has been an excellent way for banks to establish a unique long-term relationship with their customers. It offers a solution for service companies to avail benefit of a lasting relationship with the customer or client, while improving operations and customer satisfaction. This study aims to investigate the impact of adherence to the fundamentals of relationship marketing. 210 respondents consisting of bank customers of the ten public and private sector Banks from major cities of Rajasthan state in India were included in the study from a balanced mix of various demographic factors. Having used Factor Analysis revealed the significant number of factors related to relationship banking affects client's satisfaction in the banking industry.*

Keywords--- Relationship Marketing, Customer Satisfaction, Consumers' Perception, Banking Industry**.**

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1. INTRODUCTION

Relationship marketing has been an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core products and services in commercial banking are generic that makes it difficult for most banks to compete purely on this core service. Thus, recognition of the importance of relationship marketing, especially in financial services sector (Alexander and Colgate, 2000) has grown in recent years. Berry and Gresham (1986) noted that the practice of a relationship approach is most appropriate when the consumers require personal services and/or selling. This is certainly the case for a range of the more complex products in financial services sector, where the majority of customers still prefer to make buying decisions supported by the expertise of staff with appropriate knowledge (Dibb and Meadows, 2001). Marketing is more than a way of selling; relationship banking represents a strategic choice with serious managerial implication.

Relationship quality (Levitt, 1986) is defined as a bundle of intangible value, which augments products or services and results in an expected interchange between buyers and sellers. In service contexts, buyers face considerable uncertainty stemming from such factors as intangibility, complexity, lack of service familiarity and long-term horizon of delivery (Crosby, 1990). Uncertainty of outcomes implies the possibility of service failures and unfavourable consequences. Relationship quality from the customer's perspective is achieved through the banker's ability to reduce perceived uncertainty (Zeithaml, 1987).

2. REVIEW OF LITERATURE

Berry (1983) first proposed the concept of relationship marketing in the service context, and defined it as "attracting, maintaining, and enhancing customer relationships. Relationship Marketing-related articles clearly broaden the domain in ways not restricted to the marketing area, but also in interpreting phenomenon in other areas (e.g., international business, networking, inter-organizational aspects, etc.). However, a major question remains: what do we know about Relationship Marketing that is "most important" or "most influential" to help us determine the future of relationship marketing (Sheth, 2002)? Cummings and Frost (1985) suggested changes in a different component of the knowledge exchange process, and the need for more cross-disciplinary symposia at professional meetings.

3. RESEARCH METHODOLOGY

Objectives:

1. To study the role of Relationship Marketing in building customer satisfaction.

2. To study customer specific factors which are important in service quality perception.

Hypotheses:

1. Relationship Marketing has no role in increasing Customer Satisfaction   ($H_0$1)
2. Customer specific factors does not impact the general perception of quality   ($H_0$2)

Population, Sample Size and Sampling Technique:

The questionnaire was administered through mail and in person to 300 respondents. The researcher got reply from 210 respondents (70%). Respondents included were from a balanced mix of various demographic factors (age, gender, marital status, education levels, and employment status and income group). The respondents consisted of bank customers of the ten public and private sector Banks from major cities of Rajasthan state in India. The data was collected by using the convenience sampling technique. Statements related to service quality dimensions were based on past literature. The respondents were asked to rate each statement on the Likert Scale (1= Highly Dissatisfied, 2=Dissatisfied, 3=Neither Satisfied/Dissatisfied, 4=Satisfied, 5=Highly Satisfied). In our study, we utilized a recently-developed measure of service quality: SERVQUAL. The SERVQUAL model was developed by Parasuraman, Zeithaml, and Berry (Gounaris, 2005). Summarizing and rearranging the data several interrelated procedures are performed during the data analysis stage (Zikmund 2000). Statistical tools of Microsoft Excel and SPSS are used for data input and analysis. The statistics results were presented in tabular form with detail description.

4. FINDINGS

Factor Analysis

The purpose of using the factor analysis in this context is to identify and analyze the important factors on the quality of service in the Banking Industry. In the present study Factor Analysis exhibits the rotated factor loading for the statements (Variables) of Quality of Service rendered by Banking Institutions in India. It is clear from Table - 1 that all the 31 statements have been extracted into three critical factors namely Problem Redressal (F1), Behavioral Response (F2), and Relationship Marketing (F3).

Table - 1
Total Variance Explained

S.No.	FACTORS		Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings	
			Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance
1	Problem Redressal	F1	1.420	4.579	57.308	1.420	4.579	57.308	2.009	6.480
2	Behavioral Response	F2	1.279	4.125	61.433	1.279	4.125	61.433	1.992	6.426
3	Relationship Marketing	F3	1.242	4.005	65.438	1.242	4.005	65.438	1.880	6.066

Table - 2
Rotated Component Matrix

FACTORS	F1	F2	F3
Rotated Component Matrix			
TA1	0.290	0.086	-0.010
TA2	0.137	-0.184	-0.080
TA3	0.043	0.121	0.006
TA4	-0.004	0.178	0.255
TA5	0.131	0.124	0.120
TA6	0.040	-0.039	0.171
TA7	0.051	-0.072	-0.067
TA8	0.172	-0.049	0.014
TA9	0.096	-0.118	0.042
RE1	0.027	0.062	0.067
RE2	**0.711**	-0.014	-0.187
RE3	0.345	0.155	-0.067
RE4	-0.065	0.092	-0.111
RE5	0.134	-0.123	-0.036
RE6	**0.787**	0.115	0.083
RP1	-0.041	-0.032	**0.746**
RP2	-0.068	0.223	**0.699**
RP3	0.334	0.046	0.296
RP4	0.049	0.247	0.043
RP5	-0.345	0.151	-0.331
AS1	0.105	0.268	-0.132
AS2	0.150	**0.708**	0.019
AS3	-0.028	0.075	-0.082
AS4	0.256	**0.715**	0.089
AS5	-0.073	0.073	-0.323
AS6	-0.006	-0.078	-0.420
EM1	-0.032	-0.082	0.253
EM2	-0.201	**0.734**	0.079
EM3	0.096	-0.104	0.232
EM4	0.425	0.046	-0.040
EM5	0.039	0.078	-0.108

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization

Factor 1: Problem Redressal

Table - 3
Age-wise Consumers' Perception of Service Quality

S. No.	Dimensions	F1	Calculated Value	Remarks
1	Bank staff is committed to fulfill promises in time (RE2)	Customers perception about Bank Employee commitment to fulfill promise in time is independent on Age	.391	H_0 2 Accepted
2	Bank performs the services right in first instance (RE6)	Customers perception that is Bank performs the services right in first instance independent on Age	.423	H_0 2 Accepted

It is inferred that Customers' perception towards variables such as Service Delivery at first instance and commitment of employee is independent of age. Customer's want that employee who is involved in service delivery process should have adequate knowledge and problem solving capability along with full commitment. Now a day to improve service delivery process bankers are controlling the turnaround time and the reduced turnaround time enhance the quality of service and provide service performance in first instance.

Table - 4
Profession -Wise Consumers' Perception of Service Quality

S. No.	Dimensions	F1	Calculated Value	Remarks
1	Bank staff is committed to fulfill promises in time (RE2)	Customers perception about Bank Employee commitment to fulfill promise in time is independent of Profession	.474	H_0 2 Accepted
2	Bank performs the services right in first instance (RE6)	Customers perception that is Bank performs the services right in first instance independent of Profession	.812	H_0 2 Accepted

The findings reveal that Customers' perception towards variables such as Employees are committed to fulfill promises in time and performs the services right in first instance is independent of Profession. This infers most of the Bank Employees are committed to provide service well in time; customers also appreciate the service and give more referral business so this type of honest relationship developed between customer and bank results in Customer Satisfaction.

Factor – 2: Behaviroul Response

Table - 5
Age-wise Consumers' Perception of Service Quality

S. No.	Dimensions	F2	Calculated Value	Remarks
1	Do you think behavior of employees instills confidence in customer (AS2)	Customers perception about Bank Employee behavior instills confidence in customer is independent on Age	.282	H_0 2 Accepted
2	In case of complication managers are helpful by making prompt decision (AS4)	Customers perception that the bank managers are helpful by making prompt decision is independent on Age	.229	H_0 2 Accepted
3	Do you think that manager of the bank understand their customer specific needs(EM2)	Customers perception towards bank manager understanding about their customer specific needs independent of Age	.437	H_0 2 Accepted

The tests extracts that Customers' perception towards variables such as behavior of employees behavior instills confidence, managers are helpful by making prompt decision and understand their customer specific needs is independent of age. Banks have improved their services according to expectations of the customer. But the expectations of customers are never ending and ever pending. Managers are using available benchmark information to identify potential improvement areas and are also using best practices which is making customer feel more confident and that instills confidence about the banks product and service in customers mind.

Table - 6
Profession -Wise Consumers' Perception of Service Quality

S. No.	Dimensions	F2	Calculated Value	Remarks
1	Do you think behavior of employees instills confidence in customer (AS2)	Customers perception about Bank Employee behavior instills confidence in customer is dependent on Profession	.006	H_0 2 Rejected
2	In case of complication managers are helpful by making prompt decision (AS4)	Customers perception that the bank managers are helpful by making prompt decision is independent on Profession	.629	H_0 2 Accepted
3	Do you think that manager of the bank understand their customer specific needs (EM2)	Customers perception towards bank manager understanding about their customer specific needs independent of Profession	.344	H_0 2 Accepted

It is further inferred that Customers' perception towards variables such as Managers are helpful by making prompt decision and understand their customer specific needs is independent of Profession also. Customers want that employees who are involved in service delivery process should have adequate knowledge and problem solving capability. If the employee is competent then it develops confidence in customer. The perception of the service delivered by Managers and the service facility provided by the bank from one customer to another has nothing to do with the profession of customer and is purely a behavioral aspect. Decision making by Manager is independent of profession as it is the managers' capability.

Factor – 3: Relationship Marketing

Table - 7
Age-wise Consumers' Perception of Service Quality

S. No.	Dimensions	F3	Calculated Value	Remarks
1	As a customer, when you have a problem, you get proper response from the concerned employee (RP1)	Customers perception about Bank Employee response to customer is independent on Age	.264	H_0 1 Accepted
2	Bank employees are in a position to tell customer about the time it will take for compliance of these service demanded (RP2)	Customers perception that Bank employees are in a position to tell customer about the time it will take for compliance of the service demanded is dependent on Age	.040	H_0 1 Rejected

The analysis evidences that Customers' perception towards variables such as proper response from employee is independent of age. Banks are personalizing the relationship with the customer. Personalization provides direct linkage between customer and relationship managers. Customers also appreciate personal communication i.e., birthday greetings, personalized mailing and even regular updates on current offer .Compliance of service by the employee is however dependent on age of customer as young generation of customers prefer banking through e-channel.

Table - 8
Profession-Wise Consumers' Perception of Service Quality

S. No.	Dimensions	F 3	Calculated Value	Remarks
1	As a customer, when you have a problem, you get proper response from the concerned employee (RP1)	Customers perception about Bank Employee response to customer is independent of Profession	.784	H_0 1 Accepted
2	Bank employees are in a position to tell customer about the time it will take for compliance of these service demanded (RP2)	Customers perception that Bank employees are in a position to tell customer about the time it will take for compliance of the service demanded is independent of Profession	.926	H_0 1 Accepted

It is also inferred that Customers' perception towards variables such as proper response from the concerned employee is independent of Profession. Customers are agreeing to the fact that they receive proper response from concerned bank employee when it relates to sanctioning of loans, making of instruments like demand draft, bankers cheque, and locker facility etc. and compliance of service demanded is done well in time given by employees.

5. CONCLUSIONS

There is a structured mechanism for resolution of grievances in banks. The feedback from customers is also used as a valuable input for revising product and services to meet customer requirements. Staff at the branches is properly trained to deal with the customers with an open mind and win their confidence. The study reveals that customers' perception towards variables such as Service Delivery at first instance and commitment of employee is independent of age and profession both. Customers of all ages and profession want that employee who is involved in service delivery process should have adequate knowledge and problem solving capability along with full commitment. Customers also appreciate the service and give more referral business and then this honest relationship developed between customer and bank results in Customer Satisfaction.

Social networks are becoming important sources of banking information, especially in emerging markets. The analysis found that banks need to work on understanding customers and their needs, as well as building trust. Perceptions of positive experience and customer knowledge are strongly correlated. The research finds that customers' perception towards variables such as behavior of employees behavior instills confidence, managers are helpful by making prompt decision and understand their customer specific needs are independent of both the age and the profession. Though banks have improved their services according to expectations of the customer, managers are expected to identify potential improvement areas and continuously work for making customer feel more confident about the banks product and service.

Security is associated with the words like promises, honesty, trust, reliability, predictability, and stability, fear of being led down, and reduction of uncertainty and risk. Promises are core concepts in all relationships. Thus, the best approach for banks to create effective customer relationship is to deliver high customer satisfaction through high quality service delivery. This intimately leads to relationship marketing. The research infers that Customers' perceptions towards variables such as proper response from employee are independent of age and profession as well. Personalized relationship with the customer is being preferred to establish direct linkage between customer and relationship managers. Customers also appreciate personal communications. However, compliance of service by the employee depends on age of customer due to their preferences of banking channels. Customers of all the age groups and from all profession agreed to the fact that proper response from concerned bank employee when it relates compliance of service demanded well in time satisfies them.

The study identifies quality dimensions significant to commercial banks to enable the bank to develop strategies to improve the quality of service delivery. The importance for management will be to increase their bank's degree of market orientation. In general, this calls for increased emphasis on market intelligence generation, commitment on understanding the need of the customers and development of marketing mix, which will be tailored to specific targeted market segments.

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