Enhancing Customer Retention in Banking Sector through Relationship Marketing

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Abstract – **Relationship marketing stands at the forefront of contemporary marketing strategies, acting as the cornerstone for building and maintaining customer loyalty. This study delves into the dimensions of relationship marketing, namely commitment, trust, communication, and conflict handling, to ascertain its impact on customer loyalty within the banking sector. The research reveals a significant positive correlation between relationship marketing and customer loyalty, with relationship marketing accounting for 58.6% of customer loyalty. The findings underscore the pivotal role of relationship marketing in fostering customer loyalty, thereby offering valuable insights for enhancing firm-customer relationships and strategic planning in the banking industry.**

Keywords – **Relationship marketing, customer loyalty, Trust, Communication and commercial Banks.**

I. INTRODUCTION

Marketing practices have historical roots dating back to 7000 B.C (Carratu, 1987). The distinct discipline of marketing emerged from economics around the early 20th century. As marketing evolved throughout the 20th century, its primary focus shifted from transactions and exchanges to building and maintaining relationships (Kotler 1990; Webster 1992).

Relationship marketing has become a pivotal concept in attracting and retaining customers in organizations. In today's business world, there is a noticeable shift from transactional marketing to relationship marketing. Building and nurturing customer relationships has always been crucial in business, but there has been a marked increase in relationship marketing research in recent years (Kamakura, 2005; Ngai, 2005). Relationship marketing aims to strengthen customer relationships, converting indifferent customers into loyal ones through trust, commitment, empathy, cooperation, financial bonds, social bonds, and rapport (Berry and Parasuraman, 1991).

The current business environment, characterized by intense competition, has fostered stronger firm-customer relationships, leading to mutual benefits for both parties and providing organizations with valuable marketing intelligence for strategic planning (Ndubisi, 2006). According to Wangpaichitr (2010), relationship marketing involves maintaining long-term relationships using interactive databases and networking to retain valuable customers based on mutual benefits. Blomqvist (as cited in Ndubisi, 2006) identified key characteristics of relationship marketing, including treating each customer as an individual, directing activities predominantly towards existing customers, focusing on interactions and dialogues, and aiming for profitability through reduced customer turnover and strengthened relationships.

Banks, facing fierce competition and high customer expectations due to globalization, must develop effective strategies to gain market share (Ramkelawon, 2010). In Sri Lanka, the banking sector has played a significant role in the recent economic downturn and economic expansion, highlighting the need for strategic development, particularly in the information technology era (Abeysekera and Hewawasam, 2010). Private Commercial Banks are emerging as the dominant banking institutions in South Asian countries, outperforming government-owned banks due to their efficient operations and responsiveness to customer needs (Fatima, 2009). Additionally, the banking sector faces challenges such as intense competition, market fragmentation, short product life cycles, and increasing customer complexity (Taleghani 2011). In this context, relationship marketing can be a valuable strategy for banks to build, maintain, and enhance customer relationships and loyalty. Therefore, it is crucial to empirically examine the impact of relationship marketing on customer loyalty to enhance firm-customer relationship management and achieve higher customer loyalty levels (Ndubisi, 2006).

II. RESEARCH PROBLEM

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In today's contemporary business environment, companies are placing an increasing emphasis on cultivating and managing customer relationships. Customer relationship marketing can be described as the synchronization of business processes with a customer-focused strategy aimed at enhancing both customer loyalty and long-term profitability. The concept of customer value creation holds significant importance in marketing, influencing both customer perceptions and organizational strategies. In the northern region of Vijayawada, particularly in the NTR district, commercial banks, encompassing both private and public banks such as SBI, Canara Bank, ICICI Bank, HDFC Bank, and AXIS Bank, have expanded their market presence by establishing multiple branches across Vijayawada. Despite their extensive reach, these banks encounter numerous challenges, including intense competition and substantial initial expenses.

In response to these challenges, banks employ a variety of strategies to remain competitive in the market. Among these strategies, relationship marketing is often favored as an effective approach to foster customer loyalty. Conducting a study on the impact of relationship marketing on customer loyalty in an emerging market like Vijayawada presents a valuable opportunity for empirical research, given potential differences from more developed markets. Moreover, there is a noticeable lack of comprehensive empirical studies investigating the relationship between relationship marketing and customer loyalty within the banking sector in Vijayawada. Therefore, there is a compelling need to empirically assess the actual impact of relationship marketing on customer loyalty. Such insights will enable banks to improve the management of firm-customer relationships and ultimately cultivate higher levels of loyalty among their customer base.

Therefore the present study is initiated to find out that to what extent the Relationship Marketing (RM) impact on Customer loyalty Creation in mobile service providers?

III. OBJECTIVES

- To find out the impact of relationship marketing on customer loyalty in commercial banks in Vijayawada.
- To find out the relationship between relationship marketing and customer loyalty.
- To find out the significant difference between personal characteristics on customerloyalty.

IV. LITERATURE REVIEW

Relationship marketing has evolved as a paradigm shift in marketing, emphasizing long-term relationships with customers and business associates (Nguyen, 2006). It differentiates from transactional marketing by focusing on customer retention rather than acquisition (Baron and Harris, 2003). Trust, commitment, communication, and conflict handling emerge as key dimensions underpinning relationship marketing, influencing customer loyalty in the banking sector (Ndubisi, 2006).

Customer loyalty, characterized by both attitudinal and behavioral dimensions, plays a pivotal role in organizational success (Oliver, as cited in das et al.,2009). Loyal customers not only contribute to revenue growth through repeat purchases but also act as advocates, fostering positive word-of-mouth referrals (Ravesteyn, 2005). However, achieving customer loyalty in the banking sector requires a strategic focus on relationship marketing, tailored to meet the specific needs and expectations of customers (Taleghani, 2011 a).

While studies from Western perspectives abound, there remains a dearth of research on relationship marketing in the Asian context, particularly in Sri Lanka (Nguyen, 2006). Furthermore, personal demographic factors such as gender, age, and income level have been shown to influence relationship marketing dimensions and customer loyalty (Ndubisi, 2005). Thus, there is a compelling need for empirical studies to understand the impact of relationship marketing on customer loyalty in diverse cultural and economic contexts, such as Jaffna district in Sri Lanka.

In conclusion, relationship marketing stands as a pivotal strategy for banks in Jaffna district, Sri Lanka, to foster customer loyalty amidst a competitive landscape. This study aims to fill the existing research gap by providing empirical insights into the relationship between relationship marketing and customer loyalty, thereby aiding banks in formulating effective strategies to enhance customer relationships and achieve sustainable growth.

V. CONCEPTUALIZATION

Based on the research question, the following conceptual model of relationship marketing in the banking sector has been constructed, which introduces new constructs and uniquely combines them in specifying that customer loyalty is a function of trust, commitment, communication, and conflict resolution in relationship marketing. Personal demographic factors are used as a moderating variable.

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VI. HYPOTHYSIS OF STUDY

The following hypotheses are formulated for the study.

H1: There is a significant impact of trust on customer loyalty.
H2: There is a significant impact of commitment on customer loyalty.
H3: There is a significant impact of communication on customer loyalty.
H4: There is a significant impact of conflict handling on customer loyalty.

Relationship Marketing	Customer Loyalty
Commitment Trust Communication Conflict handling	

VII. METHODOLOGY

1. **Data Collection:** Primary and secondary data are used for this study. Primary data are collected through thequestionnaire, and secondary data are collected from texts, journals and magazines.
2. **Sample:** A survey instrument in the form of close-ended questionnaire was developed for the purpose of collecting the main data for the study. This study was conducted in commercial banks in Vijayawada. Factors such as precision, confidence, time and cost constraints were taken into consideration in selecting sample size. The study is limited to customers of commercial banks in Vijayawada. Systematic quasi – random sampling has been adopted to select respondents. Researchers issued sixty (110) questionnaires to the selected customers and out of which fifty two (101) only returned with their responses.
3. **Instrument Development:** The tool utilized in this research consists of three sections. The first section contains various demographic inquiries, such as age, gender, occupation, and income level. The second section focuses on relationship marketing within the banking industry, assessed through four dimensions based on Ndubisi (2006): (1) trust, (2) commitment, (3) communication, and (4) conflict handling, comprising a total of seventeen items. The third section evaluates customer loyalty in the banking sector, gauged using two dimensions from Das et al. (2009) and Ndubisi (2006): (1) Attitudinal loyalty and (2) Behavioural loyalty, with a total of four items. Respondents provided their feedback using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).
4. **Data Analysis Approach:** Various statistical techniques were utilized to analyze the data collected from 52 participants. These techniques encompassed: (1) Descriptive statistics, which involve gathering, summarizing, and presenting data. This analysis provided insights into the data through frequency distribution, measures of central tendency, and measures of dispersion. (2) Inferential statistics, which enable conclusions to be drawn about a population based on sample data alone. This included multiple regression analysis, independent sample one-way Anova (f-test), and independent sample t-test (t-test). Multiple regression analysis was employed to determine the significant impact of relationship marketing on customer loyalty. Meanwhile, t-test and f-test were utilized to ascertain significant mean differences in customer loyalty levels across various personal demographic factors.

VIII. RESULTS AND RELIABILITY ANALYSIS

The reliability of the research instrument was assessed using reliability analysis as recommended by Ndubisi (2006). Nunnally, as cited in Ahsan et al. (2009), proposed that a minimum alpha value of 0.6 is acceptable for preliminary research stages. In this study, the Cronbach's alpha values exceeded 0.6 for all constructs, indicating sufficient reliability. Descriptive statistics for the variables and reliability estimates can be found in Table No. 01.

Table No 01: Descriptive Statistics And Reliability Estimates.

Dimension	Mean	Standard deviation	Cronbach"s alphavalue
Trust	26.24	2.58	.766
Commitment	16.08	1.85	.788
Communication	16.38	2.10	.722
Conflict handling	11.95	1.79	.773
Customer loyalty	17.76	2.43	.785

Normality of Data and Multi - Collienarity Normality of Data: Normality data should be tested before conducting the inferential statistics (Ahsan et al., 2009).According to the "Test of Normality" all the variables in this research were in 0.05 level significant. Therefore the normality assumption is the valid one.

Table No 02: Test of NormalityTests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Trust	.112	101	.003	.943	101	.000
Commitment	.134	101	.000	.961	101	.005
Communication	.192	101	.000	.939	101	.000
Conflict handling	.196	101	.000	.942	101	.000
Customer loyalty	.176	101	.000	.813	101	.000

a. Lilliefors Significance Correction

Multi-Collinearity: Two major methods were used in order to determine the presence of multi-collinearity among independent variables in this research. These methodologies involved calculation of a Tolerance test and variance inflation factor (VIF) (Ahsan et al., 2009; Sivesan, 2011).The results of theses analysis are presented in table no 03.

Table No 03: Test of Collinearity

Variable	Tolerance	VIF
Trust	.658	1.520
Commitment	.709	1.411
Communication	.423	2.361
Conflict handling	.515	1.942

According to the table no 03, None of the tolerance level is < or equal to 1; and also VIF values are perfectly below 10.Thus the measures selected for assessing independent variable in thisstudy do not reach levels indicate of multi-collinearity and also the acceptable Durbin Watson range is between 1.5 and 2.5 .In this analysis Durbin Watson value of 1.946, which is between the acceptable ranges, Show that there were no auto correlation problems in the data used in this research.

8.1 Regression Analysis

The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (Ndubisi,2006).In this study ,Relationship marketingis considered as independent variable or predictor variable, and the customer loyalty is considered as dependent variable. Table No 04 presents the results of the regression analysis.

Table No 04: Multiple Regression Analysis.

Variable	Beta	t-value	p-value	Model summary		
				Adj R square	F-value	Sig
Constant		1.391	.167	0.308	12.229	0.000
Trust	.319	3.128	.002			
Commitment	.047	.480	.632			
Communication	.329	2.583	.011			
Conflict handling	-.031	-.270	.788			

NOTE: Significant at 0.05 levels.

The results of the regression analysis summarized in table no 06 show that relationship marketing contributes significantly to customer loyalty (F=12.229; P < 0.05) and predicts 30 percent of the variation found. Trust and communication in the relationship marketing contribute significantly to customer loyalty. And also customer loyalty is not contributed significantly by commitment and conflict handling in the relationship marketing.

8.2 Hypotheses Testing

NO	Hypotheses	Results	Tools
H1	There is a significant impact of trust on customer loyalty.	Accepted	Regression
H2	There is a significant impact of commitment on customerloyalty.	Rejected	Regression
H3	There is a significant impact of communication on customerloyalty.	Accepted	Regression
H4	There is a significant impact of conflict handling oncustomer loyalty.	Rejected	Regression

IX. CONCLUSION AND RECOMMENDATION

Based on the study's findings, several key conclusions can be drawn. Relationship marketing in private commercial banks in the Vijayawada significantly contributes to customer loyalty, with trust and communication being the primary dimensions influencing loyalty. Therefore, banks should focus on earning customer trust by consistently delivering on promises, prioritizing transaction security, providing quality services, showing respect, fulfilling obligations, and continuously enhancing customer confidence. Effective communication is crucial for customer retention, and loyalty can be further nurtured by providing timely and reliable information.

In contrast, commitment and conflict handling did not significantly influence customer loyalty in this study. However, these dimensions are important predictors of loyalty according to previous research (Ndubisi, 2006; Taleghani et al., 2011). The mean values for commitment and conflict handling were lower compared to trust and communication in this study, suggesting that banks should develop strategies to manage conflicts proactively and focus on enhancing customer commitment by offering personalized and flexible services.

Regarding the moderating effect of personal demographic variables, age-wise segmentation should be considered. Customers aged 56 and above exhibited the lowest levels of loyalty, possibly due to a lack of knowledge about banking technology. Therefore, banks should implement awareness programs on "the use of information technology in the banking sector" targeting this age group.

In today's technologically advanced era, retaining customers has become increasingly challenging. Various strategies have been proposed to enhance customer retention (Afsar et al., 2010). Nguyen (2006) recommended strategies to strengthen relationship marketing capabilities in the banking sector:

Strategy Development: Establishing an overarching approach to customer management that aligns with the company's overall corporate and marketing strategy.

Customer Information Strategy (CRM): Implementing detailed data identification, collection, analysis, and interpretation to enable effective strategy implementation in the banking sector.

Customer Segmentation: Differentiating customers based on value to prioritize marketing efforts and allocate resources more efficiently.

Planning and Internal Marketing: Integrating analyses from various departments to develop a case for changing customer management approaches, considering associated investments and profit implications, and creating a project plan for management and monitoring.

Technology Utilization: Leveraging technology to streamline routine business processes, allowing employees to focus on complex issues, increasing job satisfaction, and enhancing customer experience through faster response times and improved information access.

X. LIMITATION AND FUTURE RESEARCH

This research focuses on banking services in one particular district of the country; therefore further research in other sectors may be necessary before generalization can be made on the entire service industry. For the purpose of practicability and manageability, Convenience sampling method has been adopted to select respondents. Factors such as precision, confidence, time and cost constraints were taken into consideration in selecting sample size.

In the customer loyalty side, within the loyal category there are satisfied and un-satisfied customers. The satisfaction is not an essential requirement for loyalty. Sometimes unsatisfied customers are also loyal due to attachment and commitment with the supplier. This type of loyalty is sometimes called False Loyalty which stops him/ her from switching or choosing another supplier. These hurdles are called switching cost. Therefore, future study direction is to

examine the mediating role of customer satisfaction between relationship marketing and customer loyalty. and also the impact of the relationship marketing underpinnings can be investigated on other dependent variables such as customer retention, satisfaction, market share, profitability and firm performance.

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