CHAPTER-I

RELATIONSHIP MARKETING: AN OVERVIEW

RELATIONSHIP MARKETING: AN OVERVIEW

1.1 INTRODUCTION

Relationship marketing come into vogue two decades back and is well-known to marketers as well as academia, there is a lack of relevant research in this area. The term ‘Relationship Marketing’ was popularized by Berry (1983); he defined relationship marketing as “the process of attracting, mainating and, in multi-service organizations, enhancing “Customer Relationship” Gronroos (1990) defined relationship marketing as “the process of establishing, marinating, and enhancing relationship with the customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises”. Relationship marketing can be understood as “an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen and network for the mutual benefits of both the sides, through interactive, individualized and value-added contracts over a long period of time” After considering argued that relationship marketing can be considered as “an ongoing process of engaging inco-operative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost.”

On the basis of the definitions cited above, it can be said that relationship marketing aims at building long-term strong relationship with customers to cultivate and foster customer loyalty that will benefit both the customers and the organization. Customer loyalty is defined by Oliver(1999) as “a deeply held commitment to re-buy or repatronize a preferred product a service in the future despite there are situational influence and marketing efforts having the potential to cause switching Behavior.

Over the last two and a half decades, marketing has witnessed a paradigm shift. The literature reveals that marketing has shifted from “Transaction Marketing to “Relationship Marketing” (Lindgreen, 2001). Scholars have identified the need to retain customers to have a competitive advantage in the market. The challenge for a firm is to attract and retain loyal customers. Previous research has shown that attracting new customer is costlier than serving an existing customer. It is claimed by Reichheld and Sasser (1990) that a 5 percent improvement in customer retention can cause an increase

in profitability between 25 percent and 85 percent (in terms of net present value) depending upon the industry. Relationship marketing aims at building and relationship to have information regarding customers. A firm can exploit customer relationship to have information regarding customers' needs and wants so that a suitable strategy can be designed to serve the customers more efficiently and effectively than the competitors. Very often firms are using relationship marketing as a marketing tool to retain their customers for long. In context, it is very important to empirically investigate the impact of relationship marketing on customer loyalty, so that organizations can use this type of information at the time of designing a relationship marketing strategy in order to gain a high level of loyalty among their customers.

It was a time when companies only thing about mass-marketing, the time has changed drastically over last two decades. The term 'relationship marketing' was popularized by Berry (1993); he defined Relationship Marketing as "the process of attracting, maintain and, in multi service organizations, enhancing customer relationships". Gronroos (1990) defined relationship marketing as "the process of establishing, maintaining and enhancing relationships with the customers and other partners at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises", Relationship marketing can be understood as "an integrated effort to identify, maintain, and build up a network with individual customers and top continuously strengthen the network for the mutual benefits of both the sides, through interactive, individualized and value-added contacts over a long period of time (Shani and Chalasani, 1992). After considering various definitions of relationship marketing, Sheth and Parvatiyar (1995) argued that relationship marketing can be considered as" an ongoing process of engaging in-cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost."

On the basis of the definitions cited above, it can be said that relationship marketing aims at building long-term strong relationship with customers to cultivate and foster customer loyalty that will benefit both the customers and the organization. Customer loyalty is defined by Oliver (1999) as a "deeply held commitment to re-buy or repatronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior."

Relationships are not developed overnight. Until the customer senses some attachment to the company, then no relationship can be said to exist. At best it is a satisfying encounter, which, if it reoccurs often enough, could become a relationship. Thus, relationships are born of successive experiences of customer satisfaction" **(Barnes 2001).** CRM is a strategy used in competitive environments that combines the information, systems, policies, processes, and employees of an enterprise in an effort to attract and retain profitable customers **(Menconi 2001)**. The relative and marked emergence of CRM as a business strategy has radically transformed the way organizations operates. There has been a shift in business focus from transactional to relationship marketing where the customer is at the center of all business activity and organizations are now desperately trying to restructure their processes around the needs of their strategically significant customers.

Different scholars defined the Relationship Marketing differently. Perhaps the first definition of Relationship marketing: "Relationship Marketing is a strategy to attract, maintain and enhance customer relationship" **(Berry 1983).**

1.1.1 Marketing: A New Paradigm:

Over the last two and a half decades, marketing has witnessed a paradigm shift. The enigma of Marketing is that it is one of the oldest activities of man and yet it is regarded as the most recent of the business discipline. **Philip Kotler (1989)** defined Marketing as – "Social and Managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others." **American Marketing Association (1985)** defined Marketing as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individuals and organizational objectives"

The literature reveals that marketing has shifted from "Transaction Marketing to "Relationship Marketing" (Lindgreen, 2001). Scholars have identified the need to retain customers to have a competitive advantage in the market. The challenge for a firm is to attract and retain loyal customers. Previous research has shown that attracting new customer is costlier than serving an existing customer. It is claimed by Reichheld and Sasser (1990) that a 5 percent improvement in customer retention can cause an increase in profitability between 25 percent and 85 percent (in terms of net present

value) depending upon the industry. Relationship marketing aims at building and relationship to have information regarding customers. A firm can exploit customer relationship to have information regarding customers' needs and wants so that a suitable strategy can be designed to serve the customers more efficiently and effectively than the competitors. Very often firms are using relationship marketing as a marketing tool to retain their customers for long. In context, it is very important to empirically investigate the impact of relationship marketing on customer loyalty, so that organizations can use this type of information at the time of designing a relationship marketing strategy in order to gain a high level of loyalty among their customers.

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and operations to remain competitive. The deepening of technology has facilitated better tracking and fulfillment of commitments, multiple delivery channels for customers and faster resolution of mis-coordinations. Unlike in the past, the banks today are market driven and market responsive. The top concern in the mind of every bank's CEO is increasing or at least maintaining the market share in every line of business against the backdrop of heightened competition. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

Table: 1.1 : Evolution of Customer Relationship Marketing

Period	Focus Area
1950's	Consumer Goods Marketing
1960's	Industrial Goods Marketing

1970’s	Marketing of Non-Profit Organization or Societal Marketing
1980’s	Services Marketing
1990’s	Customer Relationship Marketing

In 1950’s the Consumer Goods companies were recognized as the most sophisticated marketers. They were often the first companies to develop final marketing plans and research was directed at analyzing and researching consumer good market. In 1960’s considerable attention was paid to the Industrial Markets and marketing research was inclined towards industrial markets. Much of the research was oriented towards the improvement of industrial marketing. In 1970’s the Marketing of Non-Profit Organizations and associated areas of public sector and Societal Marketing received attention. In **1980’s** the **Services Marketing** sector started attracting attention. The **Services Sector**, the world over, is growing enormously in terms of size. In the **1990s** a new emphasis on marketing is likely to emerge – **Relationship Marketing**. Relationship Marketing has the potential to draw together the streams focus into an integrated whole as shown in **Table 1.1.** Relationship Marketing draws heavily on services marketing thinking but also has the application to other sectors.

1.1.2 FINANCIAL SERVICES SECTOR:

Financial services industry is the mainstay of any economy as it mirrors the financial health of the country. Indian financial markets are highly regulated with different authorities keeping an eye on every avenue of financial sub-segments viz. Stock markets, mutual funds, insurance and banking. Stock markets are regulated by Securities and Exchange Board of India (SEBI) while Insurance Regulatory and Development Authority (IRDA) keep an eye on the insurance industry. Similarly, Reserve Bank of India (RBI) keeps a check on the Indian banking sector and Association of Mutual Funds in India (AMFI) takes care of the mutual fund segment.

The far-reaching changes in the Indian economy since liberalization in the early 1990s have had a deep impact on the Indian financial sector. The financial sector has gone through a complex and sometimes painful process of restructuring, capitalising on new opportunities as well as responding to new challenges. During the last decade, there has been a broadening and deepening of financial markets. Several new

instruments and products have been introduced. Existing sectors have been opened to new private players. This has given a strong impetus to the development and modernization of the financial sector. New players have adopted international best practices and modern technology to offer a more sophisticated range of financial services to corporate and retail customers. This process has clearly improved the range of financial services and service providers available to Indian customers. The entry of new players has led to even existing players upgrading their product offerings and distribution channels. This continued to be witnessed in 2002-03 across key sectors like commercial banking and insurance, where private players achieved significant success. These changes have taken place against a wider systemic backdrop of easing of controls on interest rates and their realignment with market rates, gradual reduction in resource pre-emption by the government, relaxation of stipulations on concessional lending and removal of access to concessional resources for financial institutions. Over the past few years, the sector has also witnessed substantial progress in regulation and supervision. Financial intermediaries have gradually moved to internationally acceptable norms for income recognition, asset classification, and provisioning and capital adequacy. This process continued in 2002-03, with RBI announcing guidelines for risk-based supervision and consolidated supervision. While maintaining its soft interest rate stance, RBI cautioned banks against taking large interest rate risks, and advocated a move towards a floating rate interest rate structure. The past decade was also an eventful one for the Indian capital markets. Reforms, particularly the establishment and empowerment of securities and Exchange Board of India (SEBI), market-determined prices and allocation of resources, screen-based nation-wide trading, dematerialisation and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. On account of the subdued global economic conditions and the impact on the Indian economy of the drought conditions prevailing in the country, 2002-03 was a subdued year for equity markets. Despite this, the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) ranked third and sixth respectively among all exchanges in the world with respect to the number of transactions. The year also witnessed the grant of approval for setting up of a multi-commodity exchange for trading of various commodities.

India has made considerable progress in the post-1991 period. The country's macroeconomic fundamentals have improved and external vulnerability has been sharply reduced. Reforms in the financial sector have appropriately addressed the pre-1991 weaknesses in the sector and improved its competitive strength domestically as well as globally. Individual players now need to adopt proactive competitive strategies that will enable them to capture the emerging opportunities. Exposure to global practices has made the Indian customer more discerning and demanding. There has been a clear shift towards those entities that are able to offer products and services in the most innovative and cost efficient manner. The financial sector will need to adopt a customer-centric business focus. It will also have to create value for its shareholders as well as its customers, competing for the capital necessary to fund growth as well as for customer market share.

1.1.3 MARKETING CONCEPT IN BANKING SECTOR:

Application of Marketing concept and techniques in a banking organization implies use of product, place, price, promotion, process, people and physical evidence for maximizing the customer satisfaction.

1.1.4 BANK MARKETING IN INDIA:

If we agree with this view that the Indian economy is on the path of progress and Indian consumers have developed their saving habits and investment strategies, a radical change in marketing practice of the banks cannot be delayed. In the past the banks did not find any attraction in the Indian economy because of low level of economic activity and meager business prospects. Today we find positive changes in the national business development policy**.**

The history of the Indian banking can be classified into four distinct phases.

I. Traditional Banking Period (Pre-Nationalization era up to 1969):

With the attainment of independence in 1947 the contours of the development underwent radical changes. The constitution assigned top most priority to social welfare and regional imbalance. The introduction of planned concept of development necessitated a rational development policy, which suits the neglected population and neglected regions. Earlier the moneylenders had the strong hold over the rural

population. This resulted in the exploitation of the marginal and small savers. The state policy makers felt that there should be a radical change in the functional behavior and character of the financial institution so that the benefits of development not only remain confined to a particular region or particular section, indeed the fruits of the development are reaped by all The private sector banks failed in delivering goods to the society. During this period the banks in India were conservative and inward looking, concerned with their profits. Banks offered limited range of services in deposit area which included current accounts, term deposits account, and saving bank accounts. Their miscellaneous services included issue of drafts, collection of outstation cheques, executing standing instructions of the clients and locker facility to few. It was phase of select banking. What was surprising is the fact that even the communication through media was looked down upon the contempt as something against the ethics of banking culture. The advertisement released till 1966 were very few and far between. The focus area of the banks was "accounting" oriented activities. In other words meticulous maintaining of account books and inward looking approach in transaction business with the customer, which emphasized strict adherence to the laid down rules and regulations, whether it is deposits or loaning activity. How much loan the customer requires is not important but security, which the customer could provide for the said loan, was important. The customer was presented with a set of pre-determined options of banking products with "take it or leave it". Another aspect of this period was building up of strong bonds of customer- relationship with a selected band of customers. That is why this period is known as "Class banking" rather than "Mass Banking".

II. Development Banking Period (Post-nationalization Period from 1969 to mid 1980).

The nationalization of 14 major banks took place in 1969. Spurred by the well-known socio-economic objectives of the nationalization the public sector banks went in for Mass Branch expansion during 1970's. Financial assistance was available on a very large scale to weaker sections of the society, agriculturists, small traders etc. Although the banks reached out to the masses but still the mindset and basic orientation remained towards "take it or leave it" phrase. The bankers during the period never found it necessary to ascertain what the customer wanted. All they did was to present a few or at time just one product to the customers who simply accepted it. At the best the bankers adopted Selling stance. In Indian banking industry the concept of customer

satisfaction began only in 1970s which was first introduced in State Bank of India. In 1972, the new organizational framework embodied the principle that the existence of an organization is primarily dependent upon the satisfaction of the customer needs. On the whole, the hallmark of the recognized set-up was customer orientation. In 1972 the State bank of India was reorganized on the basis of segmentation. Four major segments were created viz. small industries and small business, agriculture, commercial and institutional, personal services, Personal and service banking Segment. The new organizational framework embodied the principle that the existence of an organization is primarily dependent upon the satisfaction of the customer needs. On the whole, the hallmark of the recognized set up was customer orientation. It aimed at:

- Having a total view of the customer needs
- Meeting the identified needs in the best possible manner by developing appropriate and suitable services
- Identifying potential customers and
- Conducting the activities at the branch level on the basis of carved market segments instead of job-wise activities.

Again in 1973 it took upon itself the responsibility of involving itself in the neighborhood affairs and winning the cooperation of the community. The discipline of bank Marketing did travel to some extent and tools of Marketing like Segmentation, Product Diversification and Expansion were experimented.

III. Bank Marketing Period (After mid 1980's):

The ill effects of frantic branch expansion and credit disbursement during the development period started showing on the health of public sector banks. There was increase in loss making branches, problem of communication with far flung areas, rising customer dissatisfaction and resultant lack of interest of the bank staff towards development work. It is only during this period that Marketing of Banking Services was looked upon as survival kit for the banks. The beginning of the decade 1980s brought a significant change in the concept of bank marketing. This was mainly due to technological innovations: the advent of electronic fund transfer system, Automated teller machines (ATM), direct deposit of payrolls, Dial a Draft facility, credit cards, debit cards, pay by phone system, telebanking, online banking etc. The financial sector reforms, which initiated in 1988, had wide-ranging ramifications. A major trend that

emerged as a result of the reforms is the shift in orientation from liability side to the asset side. In the pre reform period, greater emphasis was on the liability management i.e. on deposit mobilization. In the Post reform era, with the emergence of the capital adequacy norms, provisioning and income recognition norms, the accent of regulation has shifted from the liability side to the asset side of the balance sheet as well. a perceptible change was discernible, viz. product and promotion. The other two, price and place controlled by RBI. it was in early 1980's that the banks started thinking in terms of product development. More importantly, the banks also accelerated the process of equipping their staff with marketing capabilities in terms of both, Skill and attitude through training intervention both internal and external.

IV. Liberalization Era (1990's Onwards):

With the onset of liberalization era in 1990's, the survival of the banks has become more difficult. The opening of economy has resulted into lot of competition from Foreign Banks and Private Banks. These banks would start with the advantage of a lean organizational structure and necessary technology back up. These banks are setting standards in Marketing of Banking Services to general as well as corporate clients. Non-Banking Financial Institutions are also giving tough competition to the banking sector in providing quality-banking services to their clients. These companies have grown from mere 7,063 in 1983 to nearly 41,361 in 1999.Companies will now increasingly turn to the market, both domestic and overseas, and their need for more costly bank finance is bound to decline. Bankers will no longer be in the conventional area of depositing the finance and lending activities but will increasingly have to look in the new areas of Non-Fund business like Letter of Credit, Guarantee, and Mutual Funds Management custodial Services etc. Bankers are facing greater challenge to their existence from the power shift. The Internet and new technologies have changed the rules of the game putting the power in the hands of corporate world. With liberalization, the Indian market is not as much of a watertight compartment as it was in the earlier years. Foreign banks and private banks are redefining the business of banking strategy; customization of the product, innovative distribution is helping them to forge ahead. Private sector banks are increasingly relying on non-fund activities like treasury services, corporate advisory services, guarantee and other activities as means to off-set lower lending. All banks are of the view that Relationship Marketing is key to success in banking sector but it has remained more of theory than practice.

The emphasis is now on the health and profitability of the banking system rather than the size. The other trends that have emerged as a result of the reforms are:

- Reduction in the structural barriers to the competition in domestic markets by abolishing interest rate ceiling on the deposits as well as loan/advances.
- RBI has issued various guidelines in January 1993 for the entry and establishment of highly competitive new private sector banks.
- Markets are open for foreign sector banks
- Improved information Technology has led to low cost, instantaneous communication and electronic fund transfer. This has led to the integration of international financial markets.
- Due to increase in awareness and literacy ratio, the customer of today has become more learned about the risks, costs and returns associated with various financial services.
- Along with this scores of non-Banking financial institutions too have come up to give stiff competition to the commercial banks, which otherwise were enjoying peaceful existence with no competition around.

As a result, Banks have experienced an alarming downswing in growth of aggregate deposits from 20.3 percent in 1986-87 to 12.1 percent in 1995-96 Several other factors that have contributed towards the downward trend are:

- The household sector of today has become more sensitive to interest rates and tax benefits and has ventured to other forms of savings offered by various Non-Banking Financial Companies (NBFC). The NBFCs provide tailor made services to their clients and are highly customer oriented with much lower pre and post sanction requirements. Simplicity and Speed of their services have further attracted customers towards them despite higher cost.
- Of late. One of the criticisms made about the banking industry after the Nationalisation of the banks in 1969 is about the deterioration of the customer services.
- Non-Marketing culture in the banks and the attitude of the bankers that it is unprofessional to sell one’s services has made the situation even worse. The

banks have been of the view that the marketing of services was unnecessary in the sense that the traditional relationships and quality of the products were sufficient to do the job.

- Increasing proportion of non-performing assets, particularly the priority sector advances, branch expansion on non-economic consideration, poor portfolio management etc. have reduced credit-deposit ratio from 77.5 percent in 1969 to 46.7 percent in 1998 (**RBI Supplement, November 1998**). Increasing establishment expenses are some other factors responsible for low productivity and declining profitability of banks.

Thus these are the major factors, which have contributed towards the overall deterioration of quality and quantity of commercial bank operations in India. They are the pointers, which have made banks to get up from their slumber and take stock of the situation around. If the banks have to survive in the present day world of intense competition they will have to adapt their business strategies, Management practices, organizational structure and value systems to deal with the novelties and surprises of the modern financial systems.

Whatever may be the indications of the application of marketing concept in the Indian banking industry, it is a fact that marketing has not been fully accepted by the management in this sector as a corporate philosophy. Though India has the largest network of the bank branches in the world, innovative banking remains year behind the development of the new world banking. In view of the above challenges and also challenges from the emergence of NBFC and growth of competitive financial instruments, banks have to go miles ahead in innovative banking to cope with the new world banking. However it should not be forgotten that "The customer is the most important person in the business" and without customer, the banking efforts are irrelevant.

1.2 SOME RECENT DEFINITIONS ARE AS FOLLOWS:

"Relationship Marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges" **(Morgan and Hunt 1994).**

This definition is of special interest since it explicitly is linked to a governance form, i.e. “relational exchange”. Gronroos offers one long and one short definition:

“Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with the customers and other stakeholders, at a profit, so that the objects of all parties involved are met, and that this is done by a mutual exchange and fulfillment of promises” **(Gronroos 1994).**

Later **Gronroos (1996)** let relationship marketing to be generic definition of marketing:

“Marketing is to manage the firm’s market relationships”

Gummesson (1995) use the term network and interaction as well as relationships in his definition:

“Relationship marketing is marketing seen as relationships, networks and interaction”.

“Relationship Marketing is an emergent disciplinary framework for creating, developing and sustaining exchanges of value between the parties involved, whereby exchange relationships evolve to provide continuous and stable links in the supply chain” (**Ballantyne 1994).**

Paravatiyar (1996), defines relationship marketing as “Relationship marketing is the process of co-operating with the customers to improve marketing productivity through efficiency and effectiveness”

The modern Customer Relationship Management concept was shaped and influenced by the theories of Total Quality Management **Gummesson (1997)**. There is however, a perceived lack of clarity in the definition of customer relationship management, although all accepted definitions are sharing approximately the same basic concepts: customer relationships, customer management, marketing strategy, customer retention, personalization.

However, a number of European academics consider this view of marketing as outdated, relevant only to certain types of firms and markets **(Hakansson 1982; Gummesson 1987, 1994; Gronroos 1989, 1990, 1994).** Further, they argue the

traditional AMA perspective is overly clinical and based solely on short-term economic transactions. **Moller (1992),** the AMA view also "Presumes primarily a stimulus-response relationship between the firm and its customers (where the customer markets are comprised of passive, independent actors)". Such criticism has led to the suggestion that a "paradigm shift in marketing is needed if marketing is going to survive as a discipline**" (Gronroos 1995).**

The "new paradigm" is commonly known as Relationship Marketing and has emerged from number of streams of research.

The first stream examines Marketing from Services context **(Berry 1983, 1995; Gronroos 1990),** while the second stream focuses on inter-organizational exchange relationships. This stream encompasses both the examination of buyer-seller relationship and in the context of resource dependency theory **(Hakansson 1982; Ford 1990)** as well as study the constructs underlying inter-organizational relationship, in the context of social exchange theory **(Dwyer 1987; Wilson 1995).** The third stream of research is based on Channel literature, whereas early interest focused on vertical marketing system **(Bucklin 1970).** As discussed by **Weitz and Jap (1995)** current channel has shifted to examine control mechanism and development of effective and efficient channel relationship **(Buzzell and Ortmeyer 1995).** The fourth stream of research related to relationship marketing examines network relationship **(Axelsson 1992; Johnson and Mattson 1985, 1988).** In this tradition, the emphasis is on industrial markets and sets of relationships that connect multiple organizations. The fifth stream stems from strategic Management and draws on recent conceptualization about the role of relationship in value chains **(Normann 1993). Thompson (2000)** declared that Customer Relationship Management is a business strategy to select and manage customers to optimize long-term value. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has the right leadership, strategy, and culture.

Coviello (1996) reviewed the multiple uses of the term Relationship marketing in marketing literature. The term is used as an elaborate form of database marketing; Technology based tool used by firms to acquire and manage customers **(Copulsky and Wolf 1990).**

At the second level, Relationship Marketing is said to be focused on relationship between a business and its customer base with the emphasis on customer retention **(Parvatiyar and Sheth 1994).** Relationship marketing in this context excludes relationship with suppliers or other partners or non-business/ social relationship.

At the third level, the relationship marketing is considered to be a form of "customer partnering" where as the buyer is involved in the design and development of the seller's product or services offering **(Magrath and Hardy 1994)** or where "working relationships" are established with the customer firms in a cooperative manner **(Anderson and Narus 1990)**. This implies true interaction between the buyer and seller and reasonably symmetric and dyadic relationship between the firm and customer. This perspective focuses on relationships as core element of marketing; relationships which are based on promises, trust and personal interactions **(Gronroos 1994; Ford 1984).**

The fourth and the broadest level, definition of relationship marketing have been developed which operates everything from databases to personalized service, loyalty programmes, brand loyalty, internal marketing, personal and social relationships and strategic alliances **(Gummesson 1994; Morgan and Hunt 1994).**

Coviello *et al* (1996), developed a classification scheme based on the synthesis of various European and North American school of thought in Marketing. The twelve-dimension related to marketing is as follows:

(A). Seven of these dimensions were relevant to the theme of relational exchange:

1. The focus of the relational exchange.
2. Parties involved in the relational exchange.
3. Communication Pattern between parties in relational exchange.
4. Type of contact between parties.
5. Duration of relational exchange.
6. Formality of the relational exchange.
7. Balance of power in relational exchange.

(B). The other five dimensions were relevant to the theme of management activities and processes:

1. Managerial intent regarding customer and other parties.

2. Managerial decision Making focus.
3. Type of marketing investment made by the firm.
4. Organizational level at which marketing decisions are implemented.
5. Managerial planning time frame.

Following identification of the above dimensions, they analyzed and more clearly defines each dimension in the context of marketing in the following:

(1). Transactional Marketing
---Transaction Marketing

(2) Relationship Marketing
---Database Marketing
---Interaction Marketing
---Network Marketing

1.3: PARTIES INVOLVED IN THE RELATIONSHIP MARKETING:

The scope of relationship marketing has been classified by **Morgan and Hunt (1994)** into four domains: the buyer partnership, the supplier partnership, the lateral partnership and internal partnership (Figure 3.1). **Gummesson (1994)** in conceiving a new type of organization with fuzzy boundaries, multiple interactions with the variety of other organizations and the web of complicated relationship evolving into networks, identify 30 relationships that constitute relationship marketing. All the named relationships must be managed and developed in order to establish a relationship with the ultimate customer **(Berry 1995).** Writers such as Leonard Berry, Barbara Jackson, Theodore Levitt, A. Parsuraman long have recommended that marketers treat their long-standing relationships with key customers as marriage **(Hunt and Morgan 1994). Levitt (1983)** comments that the "sale merely consummates the courtship", after which "marriage begins". He places responsibility for the management of the relationship firmly on the seller and states that the future course of the relationship is governed by how well it is managed. **Blois (1997),** describe that relationship marketing benefits both the buyer through reducing transaction cost and improving the supplier understanding of their circumstances and requirements. From the supplier point of view, the relationships deliver saving by increasing customer retention and reducing transaction costs. However, as all these cost saving must be balanced against the cost of developing, maintaining and dissolving relationships in specific context then the

relative benefits and expenditure on a particular relationship should be constantly monitored.

1.4 BENEFITS OF CRM:

Peppard (2000) noted that effective management of information has a very important role in CRM because it can be used to for product tailoring, service innovation; consolidate views of customers, and for calculating customer lifetime value. CRM systems assists companies evaluate customer loyalty and profitability based on repeat purchases, the amount spent, and longevity.

Leek *et al.* (2003) added CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned or jettisoned. This position is supported by Galbreath and **Rogers (1999)** that CRM helps a business organization to fully understand which customers are worthwhile to acquire, which to keep, which have untapped potential, which are strategic, which are important, profitable and which should be jettisoned.

According to Chen and **Popovich (2003)**, CRM applications have the ability to deliver repositories of customer data at a much smaller cost than old network technologies. Throughout an organization, CRM systems can accumulate, store, maintain, and distribute customer knowledge.

Greenberg (2004) emphasized that CRM can increase the true economic worth of a business by improving the total lifetime value of customer, adding that successful CRM strategies encourage customers to buy more products, stay loyal for longer periods and communicate effectively with a company. CRM can also ensure customer satisfaction through the allocation, scheduling and dispatching the right people, with the right parts, at the right time.

According to **Swift (2001)**, companies can gain many benefits from CRM implementation. He states that the benefits are commonly found in one of these areas:

1. **Lower cost of recruiting Customers:** The cost of recruiting or obtaining customers will decrease since there are savings to be made on marketing, mailing, contact, follow-up, fulfillment services and so on.

2. **Higher Customer Profitability:** The customer profitability will get higher since the customer wallet-share increases, there are increases in up-selling, cross-selling and follow-up sales, and more referrals come with higher customer satisfaction among existing customers.
3. **Evaluation of customers Profitability:** A firm will get to know which customers are profitable, the one who never might become profitable, and which ones that might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit and once a firm has found them, never let them go.
4. **Reduced cost of sales:** The costs regarding selling are reduced owing to existing customers are usually more responsive. In addition, with better knowledge of channels and distributions the relationship become more effective, as well as that cost for marketing campaign is reduced.
5. **Increased Customer retention and loyalty:** The customer retention increases since customers stay longer, buy more and buy more frequently. The customer does also often take initiatives which increase the bounding relationship, and as a result the customer loyalty increases as well. No need to acquire so many customers to preserve a steady volume of business: The number of long-term customers will increase and consequently the need for recruiting many new customers will decrease.

Curry and Kkolou (2004) refer to the major benefits and reasons for adoption of CRM which include: customers from the competition will come to prefer your organization; a simplified, customer-focused internal organization will simplify the infrastructure, shrinking the workflow and eliminating non-productive information flow; and profits will increase from more/more satisfied customers and a more compact, focused company.

There are companies that adopt CRM systems just because it is the most advanced technology and they think they have to have it since their competitors have it. Some statistics that motivate this behavior are resumed as follows:

- By Pareto's principle, it is assumed that 20% of a company's customers generate 80% of its profits

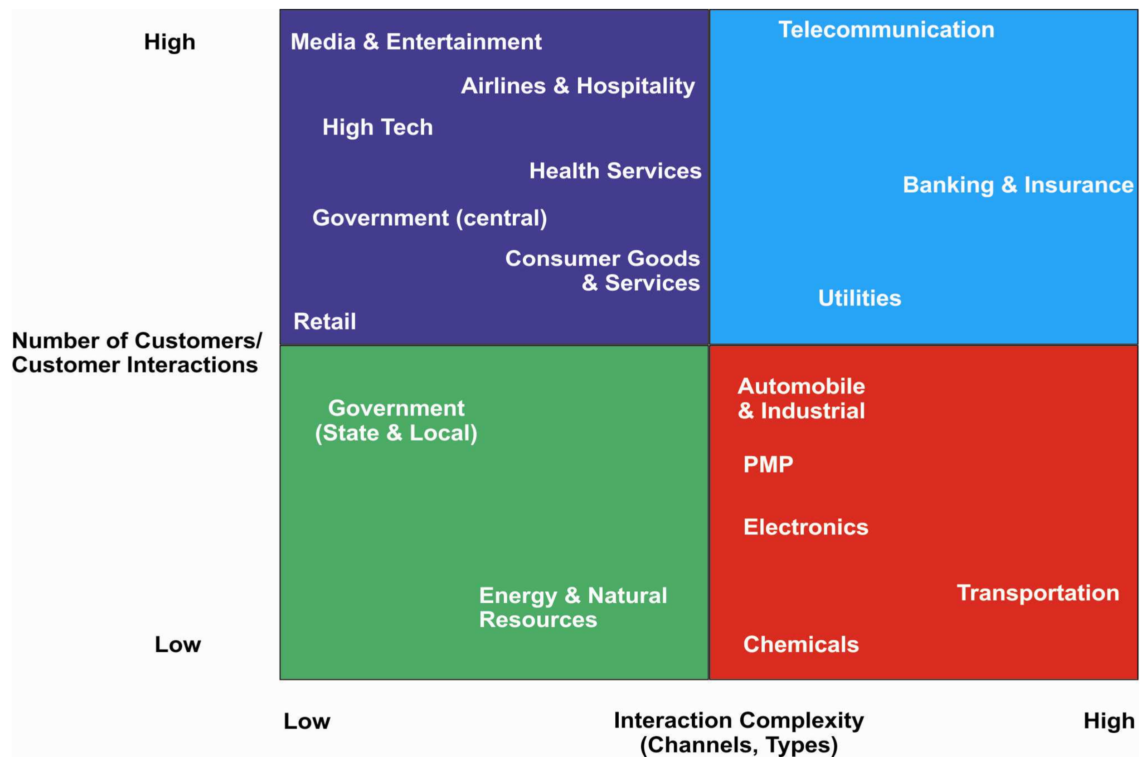
- In industrial sales, it takes an average of 8 to 10 physical calls in person to sell to a new customer, 2 to 3 calls to sell to an existing customer
- It is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from existing customer. For example, according to Boston Consulting Group (Hildebrand, 2000), the cost to market to existing web customer is $6.80 compared to $34 to acquire a new web customer
- A typical dissatisfied customer tells 8 to 10 people about his or her experience.

CRM BENEFITS: Sector Wise Differentiation:-

Wollan and Nunes provided an interesting way of looking at which types of companies: benefit most and least from CRM systems.

Their market profile positions companies on two dimensions:

1. Number of customers or customer interactions.
2. The complexity of each interaction in terms of channels and type.



Reference: *Wollan and Nunes, Exhibit 17 in J.G. Freeland, ed., The ultimate CRM Handbook: Strategies & Concepts for Building Enduring Customer Loyalty and profitability. (New York: McGraw-Hills, 2003): 148*

Figure: 1.1: CRM Benefits- Sector Wise differentiation

Wollan and Nunes posited that those companies serving large number of customers through increasingly complex and frequent interactions- communication

companies, retail banks, insurance companies, health care organizations, and utilities-stand to gain the most from CRM systems. Profitability can rise or fall dramatically with even small changes in the cost of serving their customers. Companies that engage in minimal interaction with each customer (auto dealers, government agencies) or companies with simple customer transactions (movie theaters, retail stores) would benefit the least from CRM systems. These companies would still benefit, only the dynamics of the marketplace would prevent the same returns on a comparable CRM system.

1.5 CRM AND GROWTH OF SERVICE SECTOR:

With the growing emphasis on the rapidly expanding service sector and on services in business in general, marketers began to pay a great deal more attention to the “softer” side of their interaction with customers. Many came to realize that having a great product and a great price may not be enough; that may be a large part of a customer’s decision to continue to deal with a firm is related to how he or she is treated or even to how he or she is made to feel in dealing with that business. The service industry is growing and dominating world economy. According to UK office for national statistics, the service industry can be categorized into financial, transport, retail and personal service Jick, (1999). According to Wallstrom (2002), the service sector comprises a wide range of companies including banks, insurance companies. She explains that the service sector employs more and more people, for example nine out of ten new jobs opportunities are created within the service sector in Sweden. Swedish Institute (2004) maintained that service sector accounted for 75 percent of all employees in 2003. Gronroos (1997) said there has been compelling interest in services in many parts of the world and in different functional areas.

Advances in information technology especially the rapid growth of the Internet usage, improved production capabilities, demanding customers and accelerated flow of capital across political boundaries create business opportunities and fuel competition as well. The service sector is considered as one of the most challenging and competitive landscape, and like all businesses services firms face some degree of competition. The ability to view all customer interactions and information is essential to providing the high quality of services that today’s customers demand and service firms that want to be successful in the knowledge economy must implement a comprehensive CRM

integrated solution that involves all departments, working as a team and sharing information to provide a single view of the customer Yusuf (2003).

1.6 CRM IN BANKING

Banks are highly focusing on CRM for the last five years that is expected to continue. According to Foss (2002) most of the financial services industries are trying to use CRM techniques to achieve varieties of outcomes. These areas are:

- Creating consumer-centric culture and organization;
- Securing customer relationships;
- Maximizing customer profitability; and
- Aligning effort and resource behind most valuable customer groups.

To implement strategies following aspects must be considered:

- Communications and supplier customer interactions through channels;
- Identifying sales prospects and opportunities;
- Supporting cross- and up-selling initiatives;
- Managing customer value by developing propositions aimed at different customer segments; and
- Supporting channel management, pricing and migration.

Foss (2002) has identified the following four stages process for CRM:

Stage 1 – Building the infrastructure and systems to deliver customer knowledge and understand customer profitability;

Stage 2 – Aligning corporate resource behind customer value -developing segment management strategies to maximize customer profitability and satisfaction;

Stage 3 – Incorporating a market perspective into understanding of customer value, to avoid any possibly adverse effects and maintain customer relationships; and

Stage 4 – Integrating strategic planning and customer value management.

1.7 CRM LIFE CYCLE

Peppers and Rogers (1995) defines that CRM comprises three phases: acquiring, enhancing, and retaining. Each phase supports increased intimacy and understanding between a company and its customers. These three phases are:

1. Acquiring new customers: the company acquires customers by promoting product and service leadership.
2. Enhancing the profitability of existing customers: the company enhances the relationship by encouraging excellence in cross selling and up selling, thereby deepening and broadening the relationship.
3. Retaining profitable customers for life: Retention focuses on service adaptability-delivering not what the market wants but what customers want.

Each phase impact customer relationships in different ways so that focus and strategies vary from phase to phase. They are described in below table.

Table 1.2

Focuses and Strategies of CRM Phases

CRM Phase	Focuses	Strategies
Acquire	Differentiation	• **Innovation** • **Convenience**
Enhance	Bundling	• **Reduce cost** • **Customer service**
Retain	Adaptability	• **Listening** • **New products**

Source: **Kalakota et.al. (1999)**

1.8 STAGES OF RELATIONSHIP:

Foss & Marylin (2002) identified the opportunities for improving customer management using a simple analysis of stages of the relationship, as follows:

1. Targeting - when the customer is targeted as being an appropriate customer for the company, and induced to ‘join’.

2. Enquiry management - when the customer is in the process of joining.

3. Welcoming - after the customer has joined, depending on the complexity of the product or service, it is important to ensure that the customer is 'securely on board' (e.g. he or she knows whom to contact if there are problems, knows how to use the product or service).

4. Getting to know - a crucial period, when both sides exchange information with each other. Additional customer needs may become apparent, and the customer's profile of use of the product or service becomes known. More is also learnt about the customer's honesty, ability to pay, etc.

5. Customer development/retention (e.g. renewal, persistence, loyalty) - the relationship is now being managed securely, with additional needs being identified in time and met where feasible.

6. Customer development (e.g. up-sell, cross-sell) - the ideal state, though quite a few customers never reach it, and often dip into the next stage or remain in the previous stage for a long time.

7. Intensive care through service failure - the customer has such severe problems with the service delivered by the company that special attention is needed to ensure that the customer returns safely to account management.

8. Intensive care through customer changes –the customer has changed and the company does not know it, so continues to manage the customer as if he or she is still the customer he or she once was.

9. Pre-divorce – if the required attention is not given, the customer is so dissatisfied that divorce is imminent.

10. Divorce – the customer leaves. However, the leaving may only be partial (e.g. from certain categories of purchase, or resulting in reduced frequency of purchase).

11. Win-back – the customer will usually, after a cooling-off period, be ready for 'win-back'.

1.9 CRM AND CUSTOMER SATISFACTION:

Real value for managers comes from determining how customers' satisfaction with their dealings with the firm is linked to subsequent behavior. When, and under

what circumstances, will the performance by the company be deemed to be within a certain range relative to the customer's expectations and experiences – the "zone of tolerance" **Laonard *et al.* (1990)** such that neither a particularly positive nor negative response is initiated by the customer? Will this tolerance threshold change in different situations, in the context of various services, or over time? Will a customer's tolerance for performance during a service encounter depend on whether his or her feelings arise as a result of expected versus unexpected aspects of the service encounter? If the customer is provoked into action, what form is that action likely to take? Will the reaction be somewhat informal and immediate, as is the case when a customer delivers complaints or praise directly to the staff? Or will the voice of the customer be external and more far-reaching through word-of-mouth communication? If the customer actually decides to take his or her business elsewhere, will the exit be temporary or will there be a vow never to return?

The concept of a customer's zone of tolerance has been discussed by many authors in the services management and customer behavior literature in recent years. Essentially, it proposes that customers bring to a service encounter a set of expectations that are related to *desired service* – the level of service that the customer hopes to receive – and *adequate service* – the level of service that the customer is prepared to accept. In between these two levels of service lies the zone of tolerance. If the experienced or perceived service lies within this zone, the customer will presumably be satisfied or the service will be deemed to be acceptable. If the service falls below the adequate service level, it will be deemed to be unacceptable and dissatisfaction will result. If the experienced service level exceeds the desired service level, the customer is likely to be quite satisfied even delighted.

Figure 1.2: The Zone of Tolerance

According to **Johnston (1991)**, there are three interlinked zones of tolerance, which defines an intermediary zone of performance lying between the expectations and

outcome zones. Higher emotional involvement and perceived risk on the part of the customer leads to greater satisfaction and dissatisfaction.

The implications of the zone of tolerance are important to those companies who are trying to improve their service quality. When a customer's perception of service quality falls within the zone of tolerance, even if it is close to the desired level of service, mere satisfaction is the result. Customers may not be able to verbalize what they expect at service levels that lie above the desired level of service. It is observed that the customers do not expect to be pleasantly surprised in service encounters. When such events do occur, all manner of positive emotions are elicited. Such softer feelings and emotions are difficult to express and to measure.

Kotler (2000) defined satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. When customers become satisfied about the value that is offered and sometimes his or her expectation is met and exceeded, can generate many benefits for a firm. It is important to measure customer satisfaction regularly through survey to determine customers' level of satisfaction. Firms are getting a sense of customer satisfaction through customer complaints. However, in reality, 95 per cent of dissatisfied customers do not make any complain and they just leave. As a result it is important for firms to make it easy for the customer to complain. Dissatisfied customers who usually complain, about 54 to 70 percent will continue to do business again with the organization if their complaints are taken care of and resolved and may even be 95 percent if the complain receive quick response and action.

In today's extremely aggressive and competitive marketplace, commercial organizations need new and radically different strategies to attract and then retain quality customers who have good lifetime profitability potential. When economic slowdown is also looming, it becomes absolutely vital to make sure that those customers who provide the most cash or the best profits must kept loyal to win the competition.

Even though it is self-evident that all customers are not equal, companies have traditionally treated them as though they were. This across-the-board standardization has often meant that service to the best customers has been compromised, which in turn has led to their dissatisfaction and eventual defection. To succeed in the new customer

economy - where loyalty, particularly among high value customers, can be extremely fickle - companies need to target investment strategically in the most profitable customer groups, and to match levels of customer service to customer value in order to earn their loyalty.

What a company knows about a customer, his product preferences, his current and his projected value - can all be used to optimize the exchange of value between company and customer. For example, a high value customer can be given priority service when he or she calls the call centre, or be given access to additional features on the company's website. Meeting customers' value expectations is the key to customer profitability, since customer value creates customer satisfaction which results customer loyalty.

1.10 FROM DIRECT MARKETING TO RELATIONSHIP MANAGEMENT:

An organization depends fundamentally on its customers as **Levitt (1983)** stated that the purpose of business is to make and keep a customer. Power in business resides with the owner of the customer interface, yet most companies have no experience of controlling their customers or managing their customer interface. Every company now needs to consider the potential of direct relationships with individual customers, and a process in required to manage relationships.

Kotler (2000) maintained that it has been the practice by firms to devote greater attention and marketing effort to attracting new customers rather than retaining existing ones. This is the base for relationship marketing which came as an answer to the transactional or traditional marketing approach. Transaction marketing used to emphasize the concepts of the 4Ps of marketing: product, price, place and promotion that focused only on attracting businesses, but not so much in retention.

DEATH OF THE 4 PS

The holy grail of marketing that once consisted of the 4 Ps-product, price, place, and promotion - is not built around relationships and customer knowledge. In e-business these four Ps have been replaced by their digital successors.

The Old Ps	Their Digital Successors
Products	Customer experience, customized products, and individualized services

Price	Dynamic markets and intelligent agent-based dynamic, even individualized pricing
Place	Digital market space that is not associated with any specific physical location
Promotion	Two-way interaction, mass customization, and customer relationships

Death of the old P's of Marketing

Whether a physical product (such as a toothbrush or a car) or an intangible product (such as a digital product, information, or service), customer satisfaction and loyalty now depend on the quality of customer experience associated with your offerings. The quality of relationship between company and customer is a competitive advantage. The more closely the customer associates with the brand, the more likely the customer is to buy.

In traditional marketing theory, the analysis of relationships was based on a hierarchy of effects: awareness, knowledge, preference, purchase and repurchase. A customer becomes aware of a product, understands its features and benefits, develops a preference for it and purchases it. If use creates satisfaction, the customer repurchases it. But apart from purchase and use, the relationship is indirect and passive.

The relationship approach to marketing is based on the activation of customers. In an active relationship, the customer responds and becomes involved with the brand at times other than the sale. The effect of an active relationship on customer behavior is strongest when the relationship is initiated by the customer. The customer wants control: to choose how, where and from whom to seek information about products and services. This desire to control the delivery of information and advertising underlies the growth in the use of the telephone and on-line media for shopping and banking. The companies that succeed will offer customers more value and more control through active relationships.

Classify customers as prospects, single and repeat buyers (of one product or service), multiple customers (of more than one product or service) and loyal. The relationships with prospects, buyers and customers can be passive, but it is a characteristic of loyalty – to differentiate it from habit or absence of choice – that loyal customers have active relationships.

Most relationships with customers are passive, even among frequent buyers. Customer interest in active relationships depends on the importance of a product category and the strength of their associations with brands in the category. Not all buyers of a brand will become active, the proportion will vary by category, but the challenge for every brand is to activate more customer relationships.

The Spiral of Prosperity:

Pearson (1996) proposed the Spiral of Prosperity, and first sketched the concept in 1983 to summarize how marketing creates financial value.

Investment in new customers generates a new asset, and ongoing revenue stream. By cross-selling a wider range of products to customers, their profitability is increased. By building sustained relationships, customer lifetime value is maximized.

The Spiral of Prosperity highlights the crucial economics of marketing:

LTV: Customer lifetime value

CRC: Customer relationship cost

AIM: Allowable investment maximum in a new customer.

The lifetime value (LTV) is achieved from developing customer relationships, and the cost of managing the relationship is the customer relationship cost (CRC). These two figures determine the allowable investment in new customers (AIM). Long-term profit results when lifetime value exceeds the investment cost in a new customer.

$$\text{Return on investment} = \frac{\text{LTV - CRC}}{\text{AIM}}$$

The profit generated from customer relationships can be reinvested in marketing, to acquire more new customers and develop more value from existing customers. By looking at a company and its finances in terms of customers, the value of marketing can be planned and its effectiveness measured.

Most marketing plans analyze the market, the competition and the brand in isolation from financial performance.

1.11 THE DIMENSIONS OF CUSTOMER RELATIONSHIP:

The concept of relationship required the elaboration and understanding of following Dimensions.

- **Contact**

The more frequent the customer contact, the more opportunities to sell to customers and the more secure the customer relationship. The effect of contact with customers is a function of frequency and impact, and can be tested and modeled.
The impact of contact on customer behavior varies by type of contact -options include mail, telephone, electronic media, events and representative visits. Different contacts have different costs, and different customers prefer different approaches. Customers polarize by their liking for mail and telephone contact: most distinctly prefer one or the other. Research can be used to probe customer responses to different approaches, and to measure the effectiveness of different forms of contact.

- **Affinity**

Affinity means the tailoring of products and services to the specific needs of selected customer segments, or even the customization of them for individuals.
Stewart Pearson (1996). Identified five high value customer segments and creates affinity-marketing programmes for each. In developing affinity-marketing programmes, a mass marketing company effectively transforms itself into many specialist companies.

For mass marketers, affinity marketing by customer segment is a strategic response to specialist or niche competition. The benefits of the company brand values and customer relationships are retained, but by customizing features and benefits for specific audience, new value can be added.

- **Rewards**

Rewards are a form of promotion, but two relationship strategy features make them distinctive from traditional sales promotion:
Rewards are offered selectively to individual customers based on their behaviour and interests. Rewards are dependent on continued custom.

- **Extra Value**

Extra value can be provided through special arrangements with business partners, at no cost to the company.

- **Service**

The investment in internal customer service reflects the parallel investment in external customer relationships.

1.12 DRIVERS OF CUSTOMER SATISFACTION

Hoffman and Bateson (2002) noted that firms must put in place effective tactics for retaining customers and subsequently making them loyal. They mentioned tactics such as maintenance of proper perspective, remembering customers between calls, building trusting relationships, monitoring the service delivery process, responding swiftly to customers in need and provision of discretionary effort. According to them despite that every customer is important, firms must not retain certain customers if they are no longer profitable, abusive to the extent of lowering the morale of employees, reputation is so bad that it tarnishes the image and reputation of the company should the firm associates itself with that customer.

Customer satisfaction often has little or nothing to do with product or price. The quality movement that emerged first in manufacturing and more recently in service industries has tended to address the quality issue. Today, customers are far more likely than in the past to experience acceptable or even superior quality in core products and services. Consequently, gaining competitive advantage through improvements in core products is a far less likely strategy for success than it may have been 20 years ago. There are five levels of drivers for customer satisfaction, which are as follows:

Level 1: Core Product or Service

This is the essence of the offer. It represents the basic product or service that is being provided by the company such as the flight in the case of the airline, the book sold by the bookstore or publisher, the meal served by the restaurant, the bank account, the haircut, the telephone, fax, or internet-access signal. This is the most basic of the things being offered to the customer and the one that affords the service provider the least opportunity to differentiate or add value. In a competitive marketplace, the firm must get the core right; if not, the customer relationship will never get stated.

Level 2: Support Services and Systems

This includes the peripheral and support services that enhance the provision of the core product or service: delivery and billing systems, availability and access, hours of service, levels of staffing, communication of information, inventory systems, repair and technical support, help lines, and other programs that support the core. The main message here is that a customer may be dissatisfied with a service provider even though he or she receives an excellent core product. A customer may forgo purchasing

precisely the car he or she wants if delivery will take eight weeks, or a customer may change internet service providers because of inadequate help with access problems.

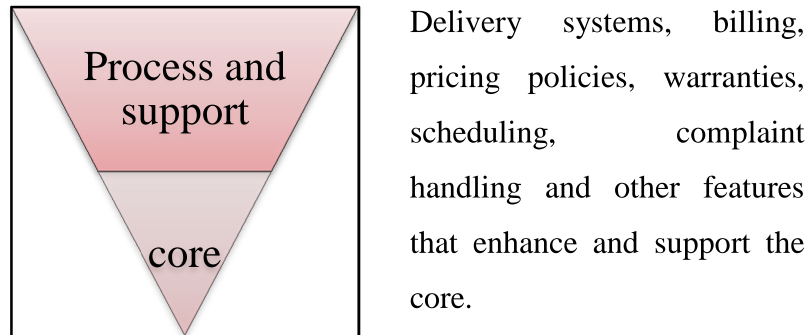


Figure 1.3: Drivers of Customer Satisfaction – Level 2

Level 3: Technical Performance

There is little point in putting in place systems, policies, and procedures unless they are implemented as intended. This third level deals essentially with whether the service provider gets the core product and the support services right. The emphasis is on performing in the manner that was promised to the customer.

- Do we deliver the new dishwasher when we said we would?
- Does the flight arrive at 16:10 P.M. Hours, as the schedule indicates it should?
- Do we make errors on the customer's bill?
- Is the hotel room cleaned and ready when the guest arrives?

Level 4: Elements of Customer Interaction

This is where the company meets the customer in person. At this level, CRM managers address the way the service provider interacts with customers, through either a face-to-face service encounter or technology-based contact.

- Do we make it easy for customers to do business with us?
- Do our customers feel that they are being forced to use technology-based service options with which they are not comfortable?
- Are we so eager to trim operating costs that we overlook how the customer views our technological "improvements"?
- Do we treat customers with courtesy?
- Do we act as if they are important to us?

Understanding this level of customer satisfaction indicates that a firm has thought beyond the provision of core product and service and is focused on the delivery of service at the point where the company meets the customer. Traditionally, we would have focused at this level on the interpersonal interaction between customers and employees of the firm, either face to face or over the telephone. But companies are increasingly interacting with their customers and others via technology: through ATMs, interactive voice response (IVR) systems, e-mail and the Internet. While it is easy to appreciate the importance of meeting and greeting customers positively in a face-to-face environment, it appears to be less easy for some firms to appreciate how badly they treat their customers when they deal with them through technology.

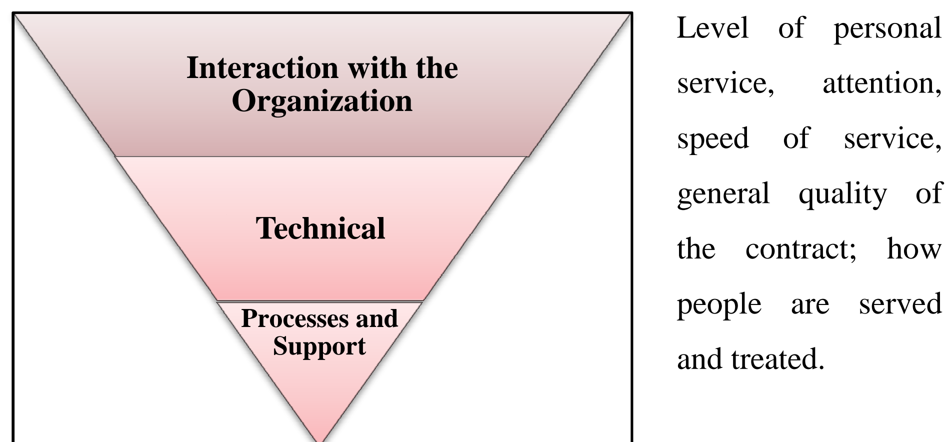


Figure 1.4: Drivers of Customer Satisfaction – Level 4

Level 5: Emotional Elements-the Affective Dimensions of Service

Finally, managers in service companies must think beyond the basic elements of the interaction with customers to consider the sometimes-subtle messages that firms send to customers, messages that may leave them with either positive or negative feelings toward the company. Essentially, this means how we make the customer feel. Much evidence exists from research with customers that a considerable amount of customer dissatisfaction has nothing to do with the quality of the core product or service or with how that core is delivered or provided to the customer. Indeed, the customer may even be satisfied with most aspects of his or her interaction with the service provider and its employees. But the customer's business may be lost because of some comment from a staff member or because of some other little thing that goes wrong that may not even be noticed by staff members.

Customers regularly make reference, during the course of focus group interviews and service quality surveys, to how they are made to feel by service providers. For the purpose, very few companies pay particular attention to how they and their employees make their customers feel. Many service encounters leave the customer with negative feelings toward the firm. Some encounters, probably a smaller number, make the customer feel very good. Many of the things that elicit these positive and negative feelings are understandably remote from the provision of the core product or service and may therefore; escape the notice of senior marketing and customer service managers. Many, it would seem, have paid little attention to the potential for damage or for improved customer relationships.

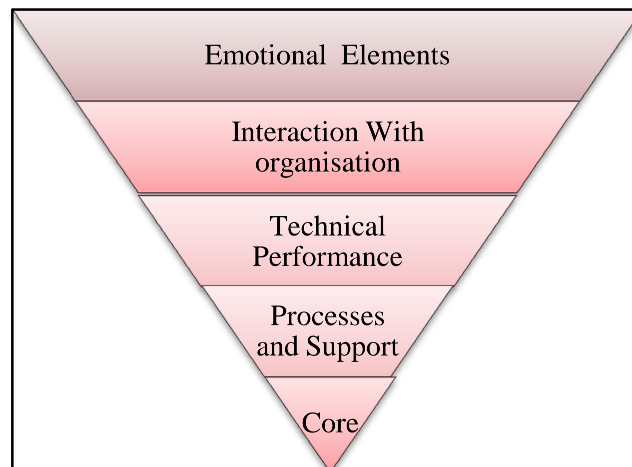


Figure 1.5: Drivers of Customer Satisfaction-Level 5

Fournier et al. (1998) recently drew five particularly salient conclusions about customer satisfaction such as:

(i) Customer satisfaction is an active, dynamic process;

(ii) The satisfaction process often has a strong social dimension;

(iii) Meaning and emotion are integral components of satisfaction;

(iv) The satisfaction process is context-dependent and contingent, encompassing multiple paradigms, models, and modes; and

(v) Product satisfaction is invariably intertwined with life satisfaction and the quality of life itself.

The implications of these conclusions are significant for managers wishing to achieve higher levels of customer satisfaction and thereby some of the payback that, as

we have demonstrated in this chapter, is possible from higher average levels of customer satisfaction.

1.13 Trends in Sales Management after CRM:

These days, many sales organizations face fierce global competition in both home and internationals markets. According to **Ingram, LaForge and Schqepker (1997),** purchasing function is increasingly viewed as an important way for organization to lower costs and increase profits. Hence buyers are more demanding, better prepared, and highly skilled. The costs of maintaining salespeople in the field are escalating at the same time that sales organizations are being pressured to increase sales but decrease the costs of doing business. Thus, competitors, customers, and even their own firms are challenging sales organizations. Due to these challenges many organizations are making changes in sales management. The traditional transaction-selling model is increasingly being replaced by more relationship-oriented selling approaches. Instead of an emphasis on selling products in short run, salespeople are being required to develop long-term relationships by solving customer problems, providing opportunities, and adding value to customer business over an extended period of time.

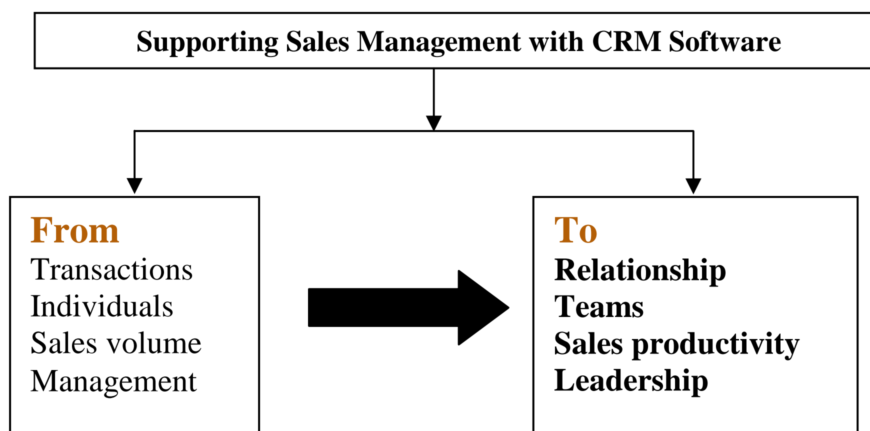


Figure 1.6: Sales management trends (Ingram, LaForge and Schwepker, 1997).

However, further state that, disregarding new trends, the sales management framework itself is still relevant.

Shapiro, Slywotzky and Doyle (1998) support the idea of new trends in sales management and introduce the concept of strategic sales management, saying that, in an environment where customer demands predominate and where competition is both

relentless and increasingly international, the world of selling must accommodate a dramatically changed world of buying.

Table 1.3: Old and New Sales Force Approach for Supporting Sales Management with CRM Software

Old Approach	New Approach
Get new accounts	Retain existing accounts
Get the order	Become the preferred supplier
Pressure your company to cut the price	Price for profit
Give service to get sales	Understand cost implications and manage for profitability
Manage all the accounts the same way	Manage each account for maximum long-term profitability
Sell to anyone	Concentrate on the high profit potential accounts

Source: **Shapiro, Slywotzky and Doyle (1998)**

In order to support company profitability the new sales force has to manage:

- Account retention
- Account dominance
- Pricing
- Selling and service cost
- Account selection

At this point, it is clear that sales force and sales management must be redesigned to meet the new needs.

Customer Relationship Management (CRM) applications automate an organization's customer facing business processes: sales, marketing, and customer service. Sales software or sales force automation (SFA) software, as a part of CRM, is designed to manage sales functions. The difference between CRM and Sales Force Automation (SFA) is that SFA is focused on automating and supporting internal processes, where the customer is left out. High-end SFA solutions provide for lead tracking, account/contact management, list management, opportunity management, telemarketing and telesales scripting, team selling, territory management, sales history, and various sales analysis tools.

1.14 CUSTOMER BRAND LOYALTY:

Most people agree that achieving loyalty among one's customers is a good thing. And having loyal customers will generally pay dividends down the road. Loyalty, like so many other concepts, is a state of mind. It is a subjective concept that is defined by the customers themselves. There are degrees of loyalty. Some customers are more loyal than the other one and customers may be loyal to some companies and less loyal to other. Some customers may be loyal to more than one company or brand within the product or service category. Very few people will be completely loyal to one product or brand to the point where it is the only product or brand they would ever patronize. But it is also possible to be loyal to a product or brand and have relationship with it yet visit it infrequently. Often longevity of customer patronage and repeat buying are used by businesses as proxies for loyalty. In other case the loyalty is equated with or even defined as percentage of total spending in the product or service category. However none of these in and of itself captures the essence of customer loyalty. It is quite possible for the customers to appear to be loyal and yet be poised to leave as soon as circumstances change.

The Various components of loyalty, time, continuity and duration of connection are indicators of loyalty, but, these are alone cannot lead us to conclude that a customer is loyal. Spurious loyalty also exists between the transactions, where the customers appear to be loyal because they continue to do business with the firm, but these patterns of buying behavior mask the reality. That reality is often defined by negative attitudes and feelings of frustration because customers despite the fact that they continue to buy, wish they could move their business elsewhere. Such customers are not loyal.

Another aspect of loyalty that demand attention is share of wallet. It is imperative to note the customers overall business for the products and services of the particular company, gives the assessment of customer's loyalty towards the company. This does not the 100% loyalty towards the company, as this may only be situational loyalty. Loyalty may be eroded overtime. The customer may engage in partial defection. It is entirely possible that a customer maybe spreading his or her business around a number of companies, while the initial supplier remains under the erroneous belief that the customer is loyal. Another aspect of customer's loyalty that is indicative of the existence of customer relationship is the willingness of the customer to recommend to friends, family members and associates. The customers who are satisfied

to the point of being prepared to refer others to the company are demonstrating their loyalty. Satisfied customers will be more likely to tell others about their experiences and to recommend the business. Loyal customers want to see the business thrive to the point where they feel a sense of ownership towards the company. They feel comfortable making recommendations because they know that a friend or family member will not be disappointed. Thus loyalty for many people, works largely in behavioral terms-longevity of the relationship, purchase pattern, frequency, share of spending, share of wallet, word of mouth, and so on. A critically important aspect of customer loyalty that is often overlooked and seldom measured is the emotional connection between a loyal customer and the business. Customers who are genuinely loyal feel an emotional bond to the business. They often say, how the business makes them feel that keeps them going back, or they feel closeness to the staff that makes them feel about doing business there. This emotional bond is what keeps customers genuinely loyal and encourage them to continue to patronize the firm and to make referrals. For this reason, it is important for businesses to focus on how they treat their customers and how they make them feel. Creating the right emotions and feelings is a critical element in the building of relationships.

To increase loyalty a business must increase each customer's level of satisfaction and sustain that level of satisfaction overtime. To raise the satisfaction, the business needs to add value to what we offer the customer. Adding value leaves customers feeling that they got more than they paid for or even expected. Adding value can be as simple as improving services with convenience and access. It can also include employee training so staff members are better able to answer customer's questions and make recommendations for products and services that will satisfy the customer. By increasing the value there is more likely to increase satisfaction levels, leading to higher customer retention rate. When customers are retained and they feel good about the value and the service they are receiving, they are more likely to become loyal customers. Their loyalty and retention will give the business the profit making potential by the following:

1. They spend more
2. They get comfortable
3. They spread positive word of mouth
4. They cost less to serve

5. They are less price sensitive
6. They are more forgiving
7. They make business mare efficient
8. They have greater profit potential

Brand loyalty is one of the parameters by which the robustness of a brand is measured. The presence of brand loyalty ensures that a lot of additional benefits flow to the brand. The advantages accruing to a brand on account of brand loyalty are well documented. **Hart et al. (1990), Riechhed and Sasser (1990), and Reichheld (1993)** have calculated, in monetary terms, for diverse businesses, the costs of losing customers and the advantages of retaining them. They give example after example to prove that working to cultivate brand loyalty makes good business sense. **Cannie (1994), Aaker (1996), and (Fay (1996)** all agree that brand loyalty has an impact on sales, costs and profit. The brand loyal customers not only ensure a predictable sales volume, they also do good word-of-mouth advertising that helps to increase sales. The better the brand loyal customers are known, the more they buy. Their relationship to profit is a highly leveraged one. While the brand loyal customers can be charged more, it costs less to serve and retain them than it does to attract new customers. Brand loyal customers represent a barrier to entry for competitors because enticing loyal customers is very expensive.

On the basis of the definitions cited above, it can be said that relationship marketing aims at building long-term strong relationship with customers to cultivate and foster customer loyalty that will benefit both the customers and the organization. Customer loyalty is defined by **Oliver (1999)** as a "deeply held commitment to rebuy or repatronize a preferred product or service in the future despite there are situational influence and marketing efforts having the [potential to cause switching behaviour." **Reichheld (1993)** believed that the customers who buy because of a personal referral are more loyal than the customers who buy because of an advertisement. He also opined that the customers who buy products at the standard price are more loyal than customers who buy on price; promotion.

1.15 REFERENCES:

- Aaker, D. 14. Reichheld, F (1993), "*Loyalty Based Management",* Harvard Business Review, Vol.71, No. 2, pp. 64-73.
- Anderson, J.C. and Narus, J.A. (1990), *"A Model of Distributor and Manufacturer Firm Working Partnerships",* Journal of Marketing, 5, pp 42-58.
- Axelsson, B. (1992), *"Network Research – Future Issues",* in Industrial View of Reality, Ed, Axelsson, B. and Easton, G., Crisp, London, pp 237-251.
- Barnes, J.G. (2001), *"Secrets of Customer Relationship Management"*, McGraw Hill Co., New York.
- Ballantyne, D. (1994), *"Editorial: Marketing at crossroads",* special issue on Relationship Marketing, Asia-Australia Marketing Journal, 2, No. 1, August, pp 1-9.
- Berry, L. L. (1983), *"Relationship Marketing",* in Berry, L.L., Shostack, L.G. and Upah, G.D. (Eds.) Emerging Perspective on Services Marketing, American Marketing Association, Chicago, IL, U.S.A., pp 25-28.
- Berry, L. L. (1995), *"Relationship Marketing of Services – Growing Interest, Emerging Perspectives",* Journal of Academy of Marketing Science, 23, No. 4, pp 236-245.
- Bucklin, L. (1970), *"Vertical Marketing System"*, Forceman, Scottland.
- Buzzell, R.D. and Ortmeyer, G. (1995), *"Channel Partnership Streamline Distribution",* Sloan Management Review, spring, pp 85-96.
- Berry, L. (1995), *"Relationship Marketing of Services – Growing Interest, Emerging Perspectives",* Journal of Academy of Marketing Science, 23, No. 4, pp 236-245.
- Blois, K. (1997), *"Are Business to Business Relationships Inherently Unstable",* Journal of Marketing Management, 13, pp 367-382.
- Coviello, N.E., Bordie, R.J. and Munro, H. (1996), *"Understanding Contemporary Marketing"* working paper, Department of Marketing, The University of Auckland.
- Copulsky, J.R. and Wolf, M.J. (1990), *"Relationship Marketing: Positioning for Future"*, Journal of Business Strategy, 11 No. 4, pp 16-20.

- Curry, A. and Kkolou, E. (2004), *"Evaluating CRM to Contribute to TQM Improvement: A Cross Case Comparison"* TQM Magazine, Vol. 16, No. 5, pp.314-324.

  Cannie, J.K. (1994) *"Loyal Customers are Gold Mines"* World Executive's Digest, XV (7): 54-55.
- Coviello, N.E., Bordie, R.J. and Munro, H. (1996), *"Understanding Contemporary Marketing*", working paper, Department of Marketing, The university of Auckland.
- Dwyer, F.R., Schurr, P. J. and Oh, S. (1987), *"Developing Buyer-Seller Relationships"*, Journal of Marketing, 51, April, pp 11-27.
- Foss, B., Henderson, I., Johnson, P., Murray, D., and Stone, M. (2002), "*Managing the Quality and Completeness of Customer Data*". Journal of Database Marketing, Vol. 10, No. 2, pp. 139-58.
- Galbreath, J. and Rogers, T. (1999), "*Customer Relationship Leadership: a Leadership and Motivation Model for 21st Century Business"*, The TQM Magazine, Vol. II, No. 3, pp. 161-171.
- Greenberg, Paul (2004), "*CRM at the Speed of Light: Essential Customer Strategies for the 21st Century*", McGraw Hill/Osborne.
- Reichheld F and Sasser W (1990 "*Zero Defects: Quality Comes to Services"* Harvard Business Review, September-October, pp. 105-111.
- Gronroos, C (1990), *"Relationship Approach to the Marketing Function in Service Contexts: The Marketing and organizational Behaviour Interface",* Journal of Business Research, Vol. 20, No. 1, pp. 3-12.
- Gronroos, C. (1994), *"From Marketing Mix to Relationship Marketing: Towards Paradigm Shift in Marketing"*, Management Decisions, Vol. 32, No. 2, pp 4-32.
- Gronroos, C. (1996), *"Relationship Marketing logic*", Asia-Australia Marketing Journal, Vol. 4.
- Gummesson, F. (1995), *"Relationship Marketing: the thirty Relationships frame work",* Quality Management in Services and Manufacturing European Quality Dynamics Conference.
- Gummesson, E. (1997), "*Relationship Marketing and Imaginary Organizations a Synthesis",* European Journal of Marketing, Vol. 30, No. 2, pp. 31-44.

- Gummesson, E. (1987), "*The New Marketing-Developing Long-Term Interactive relationships",* Long Range Planning, 20, No.4, pp 10-20.
- Gummesson, E. (1994), *"Broadening and Specifying Relationship Marketing",* Asia-Australian Marketing Journal, 2, No. 1, pp 31-43
- Groonroos, C. (1989), "*Defining Marketing: A Market Oriented Approach"*, European Journal of Marketing, 23, No. 1, pp 52-60.
- Groonroos, C. (1990), *"Relationship Approach to the Marketing Function in Service Contexts: The Marketing and Organization Behavior Interface"*, Journal of Business Research, 20, No. 1, pp 3-12.
- Moller, K. (1992), *"Research Traditions in Marketing: Theoretical Notes in Economics of Marketing",* Nr 48, Multiplex, Helsinki, pp 197-218.
- Groonroos, C. (1995), *"The Re-birth of Modern Marketing – Six Propositions about Relationship Marketing",* Swedish School of Economics and business Administration, Working Papers.
- Groonroos, C. (1994),"*From Marketing Mix to Relationship Marketing: Towards Paradigm Shift in Marketing"*, Asia-Australia Marketing Journal, 2, No. 1, pp 9-29
- Gronroos, C. (1997), *"From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing*", Management Decision, Vol. 35, No. ¾, pp. 322-340.
- Fay, C. (1996) *"Royalties from loyalties"* Journal of Business Strategy, March 1996: 47-51.
- Ford, D. (1984), "*Buyer/Seller relationships in International Industrial Markets*" Industrial Marketing and Management, 13, pp 26-41.
- Ford, D. (1990), *"Understanding Business Markets: Interaction, Relationships, Networks"*, Harcourt Brace and Co Publishers, London.
- Foss, Bryan and Stone, Marylin (2001), *"Successful Customers Relationship Marketing"*, Kogan page, London (U.K)
- Fournier, S., Dobscha, S., and Mick, D. G. (1998), *"Preventing the Premature Death of Relationship Marketing"*, Harvard Business Review, 76(1), pp. 42-49.
- Hakansson, H. (1982), *"International Marketing and Purchasing of Industrial Goods: An Interaction Approach"*, John Wiley and Sons Ltd, New York.

- Hart, C.W.L., Heskett, J.L., Sasser Jr., W.E. (1990) "*The profitable art of service recovery"*, Harvard Business Review, 68 (4).
- Hoffman, D. and Batson, J. (1997), "*Essential of Service Marketing",* The Dryden Press, Fort Worth.
- Hunt, S.D. and Morgan,R.M. (1994), "*Relationship Marketing in the Era of Network Competition*", Marketing Management, 3, No. 1, pp 19-28.
- Ingram, T.N., LaGorge R.W. and Schwepker C.H. (1997), "*Sales Management – Analysis and Decision Making (3rd ed.)*", The Dryden Press, Chicago, New York, San Francisco, Philadelphia.
- Injazz J. Chen and Popovich, Karen (2003), *"Understanding Customer Relationship Management (CRM): People, Process and Technology"*, Business Process Management Journal, Vol. 9, Issue 5, pp. 672-688, MCB UP Ltd.
- Jick, Nick (1999), *"What is This Thing Called Service*", European Journal Marketing, Vol. 33, No. 9, pp. 958-974.
- Johanson, J. and Mattsson, L.G. (1985), *"Marketing Investment and Market Investment in Industrial Networks",* International Journal of Research in Marketing, 2, pp 185-195.
- Johanson, J. and Mattsson, L.G. (1988), *"Internationalization in Industrial Systems – A Net Work Approach"*, in Strategies in Global Competition. (Eds), Hood, N and Vahlne, J.E., Croom Helm, London.
- Johnston, Robert (1995), *The Zone of Tolerance: Exploring the Relationship between Service Transactions and Satisfaction with the Overall Service",* International Journal of Service Industry Management, 5(2).
- Kalakota, Ravi and Marcia, Robinson (1999), "*E-Business: Roadmap for Success",* Addison-Wesley.
- Kotler, P. (2000), Marketing Management: "*Planning Analysis, Control and Implementation"*, Prentice Hall of India, New Delhi.
- Leek, Sheena, Naude, Peter and Turnbull, Peter W. (2003), *"Interactions, Relationships and Networks in a Changing World*", Industrial Marketing Management, 32, pp. 87-90.
- Levitt, T. (1983), "*The Marketing Imagination"*, Free Press, New Delhi.
- Levitt, Theodore. (1983), "*After the Sale is Over*", Harvard Business Review, September-October, pp 87-93.

- Lindgreen Adam (2001), "*A Framework for Studying Relationship Marketing Dyads"*, Qualitative Market Research: An International Journal, Vol. 4, No.2, pp. 75-87.
- Magrath, A.J. and Hardy, K.G. (1994), *"Building Customer Partnerships*", Business Horizons, 37, No. 1, pp 24-28.
- Menconi, Peggy. (2001), "*Building a Great Customer Relationship Management Strategy"*, White Paper, AMR-Research.
- Morgan, R.M. and Hunt, S.D. (1994), *"The commitment trust theory of relationship marketing"*, Journal of Marketing, Vol 58, July, pp 20-38.
- Normann, R. and Ramirez, R. (1993), *"From Value Chain to Value Constellation: Designing Interactive Strategy"*, Harvard Business Review, July-August, pp 65-77.
- Oliver, R.L., (1999), "*Whence Consumer Loyalty"?* Journal of Marketing, Vol. 63 pp. 33-44.
- Paravatiyar, A. (1996), statement during 12th International Conference on Industrial Marketing and Purchasing, Karlsruhe, September.
- Parvatiyar, A. and Sheth, J. (1994), "*Paradigm Shift in Marketing Theory Approach: The emergence of Relationship Marketing*", in Relationship Marketing: Theory, Methods and Applications (Eds.) Sheth, J.N. and Parvatiyar, A., Alta Center For Relationship Marketing.
- Pearson Stewart (1996), "*Building Brands Directly Creating Business Value from Customer Relationship*", Macmillan (Business) Press Ltd., Hampshire, London.
- Peppard, J. (2000), *"Customer Relationship Management (CRM) in Financial Services*", European Management Journal, Vol. 18 No.3, pp.312-27.
- Peppers, D., and Rogers, M. (1995). "*A New Marketing Paradigm: Share of Customer, not Market Share*". Managing Service Quality, 5(3), 48-51.
- Reichheld, F.F. (1993) *"Loyalty based management",* Harvard Business Review, 71 (2): 64-73.
- Reichheld, F.F., Sasser, Jr., W.E. (1990) "*Zero defections: quality comes to services",* Harvard Business Review, 68 (5): 105-111.
- Shani, D and Chalasani, S (1992), "*Exploting Niches Using Relationship Marketing*", Journal of Consumer Marketing, Vol. 9 No. 3, pp. 33-42.

- Shapiro, B.P., Slywotzky, A.J. and Doyle, S.X. (1998), "*Strategic Sales Management: A Boardroom Issue*". Harvard Business School Press, Boston.
- Sheth Jadgish N and Parvatiyar Atul (1995), *"Relationship Marketing in Consumer Markets: Antecedents and Consequences",* Journal of the Academy of Marketing Science, Vol. 23, No. 4, pp.255-271.
- Swift, R.S. (2001), "*Accelerating Customer Relationship Using CRM and Relationship Technologies",* Prentice-Hall, Englewood Cliffs, NJ.
- Thompson, Robert (2000): In Greenberg, P. (2001). *"CRM at the Speed of Light: Capturing and Keeping Customers in Internet Real Time"* New York, McGraw Hill Osborne Media.
- Wallstrome, A. (2002), *"Industrial Buying Behavior of Large Swedish Firms: A Case Study of Purchase of Educational Services*": Doctoral Thesis, Department of Business Administration and Social Sciences, Division of Industrial Marketing, Lulea University of Technology.
- Weitz, Barton A, and Jap, Sandy D. (1995), *"Relationship Marketing and Distribution Channels"*, Journal of Academy of Marketing Science, 23, No.4, pp 305-320.
- Wilson, D.T. (1995), *"An Integrated Model of Buyer-Seller Relationships"*, Journal of the Academy of Marketing Science, 23, No. 4, pp 335-345.

1.16 SCOPE OF THE STUDY:

Despite the growing knowledge of marketing, many new products still fails. For above brand loyalty may be a reason or a reason in a way of new products to capture market share. Obviously there is a need for still better information about consumer characteristics.

In the globalised economy the success of any company depends on how it earns loyal customers in a sustained manner. Today's market is very dynamic. Globalization has opened doors for many multinational companies to enter into the local markets with their established brands. Models and multiple options, how could one create a difference? This is the challenge faced by many companies in the Indian market.

Organizations are struggling to sell their products to oscillating customers, as they are not always constant in patronizing a particular brand. In order to maintain their presence in the market, the companies follow different strategies is building powerful brands. For example head and shoulders, pears, pepsodent, surf excel, etc., have established a permanent position in the market by building their names in the minds of consumers. Brand building exercise requires careful planning on the part of product executives with regard to positioning option and developing USP for their brands.

Organizations follow different ways to attract the customers and one such way is by developing the brand loyalty in the consumers mind. Brand loyalty has been a topic of continuous research and greater concern. For many businesses the loyalty of the installed customer base is a coveted asset. To succeed in the business the firms adopt different techniques to stay in the market such as product differentiation, penetration pricing, building strong brands etc. Brand loyalty regarded as consequences of the brand knowledge a consumer has stored in long-term memory (Keller, 1998). Brand loyalty occurs when customers visit any store, they are influenced to buy products whose names are familiar because they strongly believe that the particular brand would provide better service and higher quality.

Customer Loyalty and customer retention are the most important challenges faced by most of the Chief Executive officers across the world (Ball, 2004) At the same time, it is also found that effective relationship marketing strategy help the organization to understand customers' needs, so that organizations can serve their customers better

than their competitors, which finally leads to cost reduction and customer loyalty (Ndubsi, 2004). The focus of this study is to empirically investigate the impact relationship marketing variables on customer loyalty. The impact of different demographical variable is also taken into consideration while examining the relationship between relationship marketing and customer loyalty. This study certainly strengthens the existing body of knowledge by providing some empirically tested insight in the Indian context.

Marketing has made a paradigm shift from transactional approach to relational approach. We are living in a globalized world. Where competition has become an unavoidable element of business and customers have become scarce. This has led to a situation where all the firms in the same industry are trying to attract the same customers in various ways, even while offering similar products and services. They are using relationship marketing approach to ensure that the customers remain loyal and come back to them for the same products and services. This study aims to understand the impact of relationship marketing on customer loyalty. It also discusses the impact of various demographic variables like gender, income and education, in association with marketing variables, on customer loyalty.

1.17: RESEARCH OBJECTIVES:

1. To identify the factors of Relationship Marketing influencing customer relationship in banking Sector.
2. To analyze the relationship marketing strategies adopted by the Indian banking sector.
3. To find out the impact of relationship marketing strategies on customer loyalty in Banking Sector.
4. To investigate the impact of various demographic variables (viz., gender, income and education), in association with relationship marketing variables on customer loyalty.
5. To compare the impact of relationship marketing strategies of Private Sector Bank & Public Sector Banks.

1.18 DATA AND METHODOLOGY:

Scope of the Study: The data will be collected from **400** Customers and **200** Middle level Employees of these banks located in Punjab, Haryana & U.T of Chandigarh. The Cluster sampling method shall be followed for the above study. The secondary data will be collected from the RBI reports from the IBA Bulletin and banks web sources.

The study shall be based on the secondary and primary data. The primary data will be collected from bank customers of 2 PSUs & 2 Private Banks. The banks to be studies are:

(a) **<u>Public Sector Banks:</u>** 1. State Bank of India & its Associates
2. Punjab National Bank

(b) **<u>Private Sector Banks</u>**: 1. ICICI Bank
2. HDFC Bank

The period of study is 2001-02 to 2010-11 since major private bank completed their 5 year period of existence at this time.

Research Design: Research design is a pattern or an outline of a research project's working. It is a statement of the essential elements of a study, those that provide the basic guidelines for the details of the project. The present study being conducted followed a descriptive in nature, where efforts will be made to explore the characteristics of the customer loyalty with the help of relationship marketing strategies.

Data Collection: Data will be collected from both primary and secondary sources. Primary data will be collected through designed questionnaire which will be filled in the area of Punjab, Haryana and U.T. of Chandigarh. The prepared questionnaire will be tested for "Reliability & Validity" by applying various techniques available. Secondary data will be collected from various websites, books, journals, magazines and other resources.

Sampling Techniques: The Cluster sampling method shall be followed.

The collected data will be classified, processed and analyzed with the use of various statistical tools i.e. Multiple Regression analysis, Component Factor Analysis, and Varimax rotation will be done using SPSS Software.

1.19 LIMITATIONS OF THE STUDY:

The following are the limitations of the study:

1. Though the customers are wide spread all over the country, only customers from Punjab, Haryana & Chandigarh were Chosen for the study but due to paucity of Time, all the customers could not be studied.

2. The customers are not aware, how to respond to different questions. One investigator has to be there to make the customers understand the questions.

3. The customers conceal lot of thing and the wrong answer is given for the questions.

4. Incomplete questionnaire are returned by the respondants. This makes tabulation difficult.

5. It is very difficult to get the right answer from the customers etc.

6. Very few studies have been initiated in India; hence very less secondary/Published literature is available.

7. Some of the bankers have not cooperated in filling of the survey forms.

1.20 PROPOSED CHAPTER SCHEME:

Chapter 1. Introduction:

- The Problem Definition
- Significance of Study
- Objective & Scope of Study
- Data and Methodology
- Limitations

Chapter 2. Review of Related Literature.

Chapter 3. Relationship Marketing Strategies adopted by the Indian Banking Sector.

Chapter 4. Impact of Relationship Marketing Strategy on Consumer Loyalty

Chapter 5. Findings and Recommendations\ Suggestions.

Chapter 6. Conclusions

Appendix

- Bibliography
- Annexure