## Chapter Four - Variables Influencing the Relationship Marketing Strategy of Selected Banking Organisations – A Discussion

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4.1 INTRODUCTION

Independent variables in perspective

The Indian banking industry as revealed in the erstwhile chapter has grown from few institutions involved in accepting deposits and financing to a class of people into a complex and competitive multi-player market where in addition to aforementioned activities, others like setting up of merchant banking divisions, floating up of mutual funds, taking up retail banking as an attractive market segment with opportunities for growth and for profit, offering the customers to enjoy the benefit of insurance (known as Bankassurance), providing the opportunity to take the advantage of alternative banking channel through Automated Teller Machines (ATMs), credit card facilities, transfer of funds, holding of dematerialised accounts, phone banking, facilities like utility bill payment and other regular periodical payments, investment and financial services, etc. are also prevalent for masses.

The aforesaid growth has also resulted in a quiet but significant shift in the marketing orientation of the banks—from transaction based to relationship based. The paradigm shift as it is being referred to, is the newest revolution in the marketing concept.

Transaction marketing as already delineated began its journey in the industrial era when the manufacturers created value, middlemen shared the risk of ownership and provided time and place utility by distributing value, and the customers were the end users and ultimate beneficiaries of the process of value distribution. In the age of Relationship Marketing the roles of producer and consumers are getting blurred and the need of middlemen is fading away. The consumers today partner the producers as co-designer, co-supplier, co-producer and co-marketer of goods and services and are thus more of a value creator apart from being an end user. And over the last three decades, the above-mentioned changes in the roles of producers and consumers has resulted in a quiet but significant shift in the basic axioms of marketing, from competition and conflict to cooperation, from choice independence to mutual independence. Today marketing is believed to be a set of activities undertaken to interact with and support clients with a long term perspective. The aim is to satisfy the customers, resulting in benefits including customer loyalty, which accrue to the firm over a period of time. The traditional belief system of marketing is thus getting overhauled.

The concept that competition can give rise to higher value offerings was challenged by marketing experts (Morgan and Hunt, 1994), who proposed that mutual cooperation is a superior way of value creation. Further Social psychologists have suggested that mutual cooperation is inherently more productive than competition (Kohn, 1986). While the axiom of independence of
choice among the marketing partners was long considered as an efficient tool to create and distribute marketing value, as the associates were free to choose their transactional partners on the basis of preserving their own self-interest at each decision point, the economists (Williamson, 1975) challenged this view by advocating that each transaction involving search, negotiation and settlement cost add to the expenditure and thus lead to inefficiencies as against efficiencies. Relationship marketers are of the opinion that interdependencies reduce transaction cost and generate quality goods and services (Heide and John 1992).

To understand Relationship Marketing further especially in the banking branches of Kolkata Metropolitan area the researcher has tried to delve deeper into the subject through a thorough literature review and explore the relationship drivers affecting Relationship Marketing Strategy.

Dwyer et al, 1987; Morgan and Hunt, 1994; Sheth and Parvatiyar, 1995; Sirdeshmukh et al, 2002 concluded that loyalty is a key construct in relationships. Further Sirohi et al 1998, Zeithamal et al, 1996, indicated that a diverse set of behaviours like allocating a higher share of wallet to the store, engaging in positive word-of-mouth, and repeat purchasing are signals that indicate consumer loyalty. The antecedents of loyalty like image (Anderson and Weitz, 1989, De Wulf et al, 2001), trust (Ganesan, 1994) and satisfaction (Oliver, 1997) have received attention of the researchers. Evidence from both theoretical and empirical studies carried out by Bloemar and de Ruyter, 1998, Mazursky and Jacoby, 1986, Osman, 1993, Lessig, 1973, indicate that store image is positively related to loyalty. Trust’s role as loyalty antecedent is supported by several studies carried out by Garbarino and Jhonson, 1999, Singh and Sirdeshmukh, 2000, Sirdeshmukh et al, 2002. The fact that higher satisfaction relates to higher loyalty was established by Ball et al, 2004, Bloemar and de Ruyter, 1998, Bolton, 1998, Garbarino and Johnson, 1999.

Morgan and Hunt, 1994 recommended that for a successful relationship, communication is a prominent dimension. Anderson and Narus, 1990 had argued in favour of the same. Communication can help partners resolve disagreements among themselves. It is important in not only building the personnel’s understanding of the firm’s objectives but also help in creating insights about his/her tasks and responsibilities to attain those objectives.

Firm performance as a relationship driver has been examined by many researchers. Sheth and Parvatiyar, 1995, stated that Relationship Marketing would lead to a greater marketing productivity by making firm performance more effective and efficient. Reinartz and Kumar, 2000, Sharp and Sharp, 1997, Sharma et al, 1999, articulated that the firm becomes more
knowledgeable about its clients’ needs and thus are at an advantageous position to provide a better service at a cheaper cost.

Turner, 1970, wrote that bonds are the psychological, emotional, economic or physical attachments in a relationship that are fostered by association and interaction, and that serve to bind parties together under a relational exchange, thus affecting relationships. The dimension of bonding was recognized by Shani and Chalasani, 1992, when they found out that bond can be developed between the consumer, supplier and the product through the application of Relationship Marketing strategies. Callaghan et al., 1995, defined bonding as the dimension of business relationship that result the two parties (buyer and seller) acting in a unified manner towards a desired goal. McCall, 1970, Cross and Smith, 1996, described it as a process through which the provider and buyer develop and sustain a mutually rewarding relationship.

Bloemer et al. (1999) in a study tried to find out how loyalty in a retail bank is determined by image, perceived service quality and satisfaction. The study was conducted in Netherland in 1996 among 2,500 bank customers and it was concluded that the three aforementioned constructs influenced customer loyalty. The study also found that factors like society-driven, empathy and customer contents have an indirect effect on loyalty via satisfaction and quality. It was established that customer contacts have a direct impact on empathy.

Doney and Cannon (1997), Sirdeshmukh, Singh and Sabal (2002) have stated that trust alone is the critical relational construct. Whereas Anderson and Weitz (1992), Gruen, Summers and Acito (2000), Jap and Ganeson (2000) have observed that commitment alone is the critical relational construct.

Kardaras & Karakostas, 1999 explored the idea that customer satisfaction is one of the principal concerns for the business. Geyskens, Steenkamp and Kumar, 1999, concluded that Relationship Satisfaction is the customer’s positive feeling that comes from his/her evaluation of the buyer-seller relationship. Roberts, Varki, and Brodie, 2003 opined that customer’s satisfaction with the relationship is the mainstay of the customer-company relationship. It is therefore beneficial for both the customer and the firm to take advantage of the satisfactory relationship exchanges which ultimately improves relationship performances. Moreover Hirchman, 1970, Fornell, 1992, Anderson, 1994, Ndubisi, 2003, has empirically documented that satisfaction with the delivered products and services affects the buyers’ decisions to continue a relationship. Lee & Lin, 2005, said satisfied customer is more likely to be loyal to a firm, and it is the fulfillment of both the company and the customers’ desires which leads to satisfaction, which was also the opinion of Anderson & Narus, 1990. According to Palmatier et al., 2006,
Relationship Satisfaction entirely belongs to the customer’s satisfaction with the relationship and this is not the same as the customer’s satisfaction with in general exchanges.

Nunes and Kambli, 2001 suggested that personalization, which is a procedure of collecting customers’ information and helping the firm to create products and services according to their desires and needs, is critical in developing relationship. It is vital for companies to maintain long term relation with their customers as it is a major tool in the hands of the former to provide satisfaction, a key to customer retention.

Ndubisi, 2006, examined the role of gender in the association of relationship marketing underpinnings (namely trust, commitment, communication and conflict handling) with customer loyalty. It was found that women are more loyal than men, and older people more so than younger people. It was found out that customers with high income receive more attention from banks in Malaysia. The reason being their higher net worth and the large volume of business they generate for the banks.

Ndubisi, 2007, empirically investigated evidence from Malaysian banking industry to find out the impact of Relationship Marketing Strategy on customer loyalty. A systematic quasi-random sampling was used to collect data. Multiple regression analysis was employed to assess the data collected from 220 bank customers and the impact of four key constructs of relationship marketing (trust, commitment, communication and conflict handling) on customer loyalty was studied. The study confirmed that measurement of the “underpinnings” of relationship marketing can predict customer loyalty, at least in Malaysian banking sector.

Yieh, Chiao & Chiu, 2007, in a study used perceived price fairness, perceived product quality and employee-customer interaction as the three most important antecedents to customer satisfaction. The empirical evidence collected from 495 car owners patronizing five automobile service and repair centres, operated by Taiwan’s three major car companies (Nissan, Toyota, and Mitsubishi) were analysed. It revealed that perceived price fairness, perceived product quality, customer satisfaction and trust all play important role in forming customer loyalty.

Prasad & Aryasri, 2008, conducted a study in the context of food retailing. They investigated the influence of relationship marketing variables viz. trust, commitment, communication and conflict handling, attitudinal outcomes like relationship quality and behavioural outcomes like customer loyalty. The study also examined the impact of relationship quality on customer loyalty. The primary data were collected from 300 food retail customers and various statistical tools like mean, standard deviation, correlations and regressions were employed to examine the impact of each attribute on relationship quality and loyalty. The study
revealed that the modern retail outlets are likely to foster quality relationships and retail customer loyalty by focusing on trust, commitment, communication and empathy. It was also observed that commitment and trust drive relationship quality and customer loyalty more than any other variable.

Based on the literature, some of the variables influencing Relationship Marketing with their supporting studies are presented in the table below:

Dimensions of RM identified in the marketing literature

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<th>DIMENSIONS</th>
<th>DEFINITION</th>
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<tr>
<td>Attractiveness of alternatives</td>
<td>The client’s estimate of the likely satisfaction available in an alternative relationship</td>
<td>Sharma &amp; Patterson (2000)</td>
</tr>
<tr>
<td>Power</td>
<td>The ability of one individual or group to control or influence the behavior of another</td>
<td>Hunt &amp; Nevin (1974) Ashnai et al (2009)</td>
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<tr>
<td>Bonding</td>
<td>The (psychological) process through which the buyer and the provider build a relationship to the benefit of both parties</td>
<td>Gounaris (2005)</td>
</tr>
<tr>
<td>Commitment</td>
<td>The desire for continuity manifested by the willingness to invest resources into a relationship</td>
<td>Gounaris (2005)</td>
</tr>
<tr>
<td>Conflict</td>
<td>The overall level of disagreement in the working partnership</td>
<td>Anderson &amp; Narus (1990)</td>
</tr>
<tr>
<td>Cooperation</td>
<td>Similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes with expected reciprocation over time</td>
<td>Anderson &amp; Narus (1990) Lages et al. (2008)</td>
</tr>
<tr>
<td>Coordination</td>
<td>The extent to which different parties in a relationship work well together to accomplish a collective set of tasks</td>
<td>Mohr et al (1996) Payan (2007)</td>
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<tr>
<td>Customisation</td>
<td>The extent to which a seller uses knowledge about a buyer to tailor his offerings to the buyer</td>
<td>De Wulf &amp; Odekerken-Schroder (2000) Danaher et al (2008)</td>
</tr>
<tr>
<td>Dependence</td>
<td>The extent to which there is no equivalent of better alternatives available in the market</td>
<td>Gao et al (2005)</td>
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In this study we hypothesize Relationship Marketing orientation to be a multidimensional constructs as consisting of four behavioural components viz. Trust, Commitment, Reciprocity and Empathy. The premises on which the variables were chosen are:

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<th>DIMENSIONS</th>
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<tr>
<td>Empathy</td>
<td>Seeking to understand the desires and goals of somebody else</td>
<td>Sin et al (2005)</td>
</tr>
<tr>
<td>Goal compatibility/Goal congruence</td>
<td>The degree to which partners share goals that could only be accomplished through joint action and the maintenance of the relationship</td>
<td>Wilson (1995) Coote et al (2004)</td>
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<tr>
<td>Reciprocity</td>
<td>The component of a business relationship that causes either party to provide favours or make allowances for the other in return for similar favours or allowances at a later stage</td>
<td>Sin et al (2005)</td>
</tr>
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<td>Relationship benefits</td>
<td>Partners that deliver superior benefits will be highly valued and firms will commit themselves to establishing, developing and maintaining relationships with such partners</td>
<td>Morgan &amp; Hunt (1994) Sweeney &amp; Webb (2007)</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>An overall evaluation based on the total purchase and consumption experience with a good or service over time</td>
<td>Garbarino &amp; Johnson (1999) Barry et al (2008)</td>
</tr>
<tr>
<td>Service quality</td>
<td>A comparison between customer expectations and performance</td>
<td>De Ruyter &amp; Wetzel (1999)</td>
</tr>
<tr>
<td>Shared values</td>
<td>The extent to which partners have beliefs in common about what behaviours, goals and policies are important, unimportant, appropriate or in appropriate, and right or wrong</td>
<td>Morgan &amp; Hunt (1994) Vatanasombut et al (2008)</td>
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<tr>
<td>Switching costs</td>
<td>The one-time costs that customers associate with the process of switching from one provider to another</td>
<td>Burnham et al (2003) Barry et al (2008)</td>
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<tr>
<td>Trust</td>
<td>A willingness to rely on an exchange partner in whom one has confidence</td>
<td>Moorman et al (1993) Orth &amp; Green (2009)</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>The unanticipated changes in the circumstances surrounding an exchange</td>
<td>Noordewier et al (1990)</td>
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(i) The variables find a mention in the promotional efforts by the banks as referred to in Chapter 1.

(ii) The mid level bank officials, whom the researcher interviewed and who act as a link between the rank & file supplying ground level information to the policy makers, stressed on the aforementioned traits.

(iii) The customers spoken to by the researcher also corroborated the fact that they give importance to the variables chosen by the researcher.

4.2 VARIABLES INFLUENCING RELATIONSHIP MARKETING STRATEGY

A discussion on each of the variables is given below:

4.2.1 Trust

Trust was defined in an article titled “Relationship between providers and users of market research: the dynamics of trust within and between organizations” published in ‘The Journal of Marketing Research’ by Christine Moorman et al (1992) as “the willingness to rely on an exchange partner in whom one has confidence”.

A bank being a service organization has to realize not only in the importance of the integrity of the promise but also in the delivery of the same. The dimension of trust and reliability/credibility of the promise the bank offers are synonymous. Rob Morgan and Shelby Hunt (1994) in an article titled “The commitment trust theory of relationship marketing” published in ‘The Journal of Marketing’ explained the importance of maintenance of consumer trust in the retail banking industry as it can impact on the likelihood of retaining existing customers and attaining new ones. They believe that the formation of trust in the relationship implies a level of confidence in the integrity of the opposite sides’ promise for each party.


Word-of-mouth marketing is another area where trust plays an important factor not only for satisfying and retaining customers but also in attracting new customers. According to T O Jones & W E Sasser (1995), word-of-mouth marketing plays a major role in acquiring new customers. It is a common practice among customers to seek personal recommendations while
choosing service providers, than on information provided by the firms as high level of risk is involved. And in many cases recommendations/reference of an acquaintance significantly reduce a person’s perceived risk in selecting an unfamiliar service organization (Bowen & Shoemaker, 1998). A customer, when recommending a service provider to a third party, undertakes a certain level of risk on his or her credibility toward the third party that is likely to erode if the service provider fails to back up the recommendation (Foster & Cadogan, 2000). Therefore, customer perception of the firm’s trustworthiness, which usually reduces the perceived risk of recommendation, will increase the likelihood of customers suggesting the firm to others (Foster & Cadogan, 2000).

In 1996, Leonard Berry in ‘The Journal of the academy of marketing science’ wrote that 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.

According to Bowen & Shoemaker (1998), the importance of this reliability dimension of trust is that it cannot be easily duplicated by competitors, thus can provide the firm with a powerful competitive advantage.

An empirical study by Pressey & Mathew (2000) 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.

Bhatty et al., (2001) suggests that in order to build a trusting customer relationship, a service provider must demonstrate both its ability and willingness to deliver on what customers construe as has been promised, whether explicitly or implicitly. They also said that it is important that the firm can understand and manage the types of expectations that have been created in its customers. Further it was said that the firm needs to consistently meet or exceed its customers’ expectations with regard to its performance, at the same time promoting relationship-building behaviour in order to win customer trust, which is also the basis of true loyalty.

Hence trust is the extent of faith/belief the exchange partners are ready to impose on each other in the context of fulfilling the promises exchanged between them. It is a measure of the amount of confidence the parties to an agreement, be it written or otherwise, has on each other. In the present research it is believed that the trust of the bank customer can be won over by showing concern for the security of their transaction, making reliable promise and keeping them, providing consistent service to the customers, showing respect to the customers, fulfilling obligations and winning the confidence of the customers.
4.2.2 Commitment

Commitment is an important determinant of the strength of a marketing relationship. Wilson (1995) identified commitment as the most common dependent variable used in buyer-seller relationship studies. Commitment plays a central role in the relationship marketing paradigm (Morgan & Hunt, 1994) and has been identified as an important dimension of customer-seller relationship quality (Wong & Sohal, 2002).

In marketing literature Moorman et al. (1992) have defined commitment as “an enduring desire to maintain a valued relationship”. Thus commitment is enduring and implies a positive evaluation of a long-term relationship (Bowen & Shoemaker, 1998, Moorman et al, 1992, Morgan & Hunt, 1994). Consequently, Commitment is often seen as a key to long-term customer retention (Amine, 1998). This further implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995, Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

Bendapudi and Berry (1997) argued 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 of different natures and relationship outcomes. Storbacka et al., (1994) suggest that commitment refers to adaptation 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 (Bowen & Shoemaker, 1998, Morgan & Hunt, 1994). 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 (Baldinger & Rubinson, 1996, Park & Kim, 2003).

Thus by developing a high level of commitment among its customers, a firm can make their purchase patterns more predictable and improve customer retention (Amine 1998). Bowen & Shoemaker (1998) found commitment to positively influence the incremental volume of business a loyal customer is likely to bring to a service provider. Amine (1998) 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 behavior may be achieved through satisfaction, it is commitment that leads to what is known as “partnership” behaviours (Curasi & Kennedy, 2002; Heskett, 2002). It was proposed by White & Schneider (2000) that commitment influences numerous consumer behaviours such as considering alternative firms before making purchase (environmental scanning), purchasing exclusively from a firm (relationship enhancement), and providing word-of-mouth recommendations (advocacy).

Amine (1998) and Pritchard et al, (1999) postulate that commitment manifest itself through a resistance to change. Therefore loyal customers who are committed to a firm become reluctant to consider other available alternatives. This is consistent with one of the findings in Bhatt et al (2001) which indicate that 43% of loyal customers would not buy from their retailers’ competitors.

Park & Kim (2003) further argued that customer satisfaction with service quality, which is part of overall satisfaction, and customer perception of relational benefits, which are the benefits received from long-term relationships over and above core service performance, are key to customer commitment to the retail banking. Amine (1998) expressed the view that consistent purchasing behavior is dependent primarily on consumer perceptions of the benefits that result from remaining in a relationship with a firm.

The review proves that the favourable actions of the committed customers bring more revenue/benefits than the customers who are not committed. The reason being that the committed customers perceive more value in the relationship with the firms they patronize and are more than willing to act in favour of these firms in return for the benefits received. As such, commitment is often seen as the driving force behind many forms of customer behaviours.

In summary, commitment can be considered as a function of customers’ personal attachment to a retailer, as well as their perception of the company in relation to its competitors, and their orientation towards a long-term relationship with the retailer.

The present research believes that the customers’ commitment can be improved by making adjustments in the services of the bank to suit their needs, by offering them personalized services, and being flexible to requirements of the customers.

4.2.3 Empathy

Empathy is the ability to see a situation from another person’s perspective (Wang, 2007) or it is the ‘capacity to share and understand another’s ‘state of mind’ or emotion. It is defined as seeking to understand somebody else’s desires and goals. It involves the ability of individual
parties to view the situation from the other party’s perspective in a truly cognitive sense (Chattananon & Trimetsoontorn, 2009). Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard bargain with customers (Murphy et al., 2007). In the networking literature, empathy has been considered as an independent variable in explaining franchisor–franchisee working relationships (Sin et al, 2002). It is often characterized as the ability to ‘put oneself into another shoes’, or in some way experience the outlook or emotions of another being within oneself. As mentioned by Parasuraman et al (1985,1988) empathy is one of the important elements to measure the service quality in service industries. Thus it is so important to each bank manager to recruit staff with social skills that will assist the development of long standing relationship with the customers.

Empathy not only increases the level of quality of the relationship between customers and the organization, but also empowers the relationship to deliver superior value, which results in customer’s repeat purchase, customer retention, and sustained loyalty.

As per the present study empathy towards the customers can be expressed by giving them individual attention, offering them convenient working hours, and providing attention to the needs and interests of the customers.

4.2.4 Reciprocity

Lebra, 1976, expressed that reciprocity covers notions of bilateral contingency, interdependence for mutual benefit, and quality of exchanged values in terms of aspects of social action between two individuals.

Reciprocity is the dimension of a business relationship that causes either party to provide favours or make allowances for the other in return for similar favours or allowances to be received at a later date (Callaghan et al, 1995) which was also of the view of Chattananon & Trimetsoontorn, 2009.

It covers the bilateral contingency, interdependence for mutual benefit and equality of exchanged values aspects of social action between two individuals (Lebra, 1976) and can be regarded as ‘social dualism’ and ‘mutual legal obligations of repaying’ (Malinowski, 1959). Houston et al. (1992), reinforced by Ellis et al. (1993) and acknowledged by Smith and Jhonson (1993) has indicated links of reciprocity and empathy to relationship marketing and exchange. Reciprocity and bonding are linked in that a reciprocal arrangement is indicative of cooperation.

The rule of reciprocity focuses on a recipient’s behavior by the social norm expressed as “if you have received a drop of beneficence from other people, you should return to them a fountain of beneficence” (Wang, 2007).
The links of reciprocity to relationship marketing have been considered as a basis for the interface between exchange transactions and marketing activities. In fact, relationship marketing is characterized by “…..interactions, reciprocities, and long-term commitments” (Sin et al, 2002).

Reciprocity is promoted by the banks in the present study by taking timely action, communicating with customers properly and also by giving personal attention by the bank managers.

4.3 SUMMARY

The chapter has successfully put the independent variables in perspective by a thorough literature review. The characteristics of the independent variables, viz. Trust, Commitment, Reciprocity and Empathy which have direct influence on Relationship Marketing Strategy have been depicted briefly.
4.4 BIBLIOGRAPHY:


