

An Analysis Of Relationship Marketing And Customers' Loyalty: An Evidence From Commercial Banks

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Abstract:

This study aimed to examine the relationship marketing and customers' loyalty. The relationship marketing is observed with indicators of trust, communication, commitment, and empathy. The data was collected from respondents of commercial banks of Khairpur like MCB, Al-Fallah and Habib bank. The reliability of scales was examined through SPSS and same software was used for descriptive statistics. Structural equation modelling (SEM) was used as inferential statistical technique with the help of AMOS software. The results show that relationship marketing shows positive significant impact on customers' loyalty. In addition, dimensions of customer relationship such as trust, communication, commitment, and empathy have positive impact on customers' loyalty. The study is very crucial for marketers and strategic marketing policy makers.

Keywords: Relationship Marketing, Customers' Loyalty, AMOS, Marketing.

Introduction

Relationship marketing emphasizes on promoting relationship by growing long term relationship with clients so they furnish with progressing business. An association with customers improves customer loyalty assumptions to hold and foster long term associations with customers. At initial stage it was said that Relationship marketing is about developing straight response from the marketing campaigns that create customer satisfaction and customer retention by not focusing on transactions of sales only. Relationship marketing has an important role in making sound and healthy relationships with customers in this competitive era of business by satisfying their needs and wants. Relationship marketing is somehow different from others as it focuses on value to customer by providing those gifts, listening to customer that create positive impression. Different activities have taken place in relationship marketing in order to create customer loyalty, customer retention, long term relations or engagements by acquiring, satisfying, and enhancing customers.

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Relationship marketing is an efficient tool that saves advertising expenditures of an organization and also a part of CRM that creates word of mouth very positively among customers. Philosophy of relationship marketing emphasizing on how to keep working on improving relations with customers with different activities of business so that current customers are retained. Relationship marketing has good impact on advertising expenses as it is usually the cheaper path for an organization because it makes fewer costs of current customers than making new customers.

Furthermore, customer is a targeted element for the firm that buys goods/services from business or outlet, while loyalty is affection or strong satisfying feelings for particular product or services of the particular company. Customer loyalty is simply defined as choosing a product or services of a single company again and again from many products of many companies in order to fulfill the objectives of customer that generate profitability for the firm. Customer loyalty is the foundation of firm that helps firm in sustainability. A firm forecast its future on the basis of loyal customer that assist firm in generating future profit. Strong commitment of customer towards product or brand is known as customer loyalty (Dick and, 1994). Customer loyalty is anticipation towards sustaining relationship with product and services (Wilson, 1995). The deal when customer feel satisfied he purchase particular brand again and again which gives confidence to customer that deal is called customer loyalty (al & et, 2004). In addition, banks are playing fundamental and an important role to manage nation's money and provide easiness to the nation of any country in order to manage businesses. It is really quite difficult in this era to run a business without assistance of bank. Banks also have a great role in boosting economy of any country. Commercial banks are the institutes that get deposit provide financial services, loan to individuals and small businesses and also financial certificates such as letter of deposits LCs. It is recorded that commercial banks has an amazing growth and development throughout the inception. Commercial banks are situated almost every city of Pakistan now. Pakistani banks currently involve in an overwhelming position both in regard of the branch organization and the size of banking tasks. Banking offices have been reached out to cover even modest communities and semi-metropolitan and provincial focuses. Commercial banks have expanded in loaning facilities and the portion of trade also. Commercial banks which are operating in Khairpur are listed as Allied Bank Limited, Askari Bank, Bank Alfalah, Bank AL Habib, Faysal Bank, First Women Bank, Habib Bank Limited, JS Bank, MCB Bank Limited, National bank of Pakistan,, Soneri Bank, United Bank Limited, Habib metropolitan, Sindh bank, Meezan bank limited, and Bank Islami.

Problem statement

Relationship marketing enhances the customers and building relationship with customers that shaped as customer loyalty. Customer switching ratio is increasing day by day because of Bankers' behavior with customer is not satisfactory and found dull. Banks should mainly focus on relationship marketing that improves profitability by making long term relationship with customers. This study has not been done before in khairpur district and this will be very helpful for the bankers of khairpur. Customer satisfaction, customer retention and increasing customer loyalty have been quite difficult nowadays due to extreme level of competition in banking context. Customer loyalty is long term profitability for the organization. Research problem in this research is to analyze significance of relationship marketing (Trust, Commitment, Communication and Empathy) on customer loyalty.

Objectives of Study

The main focus of the study is measuring the impact of relationship marketing exogenous variables (Trust, Commitment, Communication and Empathy) on customer loyalty in taluka khairpur.

Research Gap

This research will be more beneficial for bankers of taluka khairpur because this research is not done before in this geographic area and after this research they will come to know about how to make customer relation consistent in order bring customer loyalty. This research will help commercial banks of taluka khairpur to make policies regarding customer relationship in a way that increase customer loyalty for profitability of commercial banks of taluka khairpur at last this shall be revised in the enormous stuff/literature on behalf of banking sector.

Literature Review & Hypotheses

Trust

State of confidence of security and safety or riskless element that one has on others is called trust. Trust is very important for making and maintaining relationships which is built on the basis experience with brands (product/services) a customer has. It is called that the good source of loyalty is trust (al R. , 2000). The level of confidence or believe that customer has on brand (product/ services) is called trust. It has an important role in customer loyalty which depends on trust. Trust is defined as the assurance or confidence about parties or customers. The marketing perspective related to faith described as for example the development of profitable relation based on the level of believe between the customers, firms and other parties also. Both parties (firm, customer) rely on one another when making business deals when a particular stage of honesty is built (Callaghan, 1995). In a relationship marketing trust is significant aspect of doing business and making relations (Morgan, 1994). Generally high level of trust is required for the bank to customer in relationship marketing and in such circumstances long term customer relations are made and trust remain constant among banks and customers (Martin, 1993).

Commitment

To maintain relationships is really a commitment's desires (Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994). It is conceptualized sometime as a "security or connection's stability" among parties (Dwyer, Schurr, and Oh 1987). Now days, commitment has been elaborated as a great effort to adjust (Pritchard, Havitz, and Howard 1999) and like a asset of attitude (Ahluwalia 2000). Commitment and its different forms in employee's relationship have different results (Mathieu and Zajac 1990). Commitment can be taken as an emotional bond of bank with a customer in order to maintain long term relationship with customers (Moorman et al., 1992) and the customer's sincerity and passion remain in customer's relationship will lead to profit than terminating. Commitment is a strong support to an organization that has an important impact on customer loyalty in banking sector (Pritchard et al., 1999) Marketing relationship's strength is commitment that is main construct, and in order to forecast purchase frequency for future and for measuring likelihood customer loyalty commitment is quite positive determinant (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987).

Communication

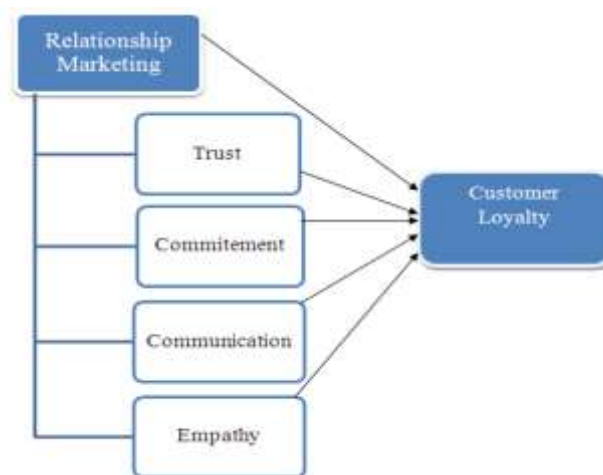
Providing reliable and timely information is a skill that is called communication. Communication view between banking sector and customer today is a collaborative/interactive dialogue, which is necessary throughout selling process that includes pre-selling then selling then consuming and post consuming level (Anderson and Narus, 1990). Getting in touch with respected customers and inform them about every offer,

services, services changes by bank, provide them reliable information on time to time and communicated proactively with customers before occurring any problem is a communication in relationship marketing. It is responsibility of communicator to build up of awareness, buildup of consumer liking by promote importance and performance and additional features in order to give buyer's confidence to make decision of purchase (Ndubisi and Chan, 2005). A small number of relationship advancing understudies correspond that communication could be a simple feature of relationship development. Central part of coordinative behavior in several formation sites is the communication and advancing connections are no unique case (Cummings, 1984).

Empathy

Empathy is how you fix yourself in other's place in order to understand their perspective and feelings so as to behave accordingly (roman krznic).

Research Model



Hypotheses of study

H1: Relationship marketing has direct and positive relationship on Customer's Loyalty.

H1 (a): Trust has significant impact on Customer Loyalty.

H1 (b): Commitment has significant impact on Customer Loyalty.

H1 (c): Communication has significant impact on Customer Loyalty.

H1 (d): Empathy has significant impact on Customer Loyalty.

Research Methodology

Primary source

Questionnaire were distributed to different banks such as MCB bank ALFALLAH Bank and HABIB bank limited in order to collect the data by structured questions with the permission of management. During my visit I tried to collect data from customers as well but most of customer was not as much literate so that they can easily understand what I was trying to ask, I therefore felt difficulty while collecting data from them. I personally assure them the data will only be used for academic purpose."

Secondary source

Secondary data was collected from banks websites, journal articles and from annual banks report, this study was conventional and conducted in taluka khairpur.

Research Instruments

Questionnaires and items for constructs are Trust (4 Items), Commitment (4 Items), Communication (4 Items), Empathy (4 Items), and Customer Loyalty (4 items). In this research we have used likert scale of five points in questionnaire which starts from Strongly disagree to strongly agree.

Statistical analysis

In this research **SPSS and AMOS** software was used for statistical techniques such as reliability analysis, descriptive statistics, and Structural Equation modelling (SEM).

Results and Interpretation

Table 1 Respondents profile

Factor	Profile	Total number	Percentage %
Gender	Male	147	64
	Female	83	36
	Total	230	100
Age	18-20	24	10.3
	21-23	30	13.0
	24-26	63	27.4
	27-29	61	26.7
	30+above	52	22.6
	Total	230	100

Respondent profile

This respondent profile is based on two demographic profiles which includes gender and age. This profile describes detail of target sample collected through questionnaire. In this research responses were collected from 64% male respondents and 36% female respondents from the total number of 230. This is observed that major portion of responses were collected within the age of 24 to 26 and lowest section of sample depends on within the age of 18 to 20.

Table 2: Reliability statistics

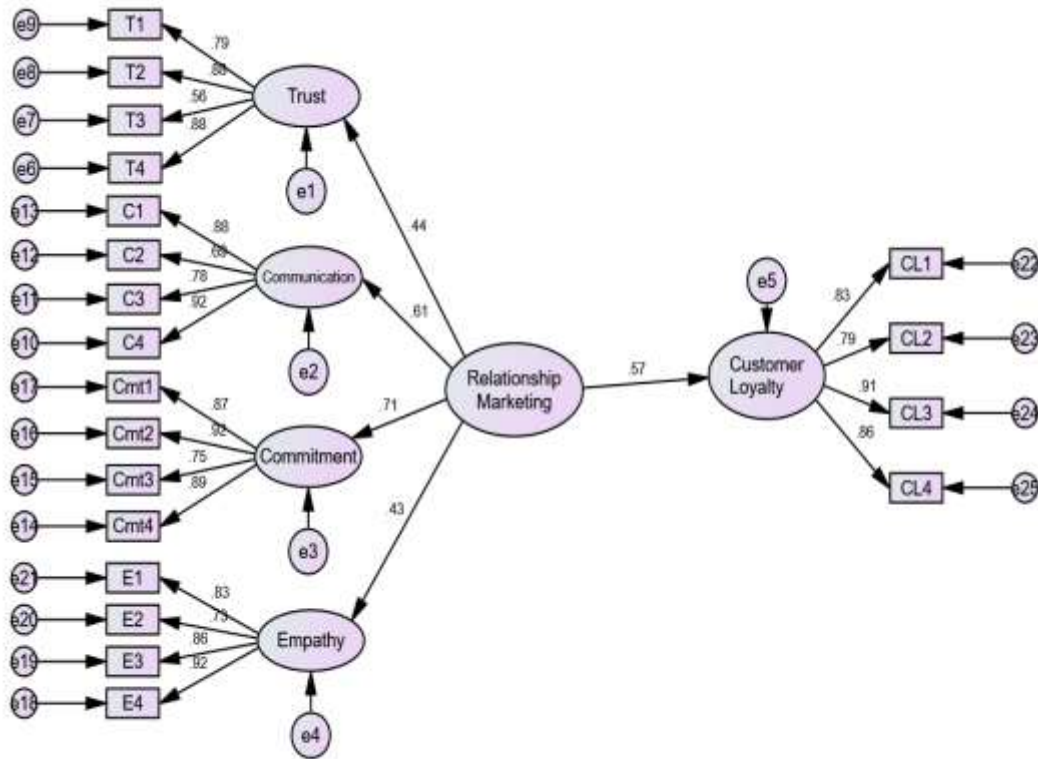
Constructs	cronbach's alpha
Relationship marketing (independent variable)	
Trust	0.895
Commitment	0.850
Communication	0.916
Empathy	0.913
Customer loyalty (dependent variable)	0.935

Reliability statistics

Non probability and convenience sample method was used to explore relationship between relationship marketing and customer loyalty in this research. This research has 230 respondents from banking customers from which data was collected. All items were tested in order to understand the reliability and consistency via cronbatch's alpha minimum level 0.7 coefficient was applied for understanding and directions (cavana et aln2001).

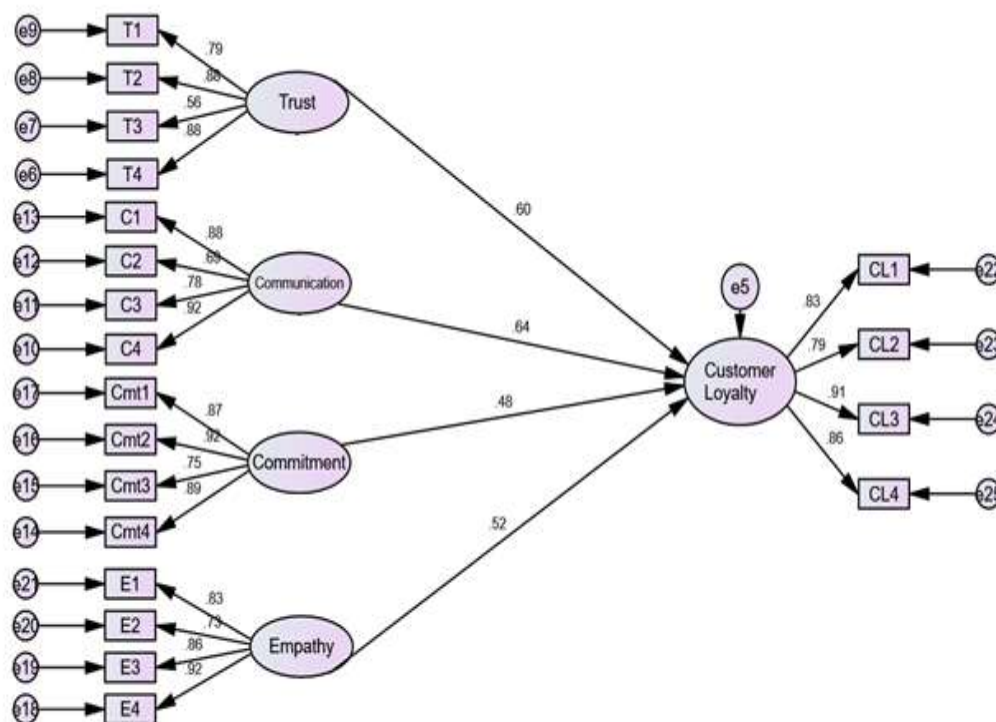
Structural Equation Modelling (SEM)

Figure 1: Hypothesis H1 (Relationship Marketing → Customer Loyalty)



The above figure shows the 2nd order path model. Structural equation modelling is helpful in assessing path outcomes. The model outcome shows suitable item loadings, the model outcomes illustrates that relationship marketing has positive significant impact on customer loyalty. The statistical results show that relationship marketing has .57 positive impacts on loyalty at 0.001 level of significance. Based on above results, hypothesis 1 has been accepted.

Figure 2: Hypotheses 1a, 1b, 1c, and 1d



The above model outcomes show the direct impact of key relationship marketing indicators on customer loyalty. The indicators of relationship marketing are Trust, communication, commitment, empathy. The results confirmed that trust has positive significant impact on loyalty (H1a), communication has also positive impact on customer loyalty (H1b). Moreover, commitment has .48 positive significant impact on loyalty and empathy also poses positive impact on loyalty. Hence, H1a, H1b, H1c, H1d have been retained.

Conclusion

In this study it is concluded that relationship marketing i-e Trust, commitment, communication, and empathy has direct and positive relationship on customer loyalty, customers are retained and bond is established with them. In this research we have studied the different scholar's work and perspectives in order to understand and analyze real nature of hypothesis. After analyzing basic points in initial chapters of this study this study summarized scholars work on said topic. It is also concluded in this research that trust, commitment, communication and empathy directly or indirectly support and improve the customer loyalty. In this study the data is collected through questionnaire from different conventional banks in taluka khairpur and five points likert scale was used which was from the range of strongly disagree to strongly agree. Change is constant for organization improvement therefore this research is very helpful for banks in taluka khairpur in order to build and sustain relationship with customer and also this research is time saving for banks of taluka khairpur. This research results has concluded that all the variables i-e trust, commitment, communication and empathy has positive relationship with customer loyalty.

Recommendations

Having seen the result of this study it is recommended that banking system in taluka khairpur should focus on trust, commitment, communication and empathy in order to improve the customer loyalty.

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