Chapter 2 CONCEPTUAL FRAME WORK

2.1 Relationship Marketing

Marketing practices can be traced back as far as 7000 B.C (Carratu, 1987). Around the beginning of the 20th century, marketing as a distinct discipline was borne out of economics. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing a reconceptualization in its orientation from transactions to relationships (Kotler 1990; Webster 1992).

Kotler et al. (2010:234) indicate that a service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. According to Bosch et al. (2006:442), services are those separately identifiable but intangible economic activities that provide needs-satisfaction and that are not necessarily tied to the sale of a product or another service. Boshoff and Du Plessis (2009:2) also indicate that services are essentially intangible, but are value offerings providing convenience, amusement, entertainment, comfort and health. Therefore, the activities performed by banks for their clients, such as the provision of loans and saving facilities (financial value-added offerings), can be classified as services. Boshoff and Du Plessis (2009:3) state that banking services can be classified as commercial services.

In Pre Industrial era people are more concern to sell. Anyhow selling was only important key factor to run any business successful. It is true till today selling is a key factor, but how to sell whom to sell and when to sell is also important. So that era was of direct selling and customer acquisition. Than in post Industrial era was focused on mass transaction and bulk selling. Where today’s era to make relations is first priority and satisfy their customer is the key factor which will help to establish a relationship and convert it in loyalty which make any product brand and loyal to that brand. So this era is considered as relationship marketing and customer retention. The term
relationship marketing was popularized in the 1980s when the focus of marketers started to switch from customer acquisition to customer retention. Relationship marketing literature related to banking can be traced back to the early 1980s. The concept of relationship marketing was first demonstrated and described by Berry (1983). Relationship marketing focuses on making new and mutual value between banks and their customers on a semi-permanent base. "Marketing is not a function; it is a way of doing business; marketing has to be all pervasive, part of everyone's job description, from the receptionist to the jury of directors" (McKenna). The objective of a relationship is to build customer loyalty by creating and maintaining a positive attitude toward the company. When a depository financial institution claims to be practicing relationship marketing, it means that they have undertaken an organization wide strategy to oversee and nurture their interaction with customers and sales expectations. Relationship selling is present at every point in the system and not merely at the relationship manager level or at the customer service point.

Relationship marketing is the biggest paradigmatic shift in marketing theory and practice in existing world. Customer Relationship marketing concerns attracting, developing and retaining customer relationship (Berry and Parasuraman 1991). Customer satisfaction is difference function between customer perception and customer expectation (Kotler1996). Customer relationship marketing assists to build the good relationship between customer and organization. Every organization try to fulfill their customer required with pleasure. The concept relationship marketing will be used when referring to the strategies used by banks to establish and maintain relationships or permanent connections with their profitable clients.

Relationship marketing is a subfield of marketing, and therefore this chapter will commence with an overview of marketing over the last decade and then shift to services marketing in particular (as this study focuses on banks providing services). This chapter will present a detailed theoretical discussion on relationship marketing and brand loyalty. As stated in Chapter one, the primary objective of this study is to empirically test the two conceptual models pertaining to the relationship marketing and brand loyalty in State bank of India. The conceptual models aim to identify the variables influencing relationship marketing and brand loyalty in banking institutions, from view
point of banking customers”. This chapter will discuss the nature of relationship marketing, the purpose of relationship marketing in service firms, the concept of brand loyalty, and the importance of overall satisfaction in context of State bank of India.

The marketplace today is very dynamic, vibrant and competitive. The customers are smarter, more informed, and have an access to many channels and choices which they take little time to exercise. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007). Present day business environments are characterized by increasingly saturated markets, caused by changes in the nature of competition and an ever-growing imperative to attain a comprehensive appreciation of customer needs. Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base (Barnes et al., 2004). Over the past years the interest in retaining customers increased considerably. Marketing attention shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities [e.g. Berry, 1995; Peterson, 1995; Peterson, 1995; Blattberg and Dayton, 1996; Fournier, 1998; Gruen et al., 2000; DeWulf et al., 2001; Winer, 2001; Lemon et al., 2002]. Berry (2005) perceived relationship marketing as a tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved. The empirical findings of Eisingerich and Bell, (2006) study suggests that, in managing client relationships, financial institutions should consider the relative effectiveness of individual relationship building strategies in fostering customer loyalty. Studies of financial services markets suggest that the use of relationship marketing can generate higher returns from customers (Greenbaum et al, 2003).

Chaston et al.’s (2004) discover experimental bolster that the adoption of a relationship versus a transactional marketing orientation has impact on the market performance of small accountancy practices. Badrinarayanan (2005) reported that the sensation portrayed by this idea is considerably upheld by on-going patterns in cutting edge business. Ndubisi (2004) noted that many a firms are capitalizing on strong firm-customer relationship in order to have invaluable information on how to optimize customer service and keep them from deserting to contending brands creating a mutual reward. Eisingerich and Bell (2006) said, which give benefit both the firms and the
customers. An organization can also gain quality sources of market intelligence for better planning of marketing strategies by building relationship with customers. Thus, it is important to have an empirical examination of the actual impact of the groundwork of relationship marketing on customer loyalty. Such understanding will facilitate in managing the bank-customer relationship as well as in achieving higher level of loyalty among customers. However, Palmatier and his colleagues (2006) have cautioned that: Relationship marketing means diverse things in distinctive societies and marketers ought to be as careful about prescribing universal solutions for exchange bases as they are creating widespread item and advancement for all markets.

2.1.1 The development of relationship marketing- from transaction to relationship

Change is a matter of fact in our society. The mix marketing management 4Ps showed its limitation after more than three decades dominance. Relationship marketing came out at the marketing strategy continuum to resolve the limitation of traditional marketing considering interpersonal relationships as centre to businesses (Ngo & O’cass, 2009). According to Gronroos (2000), the traditional view of marketing as a function for specialists planning and executing a marketing mix may not be altogether true where services are concerned. The marketing mix approach is frequently too limited and does not cover all the activities that appear in customer relationships at various stages of the customer relationship lifecycle. Grönroos also explains the classical Four P's as a clinical approach to marketing where the seller is the active part and the buyer the passive. Further he states that the globalization trend and the individualization of the customers has lead to new marketing practices being introduced to complement the traditional marketing mix. (Zineldin ,2006).

Also claim that the traditional marketing process is not enough to create and build a long term relationship between the buyer and seller. Gummesson (2001) point out that in traditional marketing caring for existing customers used to be second to attracting new customers. Varey (2002), like Grönroos, refers to a new paradigm in marketing, relationship marketing, as a complement to the more traditional approach transaction marketing.
Relationship marketing is very important concept to attract and keep the customers in organizations. It is becoming increasingly important as marketing changes from being transaction to relationship orientated (Sheth & Parvatiyar 2002). Grönroos (1991) has even redefined marketing in relationship terms. He states that the function of marketing is ‘to establish, maintain, and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met’. Most researchers agree that building strong customer relationships is one of the main objectives of relationship marketing (e.g. Kim & Frazier 1997; Sheth & Parvatiyar 2002). However, over the last few years there has been a significant increase in relationship marketing (RM) related researches (Kamakura, 2005; Ngai, 2005). The idea of relationship marketing (RM) is generally comprehended, both scholastically and professionally. Its objective is to reinforce strong connections and convert aloof clients into loyal ones (Berry and Parasuraman, 1991). Customer relationship marketing is determined by trust, commitment, empathy, power, cooperation, financial bonds, social bonds, dependency, duration, and rapport. There is absolutely a developing enthusiasm for the subject of relationship marketing. The strong contention portraying today's business surroundings has come about to the building of more grounded firm customer connections which creates mutual rewards to both the firm and the customers, particularly an association can likewise increase quality sources of market intelligence for better arranging of marketing strategies (Ndubisi, 2006). Blomqvist (as refered to in Ndubisi, 2006) proposed the accompanying key qualities of relationship marketing: each customer is considered as a unique individual or unit; activities of the firm are prevalently coordinated towards existing customers; implementation is based on interactions and dialogues; the firm is trying to achieve profitability through the abatement of customer turnover and the reinforcing of customer connections. The services literature emphasizes the importance of having good long-term relationships with customers (e.g. Parasuraman et al. 1985; Crosby & Stephens 1987; Crosby et al. 1990).

Definitions:

“Process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises.” Gronroos (1997, p. 407) Based on synthesis of 26 definitions of relationship marketing:

“Organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] over time.” Harker (1999, p. 16)

“Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges.” Morgan and Hunt (1994, p. 22)

“Relationship marketing is the 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.” Sheth and Parvatiyar (2000, p. 9)

Peng and Wang (2006) define relationship marketing as all marketing activities directed towards building customer loyalty (keeping and winning customers) by providing value to all the parties involved in the relational exchanges”.

The American Marketing Association’s definition of marketing, revised in 2004, indicates that “marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (emphasis added). Thus, the overall definition of marketing identifies the process of managing relationships as one of its key charters, parallel to more traditional marketing-mix factors. The domain that deals with “relationships,” termed relationship marketing and often attributed to Berry (1983), has been defined in many different ways by scholars from various research perspectives (Harker 1999).

According to wangpaichitr (2010) relationship marketing involves sustaining long-term relationships through the use of interactive databases and networking in order to retain valuable customers, on the basis of mutual benefit and fulfillment.
Table 2.1: Definitions of Relationship Marketing

2.1.2 Definition based on analysis of extant relationship marketing definitions:
Relationship marketing is the process of recognizing, creating, maintaining, and terminating relational exchanges with the reason for upgrading performance which is done for people and by people.

The combination of these definitions allows examining the principle elements characterizing relationship banking, which can be summarized as follow:

1. It is a personalised process as it is based on ongoing interaction between two parties and on a deep knowledge of customer’s financial needs

2. It is a long-term process: relationship banking implies multiple interactions with the same customer over time and/or across products, aiming at increasing customer loyalty and stabilizing the bank profitability in the long run

3. It must be profitable for both parties: a relationship can develop only if both the bank and the customer realize it adds value and seeks to foster their commitment and trust

4. It involves a number of client-specific information, often proprietary in nature

5. It tends to be asymmetric; according to the literature, in banking relationship the overall quality and effectiveness of the relationship generally rest on the service providers.

Dibb and Meadows (2001) cited that relationship marketing in commercial banking a range of issues must be addressed if the effectiveness of a relationship strategy is to be ensured:

• The organization’s structure must be designed or modified to fit the decentralized structure required by a relationship strategy

• The influence of human resources management policies on the effectiveness of relationships must be considered, particularly in view of potential gaps between sellers” and buyers” perceptions
• The best way to provide relationship managers with information and data about their customers must be identified, so that the best efforts are made to understand those customers and their environments

• The fit of pricing within the relationship must be considered

• The part of the business compel in the improvement of the relationship must be considered and reflected in sales-force training.

As described above, the developments in services marketing lead to the focus being on the relationship marketing of firms. It is important to note that there is a difference between a service interaction and a relationship. A service interaction occurs when there is a client throughput (rendering of a service) via an individual service process, whereas a relationship exists when there is a client throughput because of an actual firm-client relationship (Bruhn & Georgi 2006:18). Bruhn and Georgi (2006:113) and Donaldson and O’Toole (2007:150) go further in saying that a firm-client relationship consists of several non-accidental interactions occurring over time. When a firm focuses on creating and maintaining these relationships it performs relationship marketing.

Grönroos consists of the following dimensions of relationship Marketing:

• Relationship marketing seeks to create new value for clients and then to share the value with these clients, because clients estimate which offer will deliver the most value and will buy from the firm they perceive as offering the highest value.

• Relationship marketing recognizes the key role that individual clients have, both as purchasers and in defining the value they wish to achieve.

• Relationship marketing firms are required to plan and adjust processes, correspondence, innovation and individuals (employees) in support of customer value.

• Relationship marketing speaks about nonstop agreeable endeavors between buyers and sellers.
• Relationship marketing recognizes the value of clients’ purchasing lifetimes (i.e. their lifetime value). Lifetime value stands for the present value of the future profits expected over the client’s lifetime purchases. In other words, a firm employing relationship marketing focuses on long-term profitable clients.

• To create the value clients want, relationship marketing looks to fabricate a chain of connections within the firm and between the firm and its main stakeholders, including suppliers, distribution channel members, intermediaries, shareholders and clients.

• Although services marketing are growing in importance, research with regard to services marketing in the financial services sector has matured. A sub-field of services marketing, namely relationship marketing, is now relevant and under investigation in the financial services sector (Blery & Michalakopoulos 2006; Loughlin & Szmigin 2006; Ackermann & Van Ravesteyn 2005; Ashton & Pressey 2004; Berndt et al. 2004; Dibb & Meadows 2004 and Berry 1995).

• Clients receive clear benefits from their service providers through relationship marketing (Peppers & Rogers 1999).

• Technology leads firms to better understand client needs, and with relationship marketing these identified needs can be satisfied with customized products and services (Zielinski 1994).

As specified above, proper relationship marketing between service providers and their clients can lead to benefits for both parties. Durkin, O’Donnell and Crowe (2008:261) state that an increased understanding of relationship marketing and management in banking environment, on which this study focuses, where both face-to-face and remote interfaces must co-exist in a symbiotic manner is critical.

It is clear that relationship marketing is important to clients and that the success of a firm may depend on its level of relationship marketing. Therefore it is essential for firms, including banking institutions, to ensure that effective relationship marketing strategies are implemented by the firm; in other words, service providers, including financial institutions like banks, should focus on building mutually beneficial
relationships with their clients. However, the extent and quality of relationship marketing strategies implemented by a firm may be influenced by many variables.

2.1.3 Benefits of relationship marketing: Addressing the benefits of Relationship marketing, researcher has outlined the benefits for not only businesses, but customers as following.

Benefits to company One of the benefits of having long-term relationships with customers is that enables companies to better understand their customers needs and buying habits, which in turn enables them to improve and frequently customize their future marketing efforts. Webster (2006) explains to industrial marketers that the firm’s procurement strategy may be the most important ingredient in its ability to deliver superior value to its customers. Also, Gale (2007) described that companies succeed by providing superior customer value. In the business to customer context, partners that deliver superior benefits will be highly valued, and customers will commit themselves to establishing, developing, and maintaining relationships with such partners (Morgan and Hunt, 2000).

Therefore, it is important for customer retention that customers receive superior benefits from their partnership-relative to other options. For example on such dimensions as product price, service satisfaction, and product performance, then will be committed to the relationship. Specifically, implementing relationship marketing that mainly focus on providing value to customers, emphasis on customer retention would bring to businesses the major following benefits that lead to their ultimate goal of profitability (Doyle, 2002; Christopher et al, 2002; Kotler et al, 2001):

• The method is an integrated approach to marketing, services and quality. Therefore it provides a better basis for achieving competitive advantage.

• Satisfied customers are often willing to pay a premium price to a supplier they know and trust

• Regular customers tend to place frequent, consistent orders and, therefore, usually cost less to serve
• Long-term customers may initiate free word of mouth promotion and referrals • Long-term customers are less likely to switch to other competitors, making it more difficult for competitor to enter the market

• The cost of acquiring new customers can be substantial

• Happier customers may lead to happier employees.

Benefits to Customers

Besides the benefits to businesses, there is also much research highlighting the benefit of Relationship marketing to customers:

• Psychological benefits from close relationship (Sheth and Parvatiyar, 2005)

• Social benefits such as familiarity, personal recognition and friendships (Gwinner 2008)

• Economics benefits such as discount, money-saving schemes from customer-loyalty programs (Peterson, 2009)

• Customization benefits as service providers may tailor their services to meet customers” specifications, preferences and requirements (Gwinner 2008).

In order to obtain and create these benefits, RM needs to be managed correctly in order to maintain, enhance and develop a long-term relationships between businesses and customers. Alexander and Colgate (2000) suggested that relationships exist and develop where there is commitment to the relationship by both parties, where mutual trust and respect exist, together with good communications, prioritization of the other parties’ interests, and support and assistance in the achievement of long-term goals. While some of the factors which build ideal relationships between individuals may be very difficult to achieve within the customers to business, there exists, nevertheless, the opportunity to establish trust and commitment (Alexander and Colgate, 2000). The authors also point out there is also a risk in creating a strong relationship that weakens the bond of both parties involved when expectations lead to undesirable consequences e.g. credit refusal in financial a services setting. From these perspectives, it is believed that trust and commitment hold important roles in building up a strong relationship that
create both social and economic benefits mentioned above for both businesses and customers.

2.1.4 Relationship marketing in banking sector:

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core product/service in commercial banking is fairly generic, and it is difficult for most banks to compete purely on this core service (Panda, 2003). Thus, recognition of the importance of relationship marketing, especially in financial services sector (Alexander and Colgate, 2000; Ennew et al., 2006) has grown in recent years. Berry and Gresham (2007) noted that the practice of a relationship approach is most appropriate when the consumers require personal services and/or selling. This is certainly the case for a range of the more complex products in financial services sector, where the majority of customers still prefer to make buying decisions supported by the expertise of staff with appropriate knowledge (Dibb and Meadows, 2001). Prior to considering the case analysis and in order to obtain maximum insight from it, it is helpful to consider the literature on relationship marketing in banking

**Relationship marketing from managerial perspective:** From a managerial perspective, it is very important that both management and Marketing staff understand the dimensions of Relationship marketing as these will ultimately underpin the strength of relationship development between service provider and customer (Ward and Dagger, 2007). In this competitive environment, understanding the nature of these Relationship marketing constructs is vital for implementing effective Relationship marketing strategies. From the study of Relationship marketing and service customers, Ward and Dagger (2007) reported that organizations must undertake Relationship marketing activities at an appropriate level to remain competitive and those different levels applied to different services. The strategic factors affecting relationship marketing or increasing relationship strength in terms of competitive advantage - differentiation, key industry success factors, market share and increased profitability - must be accounted for in service quality. Relationship marketing forms the bridge between the organisation and its customers, with the organisation using it in reinforcing linkages, responding to
customer needs and serving market micro-segments (Berry, 2002; Hennig-Thurau, 2000). In summary, Relationship marketing involves sustaining long-term relationships with valuable customers, on the basis of mutual benefit and fulfilment. Relationship Marketing in the literature is about “win-win” relationships where all parties involved benefit from entering into such associations (Tadajewski, 2009) Based on a content analysis of 117 different sources from Relationship marketing literature, Harker (2005, p. 16) stated that “an organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] over time is engaged in relationship marketing”. Camarero (2007) referred to four types of relationship marketing investments – commitment trust, values and communication. Expenditures on all forms of Relationship marketing have proved useful and activities, involving interaction, feedback from customers and two-way communication, produced positive impacts and outcomes for the organisation (Bennett and Barkensjo, 2005). Relationship marketing practices and their association with these positive outcomes, particularly customer loyalty

Here the study concentrates on relationship marketing in banking benefiting both customers as well as banks. Customers can lessen their time and pursuit costs and maintain a strategic distance from uneasiness by selecting banking services from a bank. The banks likewise save money on the time and exertion included in drawing in new customers. They can get profit by the positive informal exposure given by steadfast clients. Some of the factors of relationship marketing are: Focus on customer service, long haul introduction, high responsibility to clients, more client collaboration, and duty to quality is imperative part of relationship marketing. It is constantly said that its worth to hold a client as they are the assets and the best and cost efficient productive channel. At times, notwithstanding the endeavors made by the banks to offer services with zero defects, a few lapses inch in and the client may encounter issues. To manage such circumstances, banks keep up a proper recovery framework set up to distinguish and take care of issues at the most punctual and minimize the burden brought about to clients. The banks following relationship marketing give the most extreme significance to two route correspondences to harvest the sought advantages
Renting in a business relationship involves an investment of irrecoverable resources. These resources are e.g. time and endeavor which creates psychological bonds to the firm that motivate parties to keep the relationship and increases their expectations of relationship benefits (Liang and Wang, 2006). In one of their studies, Liang and Wang (2006) recommend that banks should perform more service quality oriented strategies to preserve and promote perceived service quality and thus build higher customer relationship satisfaction and behavioral loyalty. They furthermore suggest that banks should not simply invest more in customer relationships, but also strive for attracting clients who are open to such mutual investments.

Nevertheless, it is necessary to have in intellect that a satisfactory and stable relationship is not a guarantee to banks that their clients stay loyal. A disturbance or an upset to the business relationship can be enough to induce customers to decrease usage of the bank or at worst, to cease the relationship by shifting to some other bank. Thus, it is necessary, but not enough to only keep customers satisfied in a relationship in order to keep at least partial customer loyalty. Knowing the exact gains and the dispute of these concepts prevents bank managers from setting unrealistic goals in the process of building loyalty (Lam and Burton, 2005).

Given that the relationship between a business and its customers is formed and maintained, within a commercial context, the existence of the relationship depends, ultimately, on the commercial benefits that each party receives. Business organizations attract their customers by offering first of all, a bundle of benefits that are built around their core competencies. Thus, a firm must be able to promise and deliver a desirable level of professionalism in order to encourage repeat patronage and to develop customer relationship and loyalty. Therefore, the professional aspect of a customer – service provider relationship is more important than its interpersonal element (Tutton, 2007; Bhatty et al, 2001).

Therefore, it is important that a firm seeks to strengthen customer perception of its ability to perform as well as its reliability or, in other words, its ability to consistently satisfy the customers over a long time horizon. According to Brady & Cronin (2003), the importance of this reliability dimension of trust is that it can’t be easily duplicated by competitors, thus can provide the firm with a more powerful competitive advantage.
Relationship marketing is considered to influence most effectively when customers are highly required in the expert or service. The factor of personal interaction, which allows for smooth communication flow, can enhance customers’ willingness to engage in relationship building activities. The benefits of such interaction are generated through increased customers’ positive feelings towards their bank, and thereby customer satisfaction and relationship strength increases.

2.2 Dimensions of Relationship Marketing

2.2.1 Trust

Moorman et al (1993) define trust as “the willingness to rely on an exchange partner in whom one has confidence”. The nature of service offerings means that service consumers typically pay in advance to buy a firm’s promise and, therefore, must be willing to rely on the firm to deliver its promise (Berry, 2005). Morgan and Hunt (1994) found that trust exists “when one party has confidence in an exchange partner's reliability and integrity”. Reichheld and Sasser (1990) opined that to achieve customer satisfaction and retention and consequently, long term business profitability, it's important to fulfil the promises. Trust is thought to be an essential for loyalty, especially in the risk-dominated cyberspace where transactions are conducted at a distance (Reichheld & Shefter, 2000). The maintenance of consumer trust in the retail banking industry is of considerable importance as it can impact on the likelihood of retaining existing customers (Morgan, 2002) and attaining new ones. Furthermore, trust in a bank can also be more important to a bank customer than price. Customer perception of a firm’s trustworthiness is valuable not only in terms of satisfying and retaining existing customers but also in attracting new customers through word of mouth marketing. According to Vázquez-Casielles (2009), word of mouth marketing plays a major role in acquiring new customers. Because of the high level risk perception inherent in service offerings, potential customers are more prone to look for individual proposals when picking service provider that depends on information provided by the organizations. By and large, suggestions given by an associate can essentially lessen a person's apparent hazard in selecting a new service provider (Nguyen and Leblanc, 2001). A customer, when recommending a service provider to a third party, attempts a certain level of danger...
on his or her creditability toward the third party that is prone to dissolve in the event that it neglects to go down the recommendation (Foster & Cadogan, 2000). Therefore, customer perception of the firm’s trustworthiness, which more often than not diminishes the apparent danger of recommendation giving, will improve the probability of customer proposing the firm to others (Wang, 2010).

Geyskens et al. (1996); Rousseau et al. (1998); Singh & Sirdeshmukh (2000) indicated that trust has been given great importance for building and maintaining long term relationships in business. Moorman et al., (1993); Morgan and Hunt, (1994); Sharma (2003) accepted trust as a significant variable for achieving relationship commitment and customer loyalty and it is a critical factor for relationships both logically and experientially. Geyskens et al. (1996); Doney and Cannon (1997); Rousseau et al. (1998); Singh and Sirdeshmukh (2000); Papadopoulou et al. (2001) confirmed that trust is needed to build long-term customer relationship in a volatile business environment. Gremler and Brown (1996) and Reichheld et al. (2000) perceived trust as a conceptual and important antecedent of customer loyalty. Working on similar lines, Garbarino and Johnson (1999) also identified trust as a driver of customer behavioral intentions that might lead to customer loyalty and found that trust and commitment are key antecedents to loyalty for customers who value relationships.

Bearden and Teel (1983); Cronin and Taylor (1992); Oliver et al. (1997); Selnes (1998) found a direct link between trust and loyalty whereas Doney and Cannon (1997) perceived trust as the principal antecedent of repurchase intentions. Lim et al. (1997); Foster and Cadogan (2000) showed that in a company, trust works as an antecedent to attitudinal loyalty. According to Pavlou (2003) trust is a prerequisite for patronage behaviour. Ranaweera and Prabhu (2003) stated that trust is likely to result in customer retention when it comes to maintaining long term relationships between service provider and customer.

In the commitment-trust theory, Morgan and Hunt (1994:23) state that trust exists when one party has confidence in an exchange partner’s dependability and
trustworthiness. They define trust as “a willingness to rely on an exchange partner in whom one has confidence”. A betrayal of this trust (by the organisation or service provider) could lead to defection (Ndubisi, 2006:133). RobertsLombard and Du Plessis (2012:62) suggest that when organisations conduct business in a manner that enhances customer trust, the perceived risk with the specific organisation is lowered. This enables the customer to make confident predictions about the provider’s future behaviors. Hartman (2010:42) supports this argument by stating that relationship building must take place from the first meeting between the financial advisor and the customer. It is important for customers to have trust, mutual respect, comfort with advisor recommendations, and agreement on customer goals and the means to reach them. This ensures sound long-term business for the financial brokerage. Hartman (2010) further argues that it is from strong customer relationships that an advisor is most likely to get referrals of new customers. Van Vuuren (2011:68) stipulates that customers are loyal to an organisation when they have consistently been satisfied, and are then passionately loyal about doing business with the organisation which can always be trusted. This high-trust relationship requires going further than the realm of customer transient and transaction-based feeling of delight, and is regarded as total trust. Velmurugan (2009:153) proposes that trust must be present at all levels for the maintenance of cooperation. In the current turbulent business environment, trust has become a critical factor in customer organization relationship in order to facilitate transactions. Trust is therefore perceived as a critical factor in establishing a relationship with customers, since the latter will attempt to evaluate suppliers’ trustworthiness before committing to business transactions (Hartman, 2010:42). Customers who are willing to trust an organization expect responsiveness and a swift delivery of service in return. Organizations must focus on simplicity to build trust in the long run. Maintaining trust means listening, valuing communication, acting in an honest manner and learning from stakeholders’ observations (Le Coultre, Roberts-Lombard & Van Tonder, 2013:308). Trust is therefore an important construct in relational exchange because relationships characterised by trust are so highly valued that parties will desire to commit themselves to such relationships. To support this notion, trust has been posited as a major determinant of relationship commitment (Jumaev, Kumar & Hanaysha, 2012:40). This argument is further enhanced by Morgan and Hunt (1994:22) stating that when both
trust and commitment are present, they produce outcomes that promote efficiency, productivity and effectiveness.

As Dwyer, Schurr, and Oh (1987) argue, trust is essential in light of the fact that it gives a premise to future coordinated efforts. Once confidence is established, firms learn that organized, joint efforts will prompt results that surpass what the firm would achieve if it acted alone in its own best interests” (Anderson and Narus 1990) In social psychology an agreement develops that trust comprises of two key components, combine in the partner’s honesty and confidence in the partner’s benevolence. Honesty is the feeling that one’s partner stands by its assertion. Benevolence is the inclination that one’s mate is interested in the company’s benefit and will not call for unexpected actions which will negatively affect the company (Geyskens and Steenkamp, 1995). It gives the idea that if accomplices in a relationship believe one another more they are more emotionally involved and less intentionally measuring the advantages against the cost of that relationship (Wetzls et al., 1998). An empirical study by Pressey & Mathews (2005) confirms that the level of professionalism a retailer can offer to its customers correlates positively with the level of trust the customers have on the firm’s ability to deliver its promises.

**Attributes of trust**

Four principle ascribes must be considered to assess trust. The first integrity, the second is motivation, the third is predictability and the fourth is competence. Integrity defines the level of trustworthiness, while motivation defines how motivated to perform the given task. Predictability describes how regular actions are.

**Integrity**

The trait of integrity depicts how ethical, honest or moral it is. This can likewise be called ability to act (and act) appropriately. Instances of this attribute are found in the accompanying papers: Hartman considers this property as a kind of trust though
in this work we have characterized it as a scribe which customer looks to focus to
gauge the reliability. Mayer et al. consider that the relationship between integrity
and trust involves Alice’s perception that adheres to a set of principles that customer
finds acceptable. McKnight and Chervany consider that when Alice securely
believes that makes good faith agreements with others, tells the truth, and fulfills
his promises. This property is appended to a conviction condition that leads toward
the correct establishment of expectation.

Motivation

The parameter which is less examined incorporates the motivation for complete the
assignment. This may be a territory of future study, on the ground that motivation
increases, customer relies less on service provider’s integrity.

Predictability

Both forecast and trust are method for decreasing vulnerability. To be meaningful,
trust must go beyond predictability. As such, service provider’s predictability is
insufficient to make customer take a risk and place herself in a defenseless
circumstance. It is, in any case, supportive for customer to determine the
predictability. Occasions of this property are found in the accompanying paper:
Mayer et al. consider predictability as a factor that impacts the collaboration
between two parties.

Competence

Competence is a property that depicts how skilled service provider is for the
undertaking that customer wishes him to perform. It is conceivable that has a
specific competence.

Bitner (2006) suggest that keeping promises is crucial to the development of a
mutually beneficial relationship between customers and service providers. In order
to build a trusting customer relationship, a service provider must demonstrate both
its ability and willingness to deliver on what customer construe as has been
promised, whether explicitly or implicitly (Bhatty et al, 2001). Therefore it is
important that the firm can understand and manage the types of expectations that have been created in its customers (Bhatty et al, 2001). The firm then needs to consistently meet or exceed its customer’s expectations with regards to its performance, at the same time promoting relationship building behaviors in order to win customer trust, which is the basis of true loyalty (Bhatty et al, 2001).

Furthermore, Beerli et al (2002) express the view that trust only when a customer has confidence not only in a firm’s ability to perform consistently but, also in its integrity. Hence, a firm’s honesty, as perceived by its customers as honest in its dealings is more likely to enjoy strong and lasting relationship with the customers (Bhatty et al, 2001). In summary, trust can be considered as a function of consumer perception of a retailer’s integrity as well as its ability to perform its services, to keep its promises and commitment and in general to “do the right things” consistently.

Trust is important aspect for any relationship whether it is social or professional. Here bank is the organization where if people have blind trust on the organization than and then only they can do the financial transaction. Here trust play a major role, but as per the study suggest only trust have very wide definition, and therefore describe the relationship of customer and bank service provider it is better to say have a faith in Service provider.

2.2.2 Commitment

Commitment is also an important element of relational exchanges. It is specified as an abiding desire to keep a valued relationship with customers. (Moorman, Zaltman, and Deshpandé, 1992). Inquiry suggests that relationship commitment is at the heart of all effective working connections and that it is an indispensable element in successful long-term relationships, including supplier–buyer relationships (Anderson and Narus, 1998). In the relationship marketing literature the idea of commitment assumes a key part; equally it is a major feature of relationship marketing models (Scanzoni, 1979). Allegiance alludes to a certain or express vow of the determination of a relationship between trade accomplices (Dwyer et al. 1987). As Scanzoni (1979) expressed commitment is the most developed period of
accomplices' relationship. In marketing-practice and research it is concurred that mutual commitment among accomplices in business connections produces huge advantages for organizations (Wetzls et al., 1998; Farrelly & Quester, 2003). Commitment served as the indigent variable in a few relationship marketing models including those portraying buyer-vendor connections and channel conduct (Kumar et al., 1995). Commitment is a decent pointer of long haul connections (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995) and is thought to speak to the crest in relational bonding. They defined commitment in service provider-customer relationships as “an implicit or explicit pledge of relational continuity between exchange partners”. (Dwyer et al., 1987) Moorman et al. (1992) described commitment as an enduring desire for preserving a valued relationship.

Jacoby and Kyner (1973) suggested that commitment is an important tool to differentiate loyalty from repeat purchase behaviour. Dwyer et al. (1987); Morgan and Hunt (1994); Gundlach et al.(1995) recommended that commitment is a crucial determinant of the quality of a marketing relationship as well as a useful construct for assessing the possibility of customer loyalty and forecasting future purchase frequency. Garbarino and Johnson's (1999) research proposed that for customers who share a strong relationship with an organization, trust and commitment were the mediators between attitudes and future intentions.

Rauyruen and Miller (2007:24) suggest that the commitment of a customer to the organization is a very important driver of Relationship Marketing in service industries. They refer to commitment as “an implicit or explicit pledge of relational continuity between exchange partners”. In simpler terms, commitment refers to the customer being motivated to stay with an organization. Morgan and Hunt (1994:23) define commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it”. Commitment can also be perceived as a manner of responding to the needs of customers and is therefore a key dimension of being market oriented. Thus, commitment is perceived to be a central expectation or norm within an organization customer relationship, and measuring up to this expectation is to drive customer satisfaction (Ndubisi, 2006:133). According to Du Plessis (2010:20), commitment
stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value. Commitment encourages partners to collaborate in order to preserve the relationship investments (Morgan & Hunt, 1994). Rauyruen and Miller (2007:3) further define commitment as “a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed”. Jumaev et al., (2012:40) state that a significant relationship exists between commitment and loyalty. They argue that when the commitment of the customer is grounded on shared values and identification, it has a strong influence on customer loyalty. Rezvani, Gilaninia and Mousavian (2011:1548) concur by arguing that loyalty is a “profound commitment to frequent purchasing or encouraging others to buy products or services”. According to Ndubisi et al., (2007:225), commitment is a key variable for understanding how strong the relationship between a business and its customers have with each other. It is perceived as a valuable construct for the measurement of customer loyalty and for determining the future buying habits of consumers. Van Vuuren, Roberts-Lombard and Van Tonder (2012:86) suggest that when a customer is committed to a relationship, such customers could be more willing to act due to their need to remain customers who are more committed and who are more willing to develop an overall positive impression of the business. This impression is based on aspects such as the duration of the relationship, inclusive of different transactions, whether positive or negative. These customers are therefore illustrating a greater willingness to remain loyal to the business. Terblanche, Boshoff and Boshoff (2012:33-34) concur by emphasizing that customer commitment is a central mediating variable of the relationship between the customer’s evaluation of the performance of a business and the intentions of the customer with regard to the future relationship with the business.

A study by Morris et al. (2001) indicates that the level of trust customers invest in a firm correlates positively with the level of commitment maintained by both parties through shared values and relationship termination costs. Commitment plays a central role in the relationship marketing paradigm (Ehigie, 2006), and has been identified as an important dimension of customer-service provider relationship quality (Wong & Sohal, 2002). Conceptually, commitment differs from loyalty in that it is thought of in purely cognitive terms that describe a consumer’s attitudinal
attachment to a company (Gilbert and Choi, 2003). For example, Moorman et al, (2003) define commitment as “an enduring desire to maintain a valued relationship”. Thus, commitment is enduring and implies a positive evaluation of a long term relationship (Moorman et al, 2003). Consequently, commitment is often seen as a key to long-term customer retention (Hennig, Thurau and Day, 2000).

Leverin and Liljander (2006) argue that relationship that customers maintain with a service provider can be constraint – based (having to), or dedication-based (wanting to), leading to different types of relationships to different natures and relationship outcomes. For example, a dedication based (committed) relationship Manifest itself through cooperation and advocacy (i.e recommendations), in addition to repeat patronage (Leverin and Liljander, 2006). Stobacka et al, (2002) suggest that commitment refers to adaption process resulting from relevant parties’ intentions to act and positive attitudes toward each other. The notion of commitment entails the belief by both parties that a lasting relationship is important as to warrant the investment of efforts and resources, and the acceptance of short-term sacrifices in order to realize long term benefits and to ensure that the relationship endures in the long run (Schiffman and Kanuk, 2004). In this sense commitment can be considered as pledge of relational continuity (Oliver, 1999). Commitment has also been shown to be a good predictor of customer future intentions and loyalty (Park & kim, 2003).

According to Wong & Sohal (2002), a higher level of commitment leads to a compelling to make the relationship mutually satisfying and beneficial. These authors point out that committed customers tend to perceive more value in the relationship with the firms they patronize, thus are more willing to take actions in favour of these firms in return for the benefits received. Therefore, the behaviors of committed customers are being more benefits to a firm than the behaviors of regular, but not committed customers. As such, commitment is often seen as the driving force behind many forms of customer behaviors. Thus, by developing a high level of commitment among its customers, a firm can make their purchase patterns more predictable and improve customer retention (Bennett and Barkensjo, 2005). For example, Harwood and Garry (2006) found commitment to positively influence the incremental volume of business; a loyal customer is likely to bring to a service provider. Bennett and Barkensjo( 2005) concludes that the notion of commitment is critical to a better understanding of the psychological processes underlying
repurchase behavior, and is useful to distinguish true customer loyalty from other forms of repeat patronage. Moreover, while repurchase behaviour may be achieved through satisfaction, it is commitment that leads to what is known as partnership behaviors (Curasi& Kennedy, 2002; Heskett, 2002). Specifically, White & Schneider (2000) propose that commitment influences numerous consumer behaviors such as considering alternative firms before making purchase (Environmental scanning), purchasing exclusively from a firm (relationship enhancement), and providing world of mouth recommendations (advocacy). Empirical research by Harwood and Garry (2006) identifies a strong and positive relationship between customer commitment and their willingness to perform such behaviors. Committed customers are also more willing to cooperate with their firms to resolve problems that might occur, as opposed to existing from the relationship, and to use such problems solving as a basis for new understanding (Harwood and Garry, 2006). Bennett and Barkensjo (2005) Postulate that commitment manifests itself through a resistance to change. Therefore, loyal customers who are committed to a firm become reluctant to consider other available alternatives.

**Attributes of commitment**

Christopher et al., (2002) contend that customer commitment may be caused by effective reasons, such as perceived value or switching costs. Park & Kim (2003) echo this view, suggesting that customer commitment to a business firm is influenced by both emotional (i.e. effective) and judgmental (i.e. calculative) elements. Effective commitment is considered to be more powerful than calculative commitment in the development of true loyalty, because it is less likely to be affected by contingent events that may hinder the short term benefits of repeat patronage (Christopher et al., 2002). Hence, effective commitment is more reliable as an indicator of true customer commitment.

On empirical study (Eriksson and Vaghult, 2000) confirm that benefits are one of the most important determinants of customer commitment to a service provider. Therefore, customer perception of relational benefits can be considered as an important dimension of their commitment to a business firm. Commitment has also
been found to be influenced by consumers’ perceived differences among competing alternatives (Lam and Burton, 2006) observe that customers who are loyal to a firm hold a strong belief that the firm continues to represent the best alternative. To this extent, it can be argued that commitment is a function of consumer perceptions of the degree to which a firm represents the best available choice.)

Commitment is very powerful dimensions as far as relationship is concern. Because anyone can take chance once time only. It depends on the service provider to fulfil their commitments so people can trust them for another time. Whatever the promises you have make and at a same you fulfill as service provider to the customer give them a hope and positivity towards their next transaction. It is the first step towards relationship. The act of binding yourself) to a course of action is very important as employee of service provider to the customers. Here study suggests that more than commitment, devotion (profound dedication) is required for the relationship. So Allegiance is the proper word which defines commitment with devotion.

2.2.3 Communication

A new idea of communication is an intuitive dialog between the organization and its customers, which takes place during pre-selling, consuming and part-consuming stages. It has also described that communication as formal and casual sharing of significant and auspicious data between. Empirical evidence suggests that communication increases the degree of confidence between alliances (Anderson and Narus, 1990; Anderson and Weitz, 1992; Morgan and Hunt, 1994). Ndubiri and Chan (2005) opined that communication is responsible for building awareness in the early stage, developing customer preference, convincing and encouraging the customers to make the decision to purchase.

Communication is also regarded an important facet of successful relationships (Morgan and Hunt, 1994). By and large, correspondence makes a difference by building confidence giving accomplices a system that can be employed to settle conflicts. In summation, it improves partners’ ability to adjust their expectations.
and perceptions. Correspondence, as conceptualized by Mohr et al. (1996), embodies a blend of relationship building correspondence properties. These incorporate correspondence recurrence, bi-directionality, custom, and impact activities. By highlighting shared interest and common objectives, synergistic correspondence can produce volitional between accomplices and therefore support relationship execution (Mohr et al., 1996; Farrelly & Quester, 2003).

The genuine significance of communication is getting the receiver and the sender tuned together for a specific message. Correspondence happens when one individual exchanges some justifiable information to someone else. It additionally incorporates the exchange of considerations, assessments, assumptions, truths, and data between two or more persons. Input is imperative as it guarantees that your message ought to be appropriately passed on to the receiver.

The fundamental elements of a viable communication framework are keys for profitable communication. The chief principles or attributes of a viable communication framework are as follows:

- Clearness and honesty of message to be passed on.
- Adequate instructions of the beneficiary.
- Accurate plan of objectives.
- Reliability and consistency of the message.
- To know the principle reason for the message.
- Proper response or feedback.
- Correct timing.
- Use of fitting medium to pass on the message legitimately.
- Use of casual correspondence

**Attributes of Communication**

The four qualities of a viable communicator are the capacity to be flexible, focused, responsive, and calm. Consolidated, you are seen as trustworthy and approachable
**Flexible:** A decent audience will listen and conceivably see—the nonverbal signs that empower you to tailor your communications. Your flexibility, “I understand that your children are home early because it is a snow day, shall we talk later?” shows thought, frequently refreshing, and returned later with the other individual's more complete attention. Giving flexibility sets up an evenhanded trade of that most valuable of valuable things, time.

**Focused:** It is uncommon when we have stand out thought to convey. Multi-tasking breeds multi-messages. The engaged correspondence helps everybody out. It says, “Let’s prioritize, and take this one issue at a time.” By doing so, your focus is contagious. Others will acknowledge not being constrained into multi-tasking an answer.

**Responsive:** Simply on the grounds that you started a communication does not imply that there won't be inquiries. Your ability to give a ready response is another quid pro quo that prompts building trust and profundity to your relationship. In business as in our own connections, trust induces goodwill.

**Calm:** We have a decision. We can be calm amid unpleasant times or not. The calm communicator is broadcasting a wide range of positive signs: Yes, I can deal with this crisis. Yes, I am centered on the crisis, not on my feelings. Yes, I'm tuning in, viewing. Yes, I can communicate with you and others, and I expect the same from you. Yes, you can trust me. By maintaining calm, we can gone through the agenda of data needed for definitive choice making. What's more, we are more inclined to settle on an informed decision. You will be known as the person who can be depended on in times of crisis (we all experience changing degrees of criticalness), and as a go-to individual, a pioneer in your area. People will hear you out, in light of the fact that you hear them out.

Individuals will believe you with information and choice making on the grounds that your calm, responsive style prompts a more noteworthy rate of achievement. Also, they will assume that you won't make another issue out of a crisis, which just aggravates matters.

The practice of these components turns out to be a piece of brand as a great communicator. As literature suggest communication is very powerful tool to identify
the potential. Through the communication one bridge can be prepared to the relationship but only communication has not much of impact till the communication is effective one. Effective communication will become the bridge between customer and service provider’s relations. For the effective communication bank should trained their staff to make it positive one. The four traits of a successful communicator are the capacity to be flexible, focused, responsive, and calm. Consolidated, bank is viewed as trustworthy and approachable.

2.2.4 Conflict handling

There are many misconceptions on the meaning of conflict and its possible consequences. It is important for researchers to clearly define their perceptions and definitions of conflict in order to prevent irregularities in solving conflicts.

The most influential definition of conflict is stated by Morton Deutsch (2001), who states that a conflict exists when incompatible activities occur. This means that the action of one group or person attempting to reach his or her goals prevents, obstructs, interferes with or injures the action of another group or person, or makes the action less likely or less effective, in attempting to reach his or her goals. Many theorists on conflict handling literature agree with this definition, although there are some differences. David Johnson and Roger Johnson (2003), for example, perceive the definition of Deutsch as the description of a conflict of interests in which incompatible interests exist. Allan Filley (2003) also places an emphasis on interests by stating that in a conflict the interests of the parties are mutually exclusive. Kathy Bickmore (2004), on the other hand, focuses on the divergent wishes or needs of the conflicting parties which lead to disagreements and problems. Overall, many theories emphasize the interference of actions, interests, wishes or needs between parties which causes conflict to occur. Conflicts can occur within one person (intrapersonal), group or nation or between two or more persons (interpersonal), groups or nations (Deutsch, 2001). Conflict is most often perceived as involving two or more parties. These parties are also interdependent of each other (Hocker & Wilmot, 1999; Johnson & Johnson, 2000) According to Joyce Hocker and William Wilmot (1999), conflict is a mutual activity in which the choices of each person affect the other person. A person who is not dependent upon another
person’s actions or interests has no reason for conflict with that other person. When the parties are interdependent, the differences in their actions and interests cannot coexist if both want to achieve their goals. In sum, conflict entails the following elements: (1) there are incompatible actions, interests, wishes or needs which interfere with each other; (2) it includes two or more parties; (3) the parties are interdependent of each other; and (4) at least one of the parties perceives the situation as to be a conflict. Therefore, conflict can be characterized as a circumstance in which no less than one of two or more associated parties sees meddling and inconsistent activities, intrigues, wishes or needs between them.

The definition of conflict handling used in this thesis is similar to the one defined by Ndubsi et al. (2007). It is therefore described as the bank service provider’s capacity to minimize the negative results of contentions. How a consultant handles conflicts is reflected in one’s ability to openly discuss a solution when a problem rises up, show concerns and resolve differences quickly and satisfactory (Ndubsi et al. (2007). According to Santos and Fernandes (2008), three dimensions are often considered when discussing conflict handling: 1) the distribution of fairness, which is often considered to be in the form of replacement or refund 2) procedural fairness, that is, the process that takes place when complaint arises, or the flexibility, response speed, accessibility and acceptance of responsibility and 3) the fairness in interaction, which is how the employee treats and communicates with the consumer when problem arises. This last dimension includes honesty, empathy, courtesy and offering explanation or an apology. When conflicts between customers and companies and their management arise, it can lead to loss of consumer trust in the company (Santos and Fernandes, 2008).

Ndubsi et al. (2007) propose that when fights between a client and a service provider arise, a customer may respond in different ways, such as leave the company, voicing the problem or remain loyal. They further define conflict handling as “the supplier’s ability to belittle the negative effects of patent and potential differences”. The way a client is touched on by conflicts depends on prior satisfied with the relationship, how much one has endowed in the relationship and on the other alternatives available for one to choose from (Ndubsi et al., 2007).
Dwyer et al. (1987) defined conflict handling as the supplier’s ability to minimize the negative consequences of manifest and potential conflicts. Conflicts handling reflects the supplier's capacity to stay away from potential conflicts, fathom show conflicts before they make issues and the capacity to talk about openly solutions when problems arise. How conflicts are handled will ensure loyalty, exit or voice. Rusbult et al. (1988) reasoned that the probability that an individual will participate in these practices relies on upon the level of earlier fulfillment with the relationship, the magnitude of the person’s investment in the relationship and an evaluation of the alternatives one has. The capacity of the bank to handle conflicts well, will affect client unwaveringness. To handle conflicts efficiently, there must be open, sincere and frequent interaction (Berry, 1995) until acceptable, satisfactory resolution is reached.

A conflict is constructive if the participants are all satisfied with the outcomes and feel that they have gained as a result of it. Johnson and Johnson (2000) state that, in addition to satisfaction with the outcomes, constructive conflict also improves the relationship between the disputants, as well as their ability to resolve future conflicts in a constructive manner. In reality, a conflict is rarely only destructive or constructive, but it seems preferable for both conflicting parties to strive for constructive consequences as much as possible.

Conflict can also be distinguished according to the relationship between the objective state of affairs and the state of affairs as perceived by the conflicting parties (Deutsch, 2001). In this sense, there are six different types of conflict: veridical, contingent, displaced, misattributed, latent, and false conflict. Veridical conflict, also called „true conflict”, exists objectively and is perceived accurately by the conflicting parties. It is not contingent upon an easily altered feature of the environment. For example, a child wants to read a certain book and another child wants to read that book at the same time as well. When there is not another copy of the book available, the children have a „true conflict”. A contingent conflict exists when the conflict depends on readily rearranged circumstances, but these are not recognized by the conflicting parties. The contingent conflict would disappear if the available alternative resources for satisfying the conflicting needs were recognized. The preceding example of a veridical conflict will be classified as a contingent conflict when there is actually another copy of the book.
available, so both children can read the book at the same time. In displaced conflict, the parties are arguing about something else than the actual conflict. This relates to manifest conflict and underlying conflict in which the experienced conflict is a manifest conflict and the conflict that is not directly expressed is the underlying conflict. The manifest conflict usually expresses the underlying conflict in some form. In misattributed conflict, the conflict is between the wrong parties because one or both of the parties misattributes something to the other. As a result, the conflict is usually about the wrong issues. Latent conflict is a conflict that should be occurring but is actually not, for example when a person is not yet consciously experiencing the situation as a conflict. False conflict is the occurrence of a conflict when there is no objective basis for it, because of misperception or misunderstanding (Deutsch, 2001).

What is conflict handling?

Conflict handling or resolution involves the procedure of fathoming a contention. The most preferable way to solve a conflict is through constructive conflict resolution, because then all the participants are satisfied with the outcomes of the resolution and feel they have gained something as a result of the conflict (Deutsch, 2001). In constructive conflict resolution, the conflict should not harm, but create benefits and positive outcomes for the relationship between the parties. In other words, the conflict should create a win-win solution (Davidson & Wood, 2004; Filley, 2003). Win-win solutions are often possible given the fact that most conflicts involve disagreements of means rather than ends; the parties perceive the conflict to be “my way” versus “your way”, while both parties strive for the same thing (Filley, 2003).

There are three possible processes for conflict handling.

1. Negotiation,
2. Mediation
3. Attribution

54
Negotiation is a process in which persons who have shared and opposed interests want to come to an agreement and try to work out a settlement (Johnson & Johnson, 2000). Negotiation can be handled in a distributive or an integrative manner. The distributive approach is based on the belief that you can only maximize your own gain at the expense of the other. The integrative approach is based on maximizing the gains for both parties (Johnson & Johnson, 2000). In integrative negotiations, both the goal that one wants to reach and the relationship with the other party is highly valued. Therefore, the parties seek to reach an agreement that ensures that both parties fully achieve their goals and that any tensions and negative feelings are resolved. Johnson and Johnson (2000) perceive this to be the most constructive strategy to resolve a conflict. This seems true, because the integrative approach is focused on maximizing the gain for both parties, which is also the goal of constructive conflict resolution. When the disputing parties cannot resolve the conflict by negotiating themselves, mediation can be an option.

Mediation is the process in which an unbiased third party (the mediator) assists disputants to negotiate an integrative resolution to their conflict (Bickmore, 2002; Johnson & Johnson, 2000). A common form of mediation is peer mediation in which the mediator is a peer of the conflicting parties. The peer mediator is responsible for guiding the resolution process, by assisting peers to communicate with one another and to negotiate a solution to their own problems (Bickmore, 2004).

Arbitration is the submission of a dispute to a disinterested third party who makes a final and binding judgment as to how the conflict will be resolved. Arbitration is commonly used as a last resort when negotiation and mediation have failed to resolve the conflict. The process of arbitration is particularly applicable in schools: when mediation fails, the teacher or administrator often arbitrates the conflict (Johnson & Johnson, 2000; 1995). Learning how to arbitrate is, however, not a means of conflict resolution. In arbitration, the arbitrator decides who is right and who is wrong and what the solution should be. Arbitration is also not a constructive approach to conflict resolution because it is likely that at least one of the disputing parties does not agree with the solution and feels that s/he has lost as a result of the conflict.
Conflict Handling in Service industries: In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party (Payne and Frow, 2005). In dealing with conflict, people use different strategies to accomplish their goals. Sweeney and Morrison (2004) defined conflict handling as the capacity of every supplier's to minimize the negative results and potential conflicts. Conflict handling reflects the supplier's capacity to keep away from any potential conflict, solve that particular conflict before they make issues and the capacity to discuss the solutions openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans and Beltramini (2002), in a negotiation setting, helpful versus aggressive objective has been discovered to be connected to attractive problem solution. In short, good conflict resolution will result in a positive relationship quality. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure all the time, but it is so important that the particular banks put in a place of an effective conflict resolution or problem solving machinery.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but maybe minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them.

Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2007). Yavas et al., (2004) found a huge relationship between conflict handling and customer unwaveringness, by implication through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty.

Conflict handling is having significant impact on relationship marketing. How to handle the conflict is the most important. In such situation customer is expecting more from the service provider. Conflict handling is not always easy job but result of such conflict has great impact on relations of service provider and customer. This is the perfect time to judge trust and commitment theory. If conflict handled positively by service provider
then customer and service provider creates relations between them where customer feel his decision to choose this service provider is right. As part of studies researcher found this relationship is more about the attitude of service provider to solve problem. Attitude of service provider play vital role in whole procedure. Here, It can be said Problem solving attitude is better word rather than conflict handling in case of relationship Marketing.

### 2.2.5 Reliability

Reliability. Reliability is defined as “the ability to perform the promised service dependably and accurately” or “delivering on its promises” (Zeithaml et al., 2006, p. 117). This dimension is critical as all customers want to deal with firms that keep their promises and this is generally implicitly communicated to the firm’s customers. Measures the Bank’s ability to deliver the service you have been promised accurately and without error.

### 2.2.6 Switching barrier

Switching barriers have been defined as “any factor, which makes it more difficult or costly for a consumer to change provider” (Blut et al., 2007). Jackson (1985) posited that switching cost is the sum of economic, psychological and physical costs. Gremler and Brown (1996) defined switching cost as the time, money and effort invested by the customer which makes it difficult to switch. Porter (1998) defined switching cost as the cost a customer incurs in the process of changing service providers. As put by Hellier, Rickard, Carr, and Geursen (2003), switching cost refers to the customer's assessment of the personal loss or sacrifice in terms of time, effort and money associated with shifting to another service provider. Switching barriers can be defined in the terms of economic and psychological cost. Psychological cost is when the customers have developed, over a period of time, a personal relationship and trust with the service provider. Economical cost is when it is considered too expensive in terms of economic nature and/or time to switch service provider (Sharma and Patterson, 2000). In addition, Jones et al. (2000), state that in the context of consumer services, attractiveness of competing alternatives are also considered important switching barriers.
In Switching Barrier, switching cost is main barrier for the switch over which is a onetime cost that customers associate with the process of switching from one service provider to another that occurred when customers have to spend time, effort or money in order to change the service provider. Banking industry, nowadays grapple with this phenomenon: Switching Cost. The higher the Switching Cost it may completely discourage the customers from switching and retain them with their current service provider. Therefore the customers may not change the service provider even though the competitor offers new products and low prices. Satisfied customers, if lack the trust commitment and attachment with the suppliers products and services will always deflect once they find a competitor with better quality of products and services. This type of loyalty is sometimes called False Loyalty in whish unsatisfied customers remain loyal to their suppliers. The reason for this false loyalty is the factors due to which the customer feels hurdles and obstacles in his/her way, which stops him her from switching or choosing another supplier. These hurdles are called switching barriers (Srinivasan SS, 2007).

Klemperer (1987) suggested that switching cost can inspire brand loyalty among customers surrounded with a number of functionally identical brands. Fornell (1992) found switching cost to be an important factor among others that influence the relationship of customer satisfaction and customer loyalty. Hauser et al. (1994) analyzed the relationship between switching cost and satisfaction level i.e., an increase in switching cost leads to a decrease in satisfaction, thereby exercising a moderator impact on customer loyalty. Eber (1999); Jones et al. (2002); Bloemer et al. (1998); Burnham et al. (2003); Feick et al. (2001) posited that switching cost affects the customer's responses to price level which in turn, influences customer loyalty. Jones et al., (2000) argued that switching cost operates as an antecedent of loyalty in both business-to-business and business-to-consumer transactions.

Most of the people are considering switching cost and barriers equally, while switching cost is part of barriers only. For any customer cost is matter but not always important. At the time of choosing service provider it is important to check all the feasibility. But once it has been selected there are so many barriers anyone have to face, specially talking about banking sector, people are more concern about their safety rather than
cost consideration. While they feel to change the service provider sometimes it happens that they have lot many hurdles which make them more loyal to the brand. One side customer is thinking of the comfort with the bank and ease of transaction while on other side may not get same feel and ease with others create negative impact. Andreassen and Lindestad (1998) in their research found that customers may turn loyal if faced with high switching barriers or lack of real substitutes.

Here, switching Barriers are affecting most positively in the relationship Marketing. Sometimes it happens that people do not change their service provider because they do not want to be part of such hurdles. Risk is always high in such switching. So it’s better to call switching Hurdles than barriers because today’s generation is very fast to take some decision and keep on changing with always try to do something new. When switching cost is not so much high the hurdles to change will retain the customers or might stop them from switch over. Switching Hurdles create unlikeliness attitude towards it.

2.3 Brand loyalty

Brand Loyalty occurs when a customer chooses purchase a product over and over again manufactured by the same company rather than a substitute item delivered by a contender.

Creating and maintaining loyalty is a major objective for the companies that want to maintain their competitive position on the market. The importance of loyalty is very often underestimated by those managers that put to the fore the immediate profit in spite of building a long term relation with the customers. A well and good establish long-term relation with the customers can generate company profits and customer satisfaction.

What triggers loyalty? In this area there are controversies in the literature, which is clearly divided in terms of identifying the major forces that lead to loyalty. The researchers have identified numerous factors as antecedents of loyalty, factors that have proven to be, conceptually and practically relevant. Although many proposals have been given arguments to, we believe that a majority of them are contradictory.
Businesses do need to apply critical push to encourage brand loyalty. You need to persuade potential customers that your product has a huge point of interest over different other products to legitimize steady buys of your product. Businesses additionally will endeavor to influence brand devotion created for a product to other products offered by the company. The desire is to make brand loyalty for as many products as possible. When consumers become committed to brand and make repeat purchases over time. Brand loyalty is a consequence of consumers conduct and is influenced by their inclinations. Loyal customers will reliably buy items from their favored brands, paying little respect to convenience or cost. Companies will often use diverse marketing strategies to develop loyal customers, be it is through loyalty programs (i.e. rewards programs) or trials and incentives (ex. samples and free gifts).

INVESTOPEDIA EXPLAINS 'Brand Loyalty'

Companies that effectively develop loyal customers additionally create brand ambassadors – consumers that will advertise a certain brand and speak emphatically about it among their friends. This is free verbal showcasing for the organization and is frequently exceptionally successful.

Brand loyalty is a prerequisite for a firm's competitiveness and profitability (Aaker, 1995, 1997;)

The definition and dimensions of loyalty have been widely discussed in the academic literature. Oliver (1997) defines loyalty as a “deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999, p. 34).

Although in that respect is no general understanding on the definition of loyalty, many of the literatures focus on loyalty as an attitude and behavioral intentions (Ball et al., 2004). In summation, it can be important to define loyal customers in the proper setting, because loyal customers can increase the value of the job. Societies that are able to rely on a certain loyal customer base, can increase the company’s stability and competitiveness (Chirico and Presti, 2008). The monetary values linked with
maintaining loyal customers are also lower than the costs of drawing young generation customer

2.3.1. Why is Brand and customer loyalty?

The definition of brand and customer loyalty: The concept of loyalty emerged 1980s. It is quite a new concept, and therefore, there are many definitions within this field. Salberg (2004) describes some earlier definitions about customer loyalty. All of them are showed in the following table.

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumar et.al, 1992</td>
<td>Behavioural attraction to a brand</td>
</tr>
<tr>
<td>East et.al, 1995</td>
<td>Proportion of total spending, a consumer’s loyal</td>
</tr>
<tr>
<td>Mittal and Lassar, 1998</td>
<td>Continuing customers</td>
</tr>
<tr>
<td>Dick and Basu, 1994</td>
<td>Favourable correspondence between relative attitude and repeat patronage</td>
</tr>
<tr>
<td>Kendrick, 1998</td>
<td>Purchase frequency and amount spent per order or visit</td>
</tr>
</tbody>
</table>
Table 2.2: Definitions of Brand and customer loyalty (Salberg, 2004) Source Definition

According to Salberg’s (2004) suggestion, the similarity in the six definitions is purchasing. In these definitions it is argued that customer purchasing frequency is high and they always continually purchase products of companies. Some factors are mentioned in these six definitions, for example, continuing customers, repeating purchasing and purchasing frequency, all of these refer to the amount of purchasing. Besides these, there are differences in these definitions (Salberg, 2004).

In Dick and Basu’s (1994) opinion the factor of attitude is mentioned as a difference, but is not mentioned by others. And there are other ideas that continuing purchasing and purchasing frequency are different.

More specifically, Salberg (2004) suggests that for a brand or company, customers’ continuing purchasing and how often you continue purchase are different.

Furthermore, as shown in the table above, Kumar mentioned loyalty to a brand in 1992 and Mittal and Lassar suggest continuing customers are more important in 1998.

2.3.2 Conceptual Framework of Brand Loyalty

Brand loyalty is often based upon perception. A consumer will consistently buy the same product in light of the fact that they see it similar to the prevalent product among the decisions accessible. You ought to note that brand loyalty is generally identified with an item, not with a company. Brand loyalty is important for several reasons.
1. **Reduces the expense** of creation on the grounds that volume is higher.

2. Companies with brand-loyal **don't need to spend as much** money on advertising the product, which will allow the organization to either hold more income or to contribute assets somewhere else.

3. Companies may use **premium pricing** that will build overall revenues.

4. Finally, loyal customers have a **tendency to prescribe** that they like making it an advantage.

In regards to the coverage area of the current research, the large domain of loyalty has allowed us to highlight a number of opinions related to this subject without the current presentation becoming exhaustive. As it follows we intended to put into mark few element important in the definition of loyalty, to identify the measuring methods most often used in defining the loyalty concept and correlate loyalty with the brand concept. Last but not least, we intended to present a summary of various factors that can determine or influence loyalty and quantify them in a personal conceptual mode.

The significance of brand loyalty has been perceived in the promoting the marketing literature for no less than three decades (Howard and Sheth 1969, p.232). In this connection, Aaker (1991) has discussed the role of loyalty in the brand equity process and has specifically noted that brand loyalty leads to certain marketing points of interest such as lessened, marketing costs, more new customers, and greater trade leverage. In addition Dick and Basu (1994) recommend other loyalty-related marketing advantages, for example ideal informal and more prominent resistance among faithful consumer to focused systems. Yet despite the clear managerial relevance of brand loyalty, conceptual and empirical gaps remain. Specifically, with some exceptions (Oliver 1999; Zeithamly, Berry, and Parasuraman 1996), our conceptualizations of brand loyalty emphasize only the behavioral dimension of that concept, thereby neglecting its attitudinal components and its association with different variables at both the consumer and market levels. Brand loyalty is a consumer’s preference to buy a single brand name in a product class; it is a result of the perceived quality of the brand and not its price (Chaudhri, 2000, p.137). Brand loyalty may be indicated by brand attitudes and habit (Jacoby and Kyner, 1973), it is also conceptually distinct from either attitudes or habits. It is widely considered that loyalty is one of the ways with which the consumer express...
his/her satisfaction with the performance of the product or service received (Bloemer and Kasper, 1995; Ballester and Aleman, 2001).

Reichheld, Markey, and Hopton, (2000) said every firm desires to have its brands with high customer loyalty. Unfortunately, all brands cannot attract high loyalty. The advancement and maintenance of consumer brand loyalty is placed at the heart of companies’ marketing plans, particularly in the exceedingly aggressive markets with expanding unconventionality and diminishing product differentiation (Fournier and Yao, 1997, p.90).

It is important to note that some authors use the concepts customer retention and customer loyalty interchangeably; however, this can cause confusion among academics, students and role players in industry. Customer loyalty can be defined as a consumer’s sustained commitment to a firm as demonstrated by repeat purchases, an increased amount of money spent with the firm and positive word-of-mouth referrals (Customer loyalty: The new competitive advantage 2006:2). According to Jacoby and Kyner (1973), marketing literature defines customer loyalty in two ways. Firstly, customer loyalty is defined as an attitude, as in the case of Fournier’s (1994) definition. This definition of customer loyalty motivates that different feelings create a consumer’s overall attachment to a product and/or service or a specific firm. These feelings define the consumer’s purely cognitive degree of loyalty. Other authors in marketing literature define customer loyalty based on the behavior of consumers. According to the viewpoints of these authors (Zeithaml 1990), a consumer is loyal when displaying certain behaviors, for example, continuously purchasing products and services from the same firm or recommending the firm to others. Because of the involvement of the feelings and attitudes of consumers when considering their loyalty, customer loyalty is difficult to measure. However, Anderson and Sullivan (1993) showed that higher customer loyalty may lead to higher customer retention as it may minimize the likelihood that consumers will defect or switch to a competitor.

The construct of loyalty has been researched in a variety of contexts including brand loyalty (Copeland 1923; (Brown, 1952; Cunningham, 1956; Jacoby & Chestnut, 1978;
Kahn, Kalwani, & Morrison, 1986; Massy, Montgomery, & Morrison, 1970; Sheth, 1968), source loyalty (Wind, 1970), service loyalty (Butcher, Sparks, & O'Callaghan, 2001; Caruana, 2002; Gremler & Brown, 1996), store loyalty (Beatty, Mayer, Coleman, Reynolds, & Lee, 1996; Czepiel, 1990; Macintosh, Anglin, Szymanski, & Gentry, 1992; Reynolds & Arnold, 2000) and e-loyalty (Srinivasan et al., 2002). (Dick & Basu, 1994) proposed a comprehensive and often-cited conceptual model of customer loyalty. A dearth of other customer loyalty research ensued which builds on portions of this comprehensive model. Researchers have examined relationships between customer loyalty and customer satisfaction (Hallowell, 1996; Oliver, 1999), financial results (Fredericks, Hurd, & Salter, 2001), service quality (Kandampully, 1998), customer value (De Ruyter & Bloemer, 1999), Research in Business and Economics Journal Customer loyalty, commitment (Pritchard, Havitz, & Howard, 1999), the salesperson (Liu & Leach, 2001), trust (Singh & Sirdeshmukh, 2000), loyalty programs (Ruth N. Bolton, Kannan, & Bramlett, 2000); as well as across different industrial settings such as the automotive industry (Devaraj, Matta, & Conlon, 2001) and the telecommunications industry (Khatibi, Ismail, & Thyagarajan, 2002). After all of this attention, there still appears to be no consensus concerning the understanding of customer loyalty (Reinartz & Kumar, 2002). Several explanations of this perplexing (and perhaps exasperating) situation can be argued. First, there is an absence of a universally accepted definition of customer loyalty. This leads to poor operationalizations of the construct. An example of this situation (albeit a bit trivial--but important nonetheless) is transposing brand loyalty (and all of the other sources of loyalty listed in the preceding paragraph) into “loyalty to the brand.” Transposing “customer loyalty” in a similar fashion translates to “loyalty to the customer.” Customer loyalty is the inverse of this transposition. Second, researchers have used various sources of loyalty interchangeably and capriciously. For instance, a recent Journal of Advertising Research article was titled, “Customer/Brand Loyalty in an Interactive Marketplace” (Schultz & Bailey, 2000). Does this mean the authors are implying the two sources of loyalty are the same or interchangeable? Certainly, they are not. Third, behavioral measures of loyalty have reigned for years and continue to play an important role in operationalizing both loyalty as well as customer loyalty (Jacoby & Chestnut, 1978; McMullan & Gilmore, 2003). Although this topic is not fully considered in this proposal, a vast majority of the behavioral-based measures of customer loyalty rely upon repurchase behavior as their foundation. It is asserted that repurchase behavior
measures repurchase behavior—only. In order to properly define customer loyalty conceptually, some level of abstraction is necessary. Conceptual definitions form the foundation of formal theory (Jacoby & Chestnut, 1978). Without a conceptual definition, customer loyalty can, at most, only be predicted. Researchers would have no hope of ever understanding how to improve, modify or diagnose customer loyalty. Finally, valid and reliable scales that measure customer loyalty are only now being proposed and are quite inadequate (McMullan & Gilmore, 2003). Customer loyalty is defined as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver 1999). This definition captures not only the spirit of global customer loyalty but also emphasizes the attitudinal (“…deeply held commitment…”) as well as the behavioral (“…causing repetitive same-brand or same brand-set purchasing…”) components of customer loyalty. The attitudinal component of customer loyalty is further developed by partitioning it into cognitive and affective dimensions. It is expected that cognitive and affective loyalties to have independent influences on customer loyalty. For instance, sports fans might be very affectively loyal to their local team (affectively-driven loyalty), in light of not being very cognitively loyal (high ticket prices, uncomfortable seats, in climate weather). The partitioning of loyalty proposed is borrowed from commitment literature. Commitment is closely related to loyalty but differs in its level of reciprocity (Pritchard et al., 1999). Commitment is usually applied to buyer-seller relationships found in industrial supply chains or marketing channels. Both sides of the dyad usually make relationship specific investments. This is not usually the case in most marketing relationships. Recent findings indicate that commitment operates along two, independent paths—calculative (cognitive) and emotional (affective) (Berghall, 2003). Calculative commitment is based on transactional, conscious evaluation. In contrast, emotional commitment is subconscious and based on feeling-like impressions. It is Research in Business and Economics Journal Customer loyalty, posited that customer loyalty can be bifurcated in this same manner. Different loyalty strategies will apply when attempting to enhance loyalty in an individual customer, depending upon which pathway was during loyalty formation. A recent thread of customer loyalty research has also intimated at this partitioning. Oliver (1997; 1999) began work in this area proposing that loyalty progresses through four phases: cognitive, affective, conative and action loyalty. At
each stage of loyalty, the customer’s demand for a product or service becomes more zealous. Although this research differs from Oliver’s discrete, compartmentalizing of the “phases” of customer loyalty, his work is important in that it recognizes that customer loyalty is not monolithic. Researchers have begun to test Oliver’s framework empirically. The framework has been tested empirically in an international setting (Fraering, 2002) and also a retail setting (Sivadas & Baker-Prewitt, 2000). The specific constructs of interest in the present study are affective and cognitive loyalty. Affective loyalty has been studied in relation to website loyalty (Supphellen & Nysveen, 2001) and loyalty to service providers (Ganesh, Arnold, & Reynolds, 2000). In organizational literature, affective organizational commitment has been found to significantly impact employee retention (Eby, Freeman, Rush, & Lance, 1999). Moreover, authors have called for an increased focus on affect-based attitudes in customer retention models (Desai & Mahajan, 1998). Cognitive loyalty has also been examined, although on a more limited basis. Cognitive loyalty has been studied in the banking industry (Peterson & Nysveen, 2001). Support has also been found for the multi-dimension nature of the loyalty construct including cognitive loyalty (in addition to behavioral and attitudinal) (Gremler & Brown, 1996).

The committed consumers purchase the brand repeatedly. The preference of a person is affected by the behavior of consumer that resulted in brand loyalty. There is a consistency in buying a product from the preferred brand class at any price. Different marketing steps are taken by the companies to make the customers loyal. They used different programmers to attract the customers. In return they get the customers loyal to them and talked about the brand among friends positively. This positive word of mouth is very effective for the company that helps them in gaining the great market share.

Brands are the asset of organizations. They interlink consumer and the company that build customers trust and loyalty to the brand. So that this loyalty brings greater market share when the product is purchase by the customers loyal to the brand (Assael 1998). Brands are considered as the more important assets of the company that make customers loyal and have value for the end consumer. Thus the brand helps customers in purchase
decision making. Furthermore brand creates a relationship with the customers either the relation is positive by continuing the brand or negative by moving to the other brand.

For example, for a grocery shop, customer may be loyal to either the shop or a certain brand in the store. Therefore, it is reasonable that customers can be loyal to brand as well as products (Zhou, 2005). Besides Salberg’s idea, in Torres-Moraga study, brand loyalty and product loyalty are researched more deeply. They argue that product and brand are two stages in the development to satisfy customers’ needs and preferences, and satisfaction and loyalty are two stages in the customers’ response, according to the study, in the process of gaining customer satisfaction and generating customer loyalty, brand and product should be separately researched. It has more influence on innovative products, such as automobiles and electronic equipment, than traditional products such as fresh food and drinks. The advantages of doing this include market pioneering, first mover advantages, low-cost proactive innovation, and industry redefinition. On the other hand, the disadvantages of ignoring the product as an initial stage include loss of market opportunities or market leadership, high-cost innovation and brand development. (Torres-Moraga, 2008) Besides the definitions mentioned above, there are also some other articles and books discuss about what is customer loyalty. In Ball’s book (2004), two factors are found: active loyalty and passive loyalty. Active loyalty refers to word-of-mouth and intention to use and passive loyalty means not switching even under less positive conditions (Ball, 2004). Furthermore, Oliver (2004) found four stages of loyalty, which are cognitive, affective, conative, and action loyalty. Besides these definitions, there are many other studies of customer loyalty. Customer loyalty is defined by Sheth and Parvatiyar (2000) as a “deeply held commitment to buy or patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior” (Yim et al., 2008). Loyalty may mean quite a passive improvement of situation. One hopes that bad things will change for the better in the future. A loyal customer has tolerance to approve for a while also inconvenient situation, for example bad price-quality relations. Patterson (2004) thinks that loyalty is the function of satisfaction, switching barriers and voice. Loyal customers may not be always satisfied, but satisfied customers are apt to be loyal (Zins, 2001). Frempong (2002) describes loyalty as a process. At the end of the process, satisfaction has effects to perceived quality, which could cause
loyalty and intention to certain behavior. The following table, shows the differences between transaction marketing and relationship marketing (Gronoos, 2000)

Two dimensions – Behaviour/Attitude loyalty

Loyalty is commonly perceived as having two dimensions - behavioural and attitudinal (Lam and Burton, 2006; East et al., 2000; Dick and Basu, 1994). The degree of loyalty is often measured by behaviours such as frequency of purchase or word-of-mouth (Lam and Burton, 2006; Dekimpe, et al., 1997). The attitudinal approach views a loyal customer as someone attached to a brand and who will, when positively reinforced, buy that brand more often (Lam and Burton, 2006). Attitudinal loyalty is the feeling of attachment, psychological bonding, linkage to one provider and consistent regard of that provider as the preferred choice. It is assumed that customers who are behaviorally loyal to a firm display more favourable attitudes towards it, in comparison to its competitors. However, in some cases, behavioural loyalty does not necessarily reflect attitudinal loyalty, since there might be other factors (for example, availability) that prevent customers from defecting to a brand or company (Aldlaigan and Buttle, 2005; Liljander and Roos, 2002; Reinartz and Kumar, 2002). In addition to behavioural loyalty, Liang, Wang and Farquhar (2009) argued that a customer’s behavioural loyalty in financial services positively and significantly affects the firm’s financial performance. Attitudinal loyalty measurements are based on the definition of the level of psychological attachment to a service provider. Five items, adapted from Zeithaml, et al. (20046), Beatty, et al. (2003), Parasuraman, et al. (2000, 1994), Sirdeshmukh, et al. (2002) and Liang, Wang and Farquhar (2009), have been selected: declaring loyalty to the provider, willingness to recommend, positive word-of-mouth, encouraging others to use a service and regarding the provider as a first choice.

2.4 Loyalty Ladder: Turning to the concept of the loyalty ladder (Christopher et al., 1991; Payne et al., 1995; McDonald and Christopher, 2003). Lacey and Morgan (2009) noted that relationship building is, by definition, a long-term process. Consequently, marketers must extend the long-established concept of a “ladder of loyalty” by adding
a few rungs to create a “relationship ladder”. The relationship ladder includes distinct stages in the development of a long-term customer relationship, as described in figure.

**Figure: 2.1 the loyalty ladder** Adapted from Payne et al. (1995), McDonald and Christopher (2003) and Lacey and Morgan (2009)

This figure implies that the marketer should develop those “suspects” and “prospects” at the lowest rungs of the ladder into “customers”. In relationship marketing terms, a customer is someone who has done business with the company only once or occasionally. When customers start to acknowledge a product’s benefits and do business on a repetitive basis, they become “clients”. At this stage, relationship marketing is crucial in transforming clients into “supporters” (McDonald and Christopher, 2003). At the “supporter” stage, a special relationship between the firm and the person becomes apparent. Supporters enjoy being associated with the company and they may even be persuaded to become “advocates”. At the “advocate” stage, positive word-of-mouth about the organization will occur. Lacey and Morgan 2009 added that, advocacy customers exhibit not only repeat business, positive word-of-mouth and referrals but, also, a comprehensive willingness to help the business grow. Finally, at the top level,
the customer becomes a “partner” and will find ways in which both parties can gain mutual benefit from the relationship. This model demonstrates that Relationship Marketing is based upon finding the appropriate means to move target customers up the extended loyalty ladder and to keep them there.

What is the benefit of loyalty?

From traditional perspective market share is the most important determinant of companies’ profit. Many companies have been involved in mergers and takeovers so that they can obtain economies of scale. In this way, they can reduce cost and increase profit (Hill & Alexander, 2000). However, there are also some companies to be exceptions. According to Hill and Alexander (2000), some companies who do not have the largest market share are more profitable than those with a bigger share. The reason of this is that they found customer loyalty is more profitable than market share. As mentioned above, satisfaction and loyalty are two stages in the customer’s response to the company offerings (Torres-Moraga, 2009). Furthermore, satisfaction is found to be a necessary antecedent of customer loyalty (Zeithaml, 2002). First, customer satisfaction makes customer have a higher likelihood of repeating purchase; second, recommend others to try the source of satisfaction; third, become less receptive to the competitors’ offerings (Torres-Moraga, 2008). There is a lot of literature that states that satisfaction and loyalty are strongly related and this relationship between satisfaction and loyalty can be interchangeable. On the other hand, others claim it to be unidirectional (Torres-Moraga, 2008).

☐ Costs of advertising to attract new customers;

☐ Costs of personal selling effort to new prospects;

☐ Costs of setting up new accounts for new customers;

☐ Costs of explaining business procedures to new clients;

☐ Costs of inefficient behavior during the customers’ learning process.
Moreover, in Nykamp’s (2001) book, he mentions that customers’ loyalty strategy has other advantages. The first is that companies will have customers on their side. The second is that successfully managing customers different is the key to success in modern business. Besides that, in Duffy’s (2003), he also mentions that a customer loyalty strategy can save money for companies. Furthermore, there are five more benefits of customer loyalty strategy to be mentioned in his article (Duffy, 2003).

- The first is “referrals”. It means that customers who become familiar with your brand will not hesitate to recommend the brand to friends and neighbors.

- The second is “complain rather than defect”. It means that loyal customer will view the brand as theirs. When there are problems, thus they will contact with the company to make sure problems will be solved, but not defect.

- The third is “Channel migration”. It means loyal customers are more willing to purchase a brand through multiple channels, for example, the internet. Doing this can increase their total consumption and reduce your cost of doing business with them.

- The fourth is “Unaided awareness”. It means that loyal customers are much more likely to have your brand top of mind. It also helps with “referrals” and it helps bring other customers to your brand.

- The fifth is “greater awareness of brand assets”. It means that loyal customers tend to be more aware of some of the auxiliary benefits a brand offers. Greater awareness of customer has impact on retaining customer loyalty. These customers tended to stay with the brand longer because they felt they received better value. For instance, a retailer found that loyal customers were more familiar with their free delivery service. This familiarity led to greater sales as a result of taking advantage of the free delivery.