



## EFFECT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY

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### Abstract

The present paper examined the relationship marketing determinants on customer loyalty in public banking sector. The sample 415 is considered for this research. Descriptive statistics and Correlation analysis is to measure the degree of relationship between to variables. Customers are having higher level of loyalty with the bank. Because of that only they are positively passing the message about their bank and also recommend, encourage their friends and relative to have the operation with this bank.

### Introduction

In today's banking environment, banks' profitability levels have been compressed due to increased com-petition and spread reductions. Banks once relied upon services to make their profit margin in a highly regulated market place, and the consumers basically were on the sidelines, but today banks are driven by consumers who demand service quality. Banks need to realize good quality of services, in order to keep consumers and maximize profitability.

Customer loyalty is comprised of both customers attitudes and behaviors. Customers attitudinal component represents notions like repurchase intention or purchasing additional products or services from the same company, willingness of recommending the company to others, demonstration of such commitment to the company by exhibiting a resistance to switching to another competitor (Cronin and Taylor, 1992; Narayandas, 1996; Prus and Brandt, 1995) and willingness to pay a price premium (Zeithaml, Berry, and Parasuraman, 1996). On the other hand, the behavioral aspect of customer loyalty represents actual repeat purchase of products or services that includes purchasing more and different products or services from the same company recommending the company to others and reflecting a long-term choice probability for the brand (Feick, Lee and Lee, 2001). Customer loyalty expresses an intended behavior related to the product or service or to the company.

### Research methodology

The main objective of this study is to identify the most important relationship marketing determinants on customer loyalty in public banking sector. . Systematic random sampling technique is adopted for this study. Samples of 468 customers are approached for this study then sample respondents are selected based on the purposive sampling techniques. Among the 468 responses, the elimination cases with missing data resulted in 415 completed schedules. All are fit for the further analysis. Hence the sample 415 is considered this research based on the review of literature, the researcher developed the research schedule for collecting the primary data. The respondents are asked to rate their opinion in the seven point Likert scale, where 7 stands for strongly agree and 1 stands for strongly disagree. Descriptive statistics is used to describe the sample, to show the numbers and percentage of the items falling in categories and regression analysis is applied to measure the degree of relationship between to variables.

### Analysis and discussion

Loyalty has been referred as a favorable attitude towards a brand in addition to purchasing it repeatedly (Day, 1969). It is a relationship between relative attitude towards an entity and repeat patronage behavior (Dick and Basu, 1994) it is a situation when repeat purchase behavior is accompanied by a psychological bond (Jarvis and Wilcox, 1977).

**Table 1 Opinion towards customer loyalty**

Statements	Mean	S.D	C.V
Say positive things	5.36	1.35	0.25
Recommend this bank	4.98	1.45	0.29
Encourage friends and relatives	4.82	1.57	0.32
Consider this bank as first choice	4.69	1.67	0.35
Do more business	4.87	1.56	0.32

Source: Primary data computed



The respondents are asked to rate their loyalty with the bank. Here loyalty is measured with the five statements. The respondents opinion are recorded in the seven point scale for each statement. Here seven standard for strongly agree and one stands for strongly disagree. The collected data are analysed with descriptive statistic namely mean, standard deviation co-efficient of variation. The calculated values are displayed in the table 1. While observing the mean are ranged between 5.36 to 4.69. It is inferred that the customer are having higher level of opinion towards loyalty statements. However, the customer are rated that they said positive things of the banks to others (5.36) followed by they recommend this bank to others (4.98), they also do more business with this bank (4.87), they encourage the friends and relative to do transaction with this bank (4.82) and they considered this bank as the first choice of them. It is found that bank has the first choice of them. Customers are having higher level of loyalty with this bank. Because of that only they are positively passing the message about their bank and also recommend, encourage their friends and relative to have the operation with this bank.

In the banking sector, loyal customers are more profitable because they are attached to the bank and thus are easier to serve than those who are non-loyal. Bowen and Shoemaker (1998) maintain that a small increase in loyal customers can result in a substantial increase in profitability.

Furthermore, the longer a loyal customer stays with a firm, the more profitable to that firm (Kim and Cha, 2002). Reichheld and Sasser (1990) found that firms could improve their profits from two to eight percentage by reducing customer defections by five percent. Thus, keeping loyal customers represents a strategy for achieving distinct and sustainable competitive advantage (Roberts, et al., 2003). The banking industry globally is facing a very competitive environment that is forcing it to enhance the development and sustainability of loyalty opportunities.

**Table 2 Effect of relationship marketing dimension on customer loyalty**

R-Value	R-Square Value	Adjusted R Square Value	F-Value	P-Value
0.589	0.348	0.399	43.49	0.001

Service Quality	B	Std. Error	Beta	t- Value	P-Value
Content	8.277	1.601	-	5.145	0.001
Trust	0.016	0.069	0.018	0.227	0.821(NS)
Commitment	0.224	0.056	0.198	3.998	0.001*
Customer satisfaction	0.079	0.071	0.069	1.118	0.244(NS)
Customer welfare	0.029	0.070	0.021	0.410	0.682(NS)
employee behaviour	0.385	0.060	0.390	6.370	0.001*

Source: Primary data computed

\* Significant at one percent level; Ns - Non - significant

The researcher has been measured relationship marketing of banks with five determinants namely trust, commitment, customer satisfaction, customer welfare and employee behavior. Further, customer loyalty is measured with five statements and then the total score of the five statements is considered as overall loyalty the customers with the bank. Multiple regression has been applied. The regression result is displayed in the table 2.

Ho: There is no effect on relationship marketing on customer loyalty.

From the model summary, it has been stated that the hypothesis is rejected, because the calculated F-value is 43.49 which is significant at one percent level (P-value = 0.001). Here, the R-square value indicates that the percentage level of effect among the independent variables on the dependent variable. Here, trust, commitment, customer satisfaction, customer welfare and employee behavior are treated as independent variables and loyalty is considered as a dependent variable. The R-square value is found to be 0.39, it is inferred that independent variables are significantly influenced on dependent variable at 39.9 percent level. Further the standardized co-efficient beta value indicates the relative importance of the independent variables on dependent variable. It is expressed by the equation.

Customer Loyalty= 8.277 + 0.385 (employee behaviour) + 0.224 (commitment)

The equation is explained that the employee behaviour and commitment are having positive effect on customer loyalty. To have one unit increases in customer loyalty, the work behaviour of the bank is likely to be increased at 0.385 levels while other factors remain constant. And like, if commitment increases by 0.224 levels, customer loyalty is increased by one unit, while other factors remain constant. From above discussion it is found that the relationship marketing dimensions are



significantly influenced on the customer loyalty of the bank. However, employee behavior and commitment are the dimensions having more impact on customer loyalty. Hence, the bankers should give more importance to work behaviour and also commitment aspect.

Service quality has also been associated with customer loyalty. While some researchers have reported that customer satisfaction exerts a stronger influence on purchase intentions than service quality (Cronin and Taylor, 1992) Buzzell and Gale (1987) have found that service quality leads to customer loyalty. A research by Zeithaml et al. (1996) concluded that when organisations enhance the quality of their services, customers' favorable behavioral intentions are increased while unfavorable intentions are decreased simultaneously.

Amy wong and Amik shoal (2003) The study found that service quality is positively associated with customer loyalty and that the relationship is stronger at the company level rather than at the interpersonal level. The tangible dimension is the most significant predictor of customer loyalty at a company level and empathy is the most significant predictor of customer loyalty at an interpersonal level.

Lo Liang Kheng, et.al., (2010) stated that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in this equation are reliability, empathy, and assurance.

Vikas Kumar,et.al., (2011) found that the operations performance have impact on customer loyalty. Operations speed may help to acquire customers because it drives a strong of customer loyalty in the long term.

Daniel Onwonga Auka (2012) revealed that there was a positive and significant relationship between service quality, customer satisfaction and customer value and customer loyalty. It is also found that service quality, customer value and satisfaction are critical success factors that influence the competitiveness of an organization.

## Conclusion

Customers are having higher level of loyalty with this bank. Because of that only they are positively passing the message about their bank and also recommend, encourage their friends and relative to have the operation with this bank. Work behavior and commitment are the dimensions having more impact on customer loyalty. Hence, the bankers should give more importance to work behaviour and also commitment aspect.

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