CHAPTER TWO - REVIEW OF THE LITERATURE

2.1 Research Carried Out in the Field of Relationship Marketing in Banking and Service Literature.

2.2 Research Carried Out in the Field of Customer Satisfaction in Banking and Service Literature.
Chapter Overview

This chapter talks about literature survey. Part one deals with research carried out in the field of relationship marketing in banking and service industry. Part two deals with research carried out in the field of customer satisfaction in banking and service literature.

2.1 Research carried out in the field of relationship marketing in banking and service literature

During the last decade we have witnessed a paradigm shift in marketing from a transaction approach based upon the concept of exchange (Bagozzi, 1974), to relationship marketing where the focus is to “establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met (Gronroos, 1990). The marketing mix management paradigm has dominated marketing thought, research and practice since it was introduced almost forty years ago. Today, this paradigm is beginning to lose its position (Gronroos, 1992; Sheth, 1996). New approaches have been emerging in market research. The globalization of business and the evolving recognition of the importance of customer retention, market economies and customer relationship economies, among other trends, reinforce the change in mainstream marketing.

Relationship building and management, or what has been labeled as relationship marketing, is one of the leading new approach to marketing which eventually has entered the marketing literature (Gummesson, 1997). Trends in business and modern research in the area of industrial marketing, services marketing and customer relationship economics demand a relationship-oriented approach to marketing.
Marketing the way most textbooks treat it today was introduced around 1960. The concept of the marketing mix and the Four Ps of marketing – product, price, place and promotion – entered the marketing textbooks at that time (McCarthy, 1960).

(Gronroos, 1990) suggested that relationship marketing activities include long term customer focus, making and keeping promises, involving organization wide personnel in marketing activities, implementing an interactive process to marketing, developing a customer led service culture, acquiring and using customer information. (Parasuraman et al., 1988) suggested in his research that customers participate in the specification and delivery of the services they seek; that is, they interact with the service provider during the delivery process. Hence relationship marketing plays an important role in the service delivery process.

Relationship marketing is a relatively new concept emerging within the marketing literature over past decade. Berry formally introduced the term relationship marketing into the literature in 1983, several ideas of relationship marketing have emerged. (Morgan and Hunt, 1994) propounded the concept of building relationships expanded to several different domains, such as industrial buyer–seller relationships (Dwyer, Schurr, and Oh, 1987) and channels of distribution. Others adopted the idea of building relationships and extended it conceptually in various ways (Gummesson 1987; Webster, 2000). This body of literature discusses concepts that are relevant to relationship marketing, such as the influence of prior experience on future customer.

The growth in the number of published works in recent years is testimony to the renewed interest in the relational marketing paradigm (Bloemer and Kasper, 1995; Bloemer and Lemmink, 1992; Crosby et al., 1990). Two themes emerge from the expanding literature in the field (Barnes, 1994). The first is that relationships are mostly viewed from the perspective of the firm providing the service; and second, it is assumed that virtually any ongoing contact between an organization and a customer constitutes a relationship. For service firms in particular, forgoing strong customer relationships is
especially important due to the intangible, ephemeral and often interpersonal nature of the service delivery process. However, to be successful in initiating and maintaining long-term relationships requires a clear understanding of motivations and other forces that entice customers to stay in a relationship. There are different schools of thought that have emerged in the area of Relationship marketing.

They can be defined as the Nordic School, which is associated with Nordic countries and originated in the field of services marketing. (Gummesson, 1997). A research group which links the Scandinavian countries is the Industrial Marketing group (IMG) that focuses on understanding relationships in business to business markets (Turnbull, 1996). Gronroos proposed two further schools: Anglo Australian approach based on quality, customer service and satisfaction and the North American approach which works on company and customer relationships. Over the past two decades, literature suggests that business across all sectors will have to change their approach towards marketing which now will be carried out through relationships, networks and interactions (Day, 2000; Webster, 2000).

Relationship marketing is still in its infancy as a mainstream marketing concept, although it has established itself as an underlying paradigm in modern industrial marketing and services marketing. (Frederick Webster, 1994) another prominent American opinion leader in marketing comes to a similar conclusion in a recent analysis of the current developments in business and in marketing: “There has been a shift from a transactions to a relationship focus”. The relatively narrow conceptualization of marketing as a profit-maximization problem, focused on market transactions or series of transactions, seems increasingly out of touch with an emphasis on long-term customer relationships and the formation and management of strategic alliances).

As transaction marketing means that the firm focuses on single exchanges or transactions at a time, the time perspective is rather short. The unit of analysis is a single market transaction. Profits are expected to follow from
today's exchanges, although sometimes some long-term image development occurs. In relationship marketing the time perspective is much longer. The marketer does not plan primarily for short-term results. His objective is to create results in the long run through enduring and profitable relationships with customers. In transaction marketing there is not much more than the core product, and sometimes it is the image of the firm or its brands, which keeps the customer attached to the seller. A firm pursuing a relationship marketing strategy, on the other hand, has created more value for its customers than that which is provided by the core product alone. Such a firm develops over time more and tighter ties with its customers.

A firm that applies a relationship-type strategy can monitor customer satisfaction by directly managing its customer base (Gronroos, 1990).

Consequently, in a relationship marketing situation the firm can build up an on-line, real-time information system. This system will provide management with a continuously updated database of its customers and continuous information about the degree of satisfaction and dissatisfaction among customers. This can serve as a powerful management instrument. In a transaction marketing situation it is impossible, or at least very difficult and expensive, to build up such a database.

During the last few years there has been a growing interest in studying the economics of long-lasting customer relationships. (Heskett, 1987) introduced the concept of market economies, by which he means achieving results by understanding the customers instead of by concentrating on developing scale economies. According to (Reichheld, 1993) a 5 per cent increase in retention grows the company's profit by 60 per cent by the fifth year. Long-term relationships where both parties over time learn how to best interact with each other lead to decreasing relationship costs for the customer as well as for the supplier or service provider. A mutually satisfactory relationship makes it possible for customers and suppliers to avoid significant transaction costs involved in shifting supplier or service provider.
Some long-lasting customer relationships, where the customers are obviously satisfied with what they get, are profitable even in the long run, (Storbacka, 1993). Therefore, segmentation based on customer relationship profitability analysis is a prerequisite for customer retention decisions. To conclude, there is clear evidence that from a profitability point of view intelligent relationship building and customer satisfaction make sense.

The contemporary marketing practice group (Lindgreen, et al, 2001) has placed emphasis on the changing role of the marketing managers towards building relationships. This can be seen happening over two decades. There is another group of researchers who say that marketing is practiced by using both the transaction approach and the relationship approach. (Coviello, et al, 2001)

With the new marketing approach it becomes imperative for businesses to tailor their marketing activities towards important markets, which are, the customer market, suppliers, the referral market, recruitment market, influencer market and the internal market. All these markets are important but the superior value is with the customer (Pepper and Rogers, 2000). CRM oriented businesses market their products and services through building relationships and interactions through business markets taking advantage of the IT based activity (Ryals and Payne, 2001). Relationship marketing is termed as Customer Relationship Management when it emphasizes the customer market in particular.

CRM does no necessarily involve Information Technology. The widely accepted definition of CRM is "CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer (Parvatiyar & Sheth, 2000)."

The problem with understanding of CRM is that it means different things to different people for example the IMP perspective, the Nordic school and the UK perspective (Payne, 2005). There is lack of research in designing and implementation of CRM programme (Donaldson & O’Toole, 2002).
Much of the work in relationship marketing originates from the marketing literature (Reichheld, 1996; Landberg, 2001).

As the popularity of the relational paradigm grows, its applicability broadens to new areas beyond those with established histories of studying relationships in commercial settings. While to date relationships have been extensively studied in marketing channels, industrial, and some consumer settings in Western (Anglo-Saxon) cultural contexts such as Europe, US, Australia or UK, few studies have examined the paradigm in an Eastern cultural context such as Thailand, China, South Korea or Malaysia. The only exceptions include empirical studies of relationship marketing in an Asian market by (Avkiran, N., K., 1994). Furthermore, no studies could be located that specifically examined relationship marketing in a consumer service context in South-East Asia.

Relationship marketing is a part of Customer Relationship Management (CRM) that enables organizations to identify, attract and increase satisfaction and retention of profitable customers by managing relationships with them (Hobby, 1999). CRM is combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do and what they are like (Couldwell, C, 1998).

The hallmarks of CRM would appear to be use of individual customer information, gathering and integrating customer data, providing touch points to the customer along with value proposition, use of information and technology enabling to know the customer well and selective resource allocation. Intangible assets in particular brands and customers are critical to an organization according to (Lev, 2001).

Over the last number of decades, as a result of regulatory, technological and changing consumer dynamics, many service organizations operated in an increasingly competitive and dynamic external environment. These changes have led to service companies trying to both recruit and retain profitable customers. In order to compete effectively, firms focus not only on transaction
and relationship marketing activities only on the balanced delivery of both. Apart from a small body of work (Coviello et al., 2001) the literature has treated transaction and relationship marketing in an isolated and non-integrated fashion. In particular there has been limited consideration of the pertinent issues facing service organizations trying to integrate these two perspectives in practice. This article describes an in-depth study of a service organization’s transaction and relationship marketing activities. In this study theory was used in the development of a conceptual model. This model was used as a framework to guide the study and data collection using one retail bank case. The data were analyzed in relation to the transaction and relationship marketing focus and activities of the bank. The findings indicate that resource investment in some aspects of transaction and relationship marketing activities, in practice, was unbalanced compared to the resource investment in a wide range of support activities. The study has implications for research and theory and to those attempting to deliver both transaction and relationship marketing in the context of dynamic and competitive environments (Lindberg-Repo, Gronroos, 2004).

The core theme of relationship marketing perspectives is its focus on cooperative collaborative relationship between the firm and its customers, and/or other marketing actors. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg and Czepiel, 1984). (Dwyer, Schurr, and Oh, 1987) have characterized such cooperative relationships as being interdependent and long-term oriented rather than being concerned with short-term discrete transactions.

Two very popular and often cited conceptualizations of relationship marketing activities are proposed by (Christopher et al., 1991) He put forward the dimensions of relationship marketing such as focus on customer retention, orientation on product benefits, long term scale, high customer service, quality is concern of all. Several marketers are also concerned with keeping customers for life, rather than making a one-time sale (Cannie and Caplin,
1991). There is greater opportunity for cross-selling and up-selling to a customer who is loyal and committed to the firm and its offerings.

Thus, (Shani and Chalasani, 1992) define relationship marketing as "an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time".

A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customers that integrate database knowledge with a long-term customer retention and growth strategy (Peppers and Rogers, 1993).

The much referenced definition of relationship marketing states "that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges (Morgan and Hunt, 1994). Attempts have been made to develop models of relationship marketing. (Dwyer et al, 1987) developed a five phase model by which relationships are formed. They developed a model which outlines the major steps in relationship formation process and suggested that relationship marketing "refers to all marketing activities directed toward establishing, developing, and maintaining successful relationships." It was found out by (Storabacka, 1993) that positive critical episodes are important in strengthening relationships with customers. Thus managers should consider providing exceptional service as a useful way to being remembered and distinguished by clients. The long-term orientation is often emphasized because it is believed that marketing actors will not engage in opportunistic behavior if they have a long-term orientation and that such relationships will be anchored on mutual gains and cooperation (Ganesan, 1994). In the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty (Dick and Basu, 1994). As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones.
There are seven major themes emerging in the relationship marketing literature with respect to banking industry and these are listed below:

There has been emphasis on relationship rather than transaction to marketing. This means that the banks need to know who its customers are, and what they want (Morgan and Hunt, 1994). The understanding of the economics of customer retention to ensure the appropriate allocation of resources involves targeting certain profitable customers and maximizing the lifetime value of desirable customers. Recognizing that quality, customer service and marketing need to be integrated in a much closer manner was extensively researched. The research threw light on the fact that enhancing the quality of relationship is likely to stimulate client retention. The internal customers need to be trained for maintaining better relationships with the external customers. This can happen by providing training to the internal customers who are vital for a banks success. This concept was researched by (Berry, 1995).

Given that the banking industry is increasingly competitive, relationship marketing is a means of differentiating and gaining competitive advantage. A research on the macro economic forces such as maturing of services, increase recognition of potential benefits for the firm, increased recognition of the potential benefits for the customer and technological advances affecting relationships and drive towards the development of relationship marketing stems from the maturing of services marketing and its benefits to customers was researched by (Berry, 1995).

The overall purpose of Relationship Marketing is to improve marketing productivity and enhance mutual value for the parties involved in the relationship. Relationship Marketing has the potential to improve marketing productivity and create mutual values by increasing marketing efficiencies and/or enhancing marketing effectiveness (Sheth and Sisodia, 1995). By seeking and achieving operational goals, such as lower distribution costs, streamlining order processing and inventory management, reducing the burden of excessive customer acquisition costs, and through customer
retention economics, firms could achieve greater marketing efficiencies. They can enhance marketing effectiveness by carefully selecting customers for its various programs, individualizing and personalizing their market offerings to anticipate and serve the emerging needs of individual customer, building customer loyalty and commitment; partnering to enter new markets and develop new products, and redefine the competitive playing field for their organization. The de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen. Relationship Marketing is important for scholars and practitioners of services marketing as it involves development of a bond between the service provider and the user. (Bitner, 1995).

For consumers in mass markets, relationship marketing programs usually take the shape of membership and loyalty card programs where consumers are often rewarded for their member and loyalty relationships with the marketers (Raphel, 1995). In business-to-business markets these may be in the form of preferred customer programs or in special sourcing arrangements including single sourcing, dual sourcing, and network sourcing, as well as just-in-time sourcing arrangements. The basic premise of continuity marketing programs is to retain customers and increase loyalty through long-term special services that has a potential to increase mutual value through learning about each other.

One-to-one or individual marketing approach is based on the concept of account-based marketing. Such a program is aimed at meeting and satisfying each customer's need uniquely and individually (Peppers and Rogers, 1993). Information on individual customers is utilized to develop frequency marketing, interactive marketing, and after marketing programs in order to develop relationship with high yielding customers (File, 1992).

Research on relationship performance is beginning to appear in the literature. (Kalwani and Narayandas, 1995) examined the impact of long-term relationships among small firms on their financial performance and conducted
research on developing personal relationship with clients in whom it was proved that the heart of private banking services lies in personal relationships and professional service.

The term relationship marketing is becoming widely used, although the consensus on the construct is yet to be reached. Most definition offered to date are "couched in terms of desired outputs, and not indicate desired inputs or features which would enable an observer to determine if relationship marketing policy is being followed (Blois, 1996). He put forward following dimensions of relationship marketing: focus on customer retention; orientation on product benefits, long term scale, high customer service, quality is concern of all. Studies relating to the development of relationship dimensions and objectives are still lacking. The conceptual model on customer expectations presented by (Sheth and Mittal, 1996) could provide the foundation for research in this area. According to (Keltner and Finegold, 1996) banks are moving towards a relationship model of service delivery to gain a competitive advantage.

(Gronroos, 1996) developed a model that deals with relationship marketing and value. The concept of value in relationship marketing has received a lot of attention developed by (Srivastava, et. al., 1998) who examined the economic value of CRM assets. However, not much research is reported on relationship enhancement processes and relationship evolution.

Relationships help to create loyalty and satisfaction, and a number of studies have demonstrated their positive effects on profitability (Reichheld and Sasser, 1990; Rust and Zahorik, 1993; Storbacka et al., 1993). Indeed it is increasingly acknowledged that the concept of developing effective customer relationships is of importance in a variety (but not all) of marketing situations (Barnes, 1994) and will contribute to a firm’s competitive advantage. The underlying principle behind relationship marketing is that organizations can enhance customer satisfaction through a relationship and in so doing can enhance their own performance. For such benefits to accrue, relationships must be developed and managed to the customer’s satisfaction.
Given the growing concern to retain customers as well as emerging the knowledge about customer retention economics have led many companies to develop continuity marketing programs that are aimed at both retaining customers and increasing their loyalty (Bhattacharya, 1998). Relationship satisfaction for involved parties would include governance process satisfaction in addition to satisfaction from the results achieved in the relationship (Parvatiyar, Biong and Wathne, 1998).

Developing close, cooperative relationship with customers is more important in the current era of intense competition and demanding customers. Processes for customer classification and selectivity; one-to-one relationships with individual customers; key account management and customer business development processes, frequency marketing, loyalty programs, cross-selling and up-selling opportunities; and various forms of partnering with customers including co-branding, joint-marketing, co-development and other forms of strategic alliances was researched by (Sheth and Parvatiyar, 2000).

Literature on contemporary relationship banking pertaining to the interrelationship between the competitive environment and relationship banking; benefits of relationship banking; Effect of financial services industry and viability of relationship banking was studied by (Boot, Arnoud, 2000) and implementation of CRM processes has a moderately positive association with both perceptual and objective company performance was researched by (Reinartz et al., 2004).

New service development is an imperative to suppliers in today’s highly competitive banking markets. Communication during this process is important if the needs of customers are to be met functionally as well as economically. A shift towards relationship marketing principles and the implementation of CRM in the retail financial services sector has been studied. Many players offering personal banking and related products have now 'bought in' the concepts behind relationship marketing, and are investing heavily (particularly in new information technology) to enhance customer relationships and improve retention rates. This trend is considered from the
perspective of an organization that is one of those leading the change. Some of the key antecedents of customer satisfaction in retail banking have been ascertained where significance of customer satisfaction in the competitive world of business and key antecedents to the formation of overall customer satisfaction is studied (Jamal Ahmad, 2002).

In recent years, the marketing literature has developed and discussed the concept of customer and its profitability to the organization (Blattberg, Gertz & Thomas, 2001; Jain & Singh, 2002; Rust, Zeithmal & Lemon, 2000).

A study was done for marketing profitability. Organizations will always be attentive to maximizing profits and their success will be determined by how they manage the customer relationships. To contribute its full profit potential to the corporation, marketing must advance its customer-centric strategies and related measurements and analytic. Customer profitability management requires a multi-level marketing return on investment analysis covering a series of marketing activities that can be integrated and optimized for a customer or customer segment (Lenskold, James D, 2004). Recent research into marketing and its contribution to performance has been done by (Kirca et al., 2005).

The Indian Banking industry has undergone a sea change since the times of the British Raj where profit was the prime consideration. It then moved to the socialist era of seventies and eighties where serving the commonest of the common man in the remotest corners of India was the sole objective. During this period, the nationalized banks operated with a view to give access to as many people as possible to organized banking. Bank policies were directed towards the social objectives of employment generation and employee welfare and, Human Resource Development performed merely administrative and regulatory role.

With the current change in the functional orientations of banks, the entire purpose of banking is under redefinition. The driver's of this change are changing customer needs and expectations, impact of technology and
competition from private banks and Multi National Corporations, transparency towards the government, stakeholders and customers.

Customers in urban India no longer want to wait in long queues and spend hours to deposit or withdraw. They are asking one fundamental question. “If it’s my money, why should I be kept waiting?” This change in customer attitude has been substantiated with the development of ATM’s, Phone and net banking and availability or service right to their door steps. Banks like ICICI, HDFC and UTI are aggressively deploying ATM’s and has seen their customer base swell. India currently has about 5000 ATM’s which are predicted to grow exponentially to a phenomenal figure of only 30,000 ATM’s within the next seven years. ICICI bank goes all the way to provide account opening facilities to the customer doorstep. Add to that, world class banking experience provided by private and multinational banks with their ever evolving products and services. All these have raised the bar of customer expectations. There have been indications of emergence of universal banking where banks aim to provide all banking product and service offerings under one roof. The biggest in the foray being the reverse merger of ICICI bank with ICICI.

Banking as an industry has seen the maximum impact of computers and technology. From the days of manual records to the age of Automated Teller Machines, Electronic Fund Transfer’s, and smart cards, IT has revolutionized the ways in which banks work. All these developments should leave no doubt in our minds about the emergence of the new age banking. A bank will be as virtual as it will be real. A place where customers will rely more and more on technology driven transactions and will choose banks that best suit their requirements.

^In the last few years, it is no wonder that the banking sector has seen a virtual cornucopia of new products: credit cards, tele banking, ATMs, quick collection facilities for outstation cheques, retail electronic fund transfer,

^Speech of Mr. S.P. Talwar, Dy. Governor, RBI at Institute for Development and Research In Banking Technology (IDRBT), Hyderabad, India.)
Review of the Literature

Electronic Clearing Services, Debit and Credit for repetitive payment like dividend, interest, utility bills, Internet Banking, etc. Now there are indications of moving towards the introduction of smart cards, debit cards, online banking for ecommerce and financial electronic direct investment for straight through processing.

The liberalization of the last ten years has seen enormous competition from MNC's who are setting the standards of excellence in customer service and technology, at much lower costs due to lesser manpower and more efficient management systems. Indian banks have to catch up with these global trends and redefine their standards of operations. No wonder that many banks are now looking at implementation of quality standards like ISO 9000.

Post stock market scam and with more scandals coming through after that, the various stakeholders are now demanding more and more transparency in financial transactions. This demand for transparency has driven banks to ensure that their bottom lines do not conceal the flaws of the system. (V.M.R. Nair, 2003).

The Narasimhan committee on the banking reforms has emphasized the need for operational restructuring in chapter seven of the committee report: “The system is in an increasing competitive environment and will face new challenges and also new opportunities. There would be more scope for competition both among the banks and between the banks and other players in the system who are more conscious of costs and who place an accent on efficient service. It is therefore necessary that banks equip themselves with a right organizational structure and even more importantly right personnel and system to cope with these challenges”.

With the entire banking focus now moving towards profits and profitability, it is imperative that employee motivation becomes one of the top priority issues for the banking fraternity. When the employee is motivated—customer served

---

4 IBA bulletin February 2002 – Job Satisfaction among Employees: Cadre Wise – A case study by T. Vijay Kumar and Dr. S. Annamalai.
well-does more business with banks – profitability of bank goes up – benefits passed on to the deserving employees – employee is motivated. This circle of excellence is of prime importance in customer centric business processes that we are witnessing in banking today and more so in the years to come. (A. Madhok, R. Zaveri, 2003).

Keeping pace with the forces of globalization and the dramatic advances in information and communication technology has hinged around continuous upgradation of skill and technical expertise and a high degree of professionalism among employees so as to ensure convergence between the goals of the employees and those of the institution. In recent years, there has been a growing recognition that capital and technology are replicable, but not human capital which needs to be viewed as a valuable resource for the achievement of dynamic competitive advantage (Storbacaka, 2000) suggested that banks are losing 8% of their customers every year due to competition within this industry. Thus banks want to implement relationship marketing based strategy.

The new institutional economics approach uses economic theory to explain the development and breakdown of customer–firm relationships. For example, transaction cost theory (Rindfleisch and Heide, 1997) focuses on minimizing the cost of structuring and managing relationships and maximizing the returns from them. Common to all theoretical approaches in the relationship marketing literature is that managing relationships is beneficial for the firm. However, the observations have been tempered by empirical evidence (Niraj, Gupta, and Narasimhan, 2001; Reinartz and Kumar, 2000) that stresses the importance of moderating effects. Thus, it is probably not true that more relationship building is always better; rather, building the “right” type of relationship (which depends on situational factors) is critical. In other words, facilitators such as organizational design, adequate incentive schemes, and information technology resources, as well as industry, company, or customer structures, may affect the performance of relationship

marketing activities. CRM process should acknowledge that relationships evolve with distinct phases (Dwyer, Schurr, and Oh, 1987). Thus, relationships cannot be viewed as multiple independent transactions; rather, the interdependency of the transactions creates its own dynamic over time. In other words, CRM processes are longitudinal phenomena. The process of relationship evolution can be subject to termination at any point through customer causes (ceasing of category consumption), competitive causes, or internally unintended (attrition through service problems) or internally intended (customer firing) causes. Relationship evolution has implications for the organization: Firms should interact with customers and manage relationships differently at each stage (Srivastava, Shervani, and Fahey 1998). For example, (Jap and Ganesan, 2000) find that the effect of transaction-specific investments on relationship commitment in manufacturer–retailer relationships is positive in the exploration and the decline phases. A goal of CRM is to manage the various stages of the relationship systematically and proactively. For example, companies systematically attempt to mature relationships by cross-selling and up-selling products with high purchase likelihood (Kamakura et al., 2002).

Distribution of relationship value to the firm is not homogeneous (Mulhern, 1999; Niraj, Gupta, and Narasimhan, 2001). This is a consequence of the increasing adoption of recent accounting practices, especially activity-based costing. The key advantage of activity-based costing is that firms are able to make profitability statements along customer relationship lines, not only along product lines. This enables firms to investigate resource allocations that are made against the customer relationship profitability distribution. A common finding is that best customers do not receive their fair share of attention and that some companies overspend on marginal customers. In a CRM paradigm, a key goal is to define different resource allocations for different tiers of customers, where the customer's tier membership depends on the economic value of that customer or segment to the firm (Zeithaml, Rust, and Lemon, 2001). The continuous balance of CRM activities at each stage (i.e., customer acquisition, retention, and relationship termination) should be guided by the
attempt to maximize the value of the set of concurrent customer relationships and thus should be associated with better overall company performance. Therefore, we define the CRM process at the customer-facing level as a systematic process to manage customer relationship initiation, maintenance, and termination. Customer Relationship Management Process across all customer contact points to maximize the value of the relationship portfolio.

The CRM process entails the systematic and proactive management of relationships as they move from beginning (initiation) to end (termination), with execution across the various customer-facing contact channels. This necessitates both information generation through the analysis of customer and prospect needs and behavior and action on this information, contingent on the customer’s value and life-cycle stage.

2.2 Research carried out in the field of customer satisfaction in service and banking literature

Satisfaction is a multi-dimensional construct, which has been conceptualized as a prerequisite for relationship quality. It has been attributed with three dimensions by (Crosby and Stevens, 1987) satisfactory interactions with personnel; satisfaction with the core service (the extent to which a service satisfies customers' needs); and satisfaction with the organization.

Customer satisfaction is generally described as the full meeting of one's expectations (Oliver, 1980). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions (East, 1997). Customer satisfaction is widely recognized as a key influence in the formation of customers future purchase intentions (Taylor and Baker, 1994). Satisfied customers are also likely to tell others about their favorable experiences and thus engage in positive word of mouth advertising (Richens,
Dissatisfied customers, on the other hand, are likely to switch brands and engage in negative word of mouth advertising. Furthermore, behaviors such as repeat purchase and word-of-mouth directly affect the viability and profitability of a firm (Dabholkar et al., 1996). A study conducted by (Levesque and McDougall, 1996) confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers. Research has proved that customer satisfaction and retention leads to profits. (Hillier, 1999).

In a study by (Churchill and Surprenant, 1982) reported that disconfirmation positively affected satisfaction. That is, when customers perceived the product performing better than expected, they became more satisfied. Further empirical research supports the notion that satisfaction is caused by expectations and requires considerable cognitive effort on the part of customers (Bearden and Teel, 1983; Cadotte et al., 1987). However, others argued that customers develop norms for product performance based on general product experiences, and these, rather than expectations are responsible a brand's performance and determine the confirmation/disconfirmation process (Cadotte et al., 1987). Previous research also demonstrated a direct link between actual performance and satisfaction levels (Bolton and Drew, 1991; Churchill and Surprenant, 1982). More recent work argued that in addition to the cognitive components, satisfaction judgments are also dependent upon affective components as both coexist and make independent contributions to the satisfaction judgments (Msno and Oliver, 1993; Westbrook and Oliver, 1991). Recently a positive relationship has been demonstrated between equity and satisfaction (Athanassopoulos, 2004).

Customer satisfaction is an important theoretical as well as practical issue for most marketers and consumer researchers (Dabholkar et al., 1996). Customer satisfaction can be considered the essence of success in today's highly competitive world of business. Thus, the significance of customer
satisfaction and customer retention in strategy development for a "market oriented" and "customer focused" firm cannot be underestimated (Kohli and Jaworski, 1990). Consequently, customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their products and service (Bitner and Hubbert, 1994).

A review of the literature suggests that our understanding of the relationship between customer satisfaction judgments and service quality perceptions remains a problematic issue (Taylor and Baker, 1994). A stream of research has argued that customer satisfaction judgments are causal antecedents of the service quality judgments (Bitner, 1990; Parasuraman et al., 1988).

However, others have reported that it is the service quality that appears to be the causal antecedent of customer satisfaction (Taylor and Baker, 1994). This conflicting empirical evidence highlights the need for the research reported here as the direction of the causal link between satisfaction and service quality is likely to lead to different customer behavior outcomes, which in turn could have important managerial relevance (Dabholkar, 1995). More specifically, there can be potentially many antecedents of customer satisfaction, including service quality, which is probably due to the fact that the dimensions underlying satisfaction judgments are global rather than specific (Rust and Liver, 1994). Some widely reported determinants of customer satisfaction include service quality, expectations, disconfirmation, performance, desires, affect and equity (Szymanski and Henard, 2001).

There was an evolution from product, or brand, management to customer management (Sheth, 2005) and from product portfolio management to customer portfolio management (Johnson and Selnes, 2004). Using these data and analyses, firms began to focus on acquiring new customers, retaining their current customers (i.e., building long-term relationships) and enhancing these relationships through such activities as customized communications, cross selling, and the segmentation of customers, depending on their value to the firm (Payne and Frow, 2005). Implementation of these Relationship Marketing solutions also required firms to have a
customer relational orientation (Jayachandran et al., 2005; Srinivasan and Moorman, 2005) and to have processes in place to collect, analyze, and apply the acquired customer information. Using a case study approach, (Ryals, 2005) showed in her research that one of the business units she studied was able to achieve a 270% increase in business unit profits (above target) by implementing several straightforward relationship marketing measures. Using a multi firm (cross-sectional) database, (Srinivasan and Moorman, 2005) show that firms that invest more in CRM activities and technology have greater customer satisfaction. The use of relationship marketing being associated with increased customer knowledge is associated with greater customer satisfaction. The work of (Gupta, Lehmann, and Stuart, 2004) offers an excellent study in linking performance with satisfaction. This area should be of particular interest to researchers who want to demonstrate the link between marketing activities and shareholder value. In general, relationship marketing creates the potential for firms to begin to treat as firm investments what were previously considered marketing costs. They find that what customers experience, both within a particular firm and compared with other firms, drives what they believe they should receive or what they believe is fair and, thus, affects the firm's performance.

The internal marketing rhetoric within retail banks today is inextricably bound to service quality and internal customer satisfaction. In rhetorical terms there is an emphasis within the banks studied on the importance of putting the customer at the center of an organization’s culture and accepting that customer satisfaction starts from within the organization. Banks appear to implement the following activities as an integral part of the internal marketing practice with the aim of changing attitudes among employees towards customer and service orientation, and spreading the responsibility for producing good service quality throughout the organization thus resulting in customer satisfaction. Some of these activities are promoting the notion of viewing and treating others as ‘internal customers’, developing personnel towards the achievement of service quality and customer orientation, setting personal targets that are linked to the corporate goals of service quality and
customer satisfaction, delivering service quality in the internal service encounters, rewarding the achievement of service quality.

Tansuhaj et al. (1991), argue that service organizations are in a better position to satisfy their external customers by designing internal products that satisfy the needs of their internal customers. The literature reviewed shows that there is a need to motivate and train employees to recognize the external customers' needs and undertake the necessary actions to satisfy them (Irons, 1997; Cahill, 1996). Thus due to interactive nature of banking services customer satisfaction is of prime importance.

This is compatible with the evidence that emerged from the literature reviewed which argues that satisfied employees make for satisfied customers (Zeithaml and Bitner, 1996). Some academics have even suggested that customer satisfaction can only be achieved when service employees are happy in their jobs (Rosenbluth, 1991). The present study's findings lend support to the view that internal customer satisfaction is important to the success of a service organization, which corroborates with the current internal marketing literature (Gremler et al., 1994).

The interaction and network approach of industrial marketing and modern service marketing approaches, especially the one by the Nordic School, clearly views marketing as an interactive process in a social context where relationship building and management are a vital cornerstone (Webster, 1992).

The concept relationship marketing has emerged within the fields of service marketing and industrial marketing (Gummesson, 1987). The phenomenon described by this concept is strongly supported by on-going trends in modern business. Establishing a relationship, for example with a customer, can be divided into two parts: to attract the customer and to build the relationship with that customer so that the economic goals of that relationship are achieved.

An integral element of the relationship marketing approach is the promise concept which has been strongly emphasized. According to him the
responsibilities of marketing not only, or predominantly, include giving promises but also persuading customers as passive counterparts on the marketplace to act in a given way. A firm that is preoccupied with giving promises may attract new customers and initially build relationships. However, if promises are not kept, the evolving relationship cannot be maintained and enhanced. Fulfilling promises that have been given is equally important as means of achieving customer satisfaction, retention of the customer base, and long-term profitability (Reichheld, 1990).

Research suggests that in the banking sector certain actions, such as increasing the speed of processing information and customers, are likely to have an important effect in terms of delighting customers; however other activities, such as improving the reliability of equipment, will lessen dissatisfaction rather than delight customers. It is more important to ensure that the dissatisfied customers are dealt with before the satisfiers. There are two areas where banks could achieve a distinct advantage, genuine commitment and attentiveness by front-line staff. (Johnston, 1997).

In response to increasing competition, enhanced customer needs and consumer group pressure, banks have taken some steps to try to improve service quality over the last ten years. These developments include, for example, increasing the speed of handling telephone calls, improving attentiveness and politeness of face-to-face encounters, trying to reduce time spent in queues, improving the reliability of Automated Teller Machines, improving the environment of the banking halls and extending the availability of electronic and telephone banking.

(Parasuraman et al., 1985) provided a list of ten determinants of service quality namely, access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. The research team found a high degree of correlation between communication, competence, courtesy, credibility and security, and between access and understanding and so they combined them into two broad dimensions of assurance and empathy, i.e. a total of five consolidated dimensions (Berry,
Review of the Literature

1980). They then used the five dimensions, tangibles, reliability, responsiveness, assurance and empathy as the basis for their service quality measurement instrument, SERVQUAL (Parasuraman et al., 1988; Zeithaml et al., 1996). Parasuraman et al., 1988) stated that “although the relative importance of the categories would vary from one service industry to the next, we believe the determinants of service quality in most (if not all) consumer service industries are included in this list” (Berry, 1980).

There are eighteen determinants of service quality providing probably the most comprehensive and detailed list of determinants of service quality satisfaction in the service industry (Johnston, 1995). The eighteen factors are; access, aesthetics, attentiveness/ helpfulness, availability, care, cleanliness/ tidiness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness and security. (Johnston, 1998).

(Bitner et al., 1990), identified employees' willingness to respond to a problem and their employees' responsiveness to customer needs as key factors in service quality. (Avkiran, 1994), in a study of an Australian trading bank, found elements of credibility and responsiveness to be the most important. In terms of the factors effect on satisfaction and dissatisfaction. (Silvestro and Johnston, 1990), inspired by Herzberg’s motivating and hygiene factors (Herzberg et al., 1959), identified three types of factors; hygiene (dissatisfiers), enhancing (satisfiers) and dual factors capable of both satisfying and dissatisfying. They defined dissatisfying factors as those factors which if in evidence will cause dissatisfaction, however if they are not evident will not be a source of delight. A dirty banking hall may dissatisfy customers, however, once “clean” no end of polishing is likely to delight customers. Satisfiers are those factors which when improved beyond adequacy have a positive effect on perceptions. However, when these factors are either not in evidence, or poorly performed, their performance does not detract from customer perceptions of service quality. A teller who does not provide a personal greeting on the second visit to a branch is not likely to
dissatisfy the customer, however, if the teller does recognize the customer and remembers his/her name, the customer may be quite delighted. Critical factors are those which can be both satisfying and dissatisfying and therefore any changes in levels of performance can have both a negative and a positive effect. (Cadotte, 1987) identified a fourth category, neutral factors. Neutral factors are the least sensitive to changes in performance. However, the most comprehensive testing to date has been carried out by (Johnston, 1995). He concluded that the causes of dissatisfaction are not necessarily the obverse of the causes of satisfaction. He identified attentiveness, responsiveness, care and friendliness as the main sources of satisfaction, and integrity, reliability, responsiveness, availability and functionality as the main sources of dissatisfaction.

Communication (the ability of the service to communicate with the customer in a way he or she will understand) cannot be ignored. Whereas care and communication are somewhat more neutral in their effect, functionality, security, reliability and integrity are seen as vital traits of a banking service. Failing in these factors will result in a significant degree of dissatisfaction. There are many areas in which managers could consider improving the level of service provided which will have a positive impact on customer satisfaction. Care (the concern, consideration, sympathy and patience shown to the customer), friendliness, flexibility, responsiveness and courtesy are traits which are not necessarily expected but, if delivered, could significantly influence customer perceptions of the service provided. The high-importance factors with a high potential to delight, such as commitment and attentiveness, are areas where banks might be able to develop a reputation for excellence.