## CHAPTER ONE-INTRODUCTION

<table>
<thead>
<tr>
<th>Section No</th>
<th>CONTENTS</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>INTRODUCTION</td>
<td>1 – 4</td>
</tr>
<tr>
<td>1.2</td>
<td>THEORITICAL FRAMEWORK</td>
<td>4 – 6</td>
</tr>
<tr>
<td>1.2.1</td>
<td>RELATIONSHIP MARKETING STRATEGY-A DISCUSSION</td>
<td>4 – 5</td>
</tr>
<tr>
<td>1.2.2</td>
<td>RELATIONSHIP MARKETING STRATEGY IN BANKING SECTOR-A DISCUSSION</td>
<td>5 – 6</td>
</tr>
<tr>
<td>1.3</td>
<td>LITERATURE REVIEW</td>
<td>6 – 16</td>
</tr>
<tr>
<td>1.4</td>
<td>RESEARCH GAP</td>
<td>16 – 17</td>
</tr>
<tr>
<td>1.5</td>
<td>PROBLEM STATEMENT, CONCEPTUAL FRAMEWORK, RESEARCH QUESTIONS, RESEARCH OBJECTIVES AND RESEARCH HYPOTHESIS</td>
<td>17 – 21</td>
</tr>
<tr>
<td>1.5.1</td>
<td>PROBLEM STATEMENT</td>
<td>17 – 18</td>
</tr>
<tr>
<td>1.5.2</td>
<td>CONCEPTUAL FRAMEWORK</td>
<td>18 – 19</td>
</tr>
<tr>
<td>1.5.3</td>
<td>RESEARCH QUESTIONS</td>
<td>19 – 20</td>
</tr>
<tr>
<td>1.5.4</td>
<td>RESEARCH OBJECTIVES</td>
<td>20</td>
</tr>
<tr>
<td>1.5.5</td>
<td>RESEARCH HYPOTHESIS</td>
<td>21</td>
</tr>
<tr>
<td>1.6</td>
<td>RESEARCH METHODOLOGY</td>
<td>22 – 24</td>
</tr>
<tr>
<td>1.6.1</td>
<td>QUESTIONNAIRE SELECTION</td>
<td>22 – 23</td>
</tr>
<tr>
<td>1.6.2</td>
<td>CASE SELECTION AND SAMPLING</td>
<td>23 – 24</td>
</tr>
<tr>
<td>1.6.3</td>
<td>TOOLS FOR DATA ANALYSIS</td>
<td>24</td>
</tr>
<tr>
<td>1.7</td>
<td>CHAPTER SCHEME</td>
<td>24 – 25</td>
</tr>
<tr>
<td>1.8</td>
<td>BIBLIOGRAPHY</td>
<td>26 - 32</td>
</tr>
</tbody>
</table>
1.1 INTRODUCTION

Organisation is seen as a platform for moving in unison to actualize the common goal. The goal is understood to be the preferred state which organization(s) and their members attempt to achieve in future. In other words the goal defines the raison d’être or the purpose of existence of an organization. And it is no secret that attainment of goal necessitates the perusal of those activities which help an organization’s journey from its current position to its desired future state.

The purpose of existence of a business organization has been ably penned down by the legendary management thinker and writer Peter Drucker (1986) in his book Management-Tasks, Responsibilities, Practices. He wrote, “There is only one valid definition of business purpose: to create a customer……… Because its purpose is to create a customer, the business enterprise has two - and these two - basic functions: marketing and innovation. Marketing and innovation produce results all the rests are ‘costs’.”

He also wrote in the same book “The customer is the foundation of a business and keeps it in existence. He alone gives employment.” He further said, “It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or for a service converts economic resources into wealth, things into goods.”. Thus to achieve the purpose of business, the role of marketing is crucial.

American Marketing Association (2013) (https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx) has defined marketing as “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” Marketing has also been defined by Philip Kotlar, Kevin Lane Keller, Abraham Koshy, Mithileshwar Jha (2007) in their book Marketing Management, A South Asian Perspective “…as the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value”.

Marketing in a wider sense is thus an organizational function and a set of processes for creating, communicating and delivering value to customers which require perusal of activities like managing customer-vendor relationships in ways that would benefit the organization and its stakeholders by giving it a competitive edge over its peers/competitors/rivals.

In the aforementioned book Kotlar et al. further opined about the activities that would guide the organization from its current state to the desired state as they wrote “…..creating, providing and communicating value require many different marketing activities….. to ensure that the proper activities are selected and executed, strategic planning is required”. Marketing strategy
is the broad plan understood to be the process which allows an organization to focus its limited resources on the best opportunities to increase revenue and, thereby, achieve a competitive advantage in long-term.

As a whole, marketing is strategically concerned with the direction and the scope of the long-term activities performed by the organization to obtain a sustainable competitive advantage which may be in terms of reaching, creating, nurturing and retaining customers.

It is undeniably true that for every need of the customers however small, today they have easy access to many alternative choices, thanks to the new globalised and technologically advanced world order. In the process of choosing from amongst the available alternatives, the inclination of the consumer towards a particular vendor may be because of the quality of goods sold by him/her, the preferential price he/she charges or the way he/she greets the customer. But underlying all these things is the relational bond that a customer and the vendor has developed or may be trying to develop with each other. And there is no denying the fact that at present developing a relational attachment is a comprehensive strategy of ‘reaching-to-retaining’ (reaching-creating-nurturing-sustaining-retaining) customers for reasons like:

(i) Long term customers are more likely to become a source for referral
(ii) The longer the relationship continues the better an organisation can understand the demands of a customer
(iii) The cost of servicing an old customer is less than the new one
(iv) Research shows that profitability is important for long term sustainability of a business and keeping or retaining customer is a way of increasing/improving the same. Frederick F Reichheld a business author and business strategist of United States and W Earl Sasser, Jr, a professor at Harvard Business School found out in 1990 that a 5% improvement in customer retention can cause an increase in profitability, between 25 and 85 per cent (in terms of net present value) depending on the industry.

The strategy of ‘reaching-to-retaining’ customers is even more important in the service sectors, where contact between customers and sellers are more frequent. Moreover in India over the last few years service sector is among the most prominent and leading growth propeller of the economy. It is also a major contributor to national and states’ income, trade flows, FDI inflows and employment. Of all the service sectors finance occupies a distinctive position as it is and will remain one of the principal engines of growth in years to come. And it is not unknown today that banking industry is the backbone of the financial sector of the Indian Economy and in a bank
based financial system like India, the health of the economy is in a large way mirror reflection of the banking business.

The banking business in India is unique in the sense that the bankers have to make policies for not only one of the poorest section of people of the world, but they also finance people who are counted amongst the richest in the world. The fact that makes the job of the bankers of India dynamic and challenging is, they have to deal with not only one of the most illiterate sections of population of the world but also with personnel who are amongst the most technologically advanced in the world.

The banking business of India has undergone a sea change over the last three decades with the liberalization policies of the successive governments. Today banks are far more independent in decision making and far more focused than ever before. As far as the customers are concerned, the banks of 21\textsuperscript{st} century are worried with the high customer turnover. The worry emanates from the facts like the customers of today have availability of choice due to the prevailing competitive environment and access to technology. Hence it has become necessary to devise strategies of ‘reaching-to-retaining’ customers with a special focus on the latter as it is more beneficial to retain customers than to attract new ones, both in terms of cost and revenue.

The banks which have been predominantly promoting the transactional trait of its operation, of late are focusing on the relational aspect of marketing which is evident from the following promotional campaigns/efforts.

<table>
<thead>
<tr>
<th>NAME OF THE BANK</th>
<th>PROMOTIONAL SLOGAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Bank of India</td>
<td>The Bank that begins with U</td>
</tr>
<tr>
<td>United Commercial Bank</td>
<td>Honours your trust</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>A tradition of trust</td>
</tr>
<tr>
<td>Union Bank</td>
<td>Good people to bank with</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>Banker to every Indian</td>
</tr>
<tr>
<td>Bank of India</td>
<td>Relationship beyond banking</td>
</tr>
<tr>
<td>Union bank</td>
<td>Good people to bank with</td>
</tr>
<tr>
<td>Federal bank</td>
<td>Your perfect banking partner</td>
</tr>
<tr>
<td>HDFC bank</td>
<td>Bank aapki mutthi mein</td>
</tr>
</tbody>
</table>

In addition to the above the banks of today, be it private or public, inevitably has a personal banking division headed by a Relationship Manager, offers redeemable bonus points for increased usage, provides facility of priority banking, promoting opening up of touch points (e-corner, e-lobby, e-wallet etc), introduction of digital application based services (SBI Buddy, iMobile, M-
Connect), all these have a single motive, to establish, maintain, enhance and retain a long-lasting mutually beneficial relational bond with the customers.

With this backdrop this study is aimed at furthering the understanding of meaning and role of Relationship Marketing Strategies (RMS) of the selected banking branches in Kolkata metropolitan area.

1.2 THEORETICAL FRAMEWORK

1.2.1 Relationship marketing strategy—a discussion

Relationship Marketing is one of the most happening perspective of modern times, which has emerged out of the shadows of traditional marketing popularly referred to as transaction marketing and is being practiced across the world irrespective of the type of industry, consumer goods, manufacturing or service.

Relationship Marketing is not in fact an invention of the modern times but return of the old strategy of Direct Marketing of pre-industrial days.

The business scenario of pre-industrial days was dominated by the traders of agricultural products and merchants of art and artifacts. The businessmen transacted face-to-face with the buyers in the local open-air markets. The basis of trade was the trust and bond developed by the buyers and sellers in the process of regular and direct interaction. The result was the growth, sustenance and nurturing of business as well as relationships between the producers/sellers and consumers.

The Industrial era was characterised by mass production of the manufacturers, supported by modern machineries, economies of scale etc. The increased production often resulted in huge unsold inventory of the finished goods as the demand of the local market was limited and that led to a number of consequences. The sellers in search of additional markets were forced to resort to aggressive selling. New marketing institutions like wholesalers, distributors, retailers and other middlemen who were willing to bear the risks and costs of inventory ownership and storage, came into existence. They not only stored the excess production but also helped the manufacturers locate more buyers and persuade them to purchase goods thus facilitating the creation of time and place utilities. The consequence was shift from direct marketing to transactional marketing.

The post-industrial era witnessed changes like rapid technological progress, growth of service economy, adoption of Total Quality Programme by the organizations, growth in the level and intensity of the competition between companies, change in demand of consumers-the
consequence of which were wide and far reaching. While the technological innovations brought the customers and vendors closer than ever before resulting in reduction and at times elimination of middlemen, the adoption of TQM helped buyers co-design, co-produce and co-market the outputs. Moreover the growth of service economy and increase in the competitive spirit resulted in the shift in focus of marketing, from only attracting new customers to activities which aim at not only attracting them but also taking care of them and finally retaining them. The proximity of the buyers and sellers resulted in paradigm shift in marketing, from transaction orientation to relational orientation. The shift is even more evident in the banking sector.

1.2.2  **Relationship marketing strategies in banking sector-A discussion:**

The banking scenario in India has undergone a sea change over the last three decades. The banks which were so long performing under aegis of the Government of India have over the last three decades taken courageous steps and strived towards a market driven and competitive system. The principal reason being the deregulation process initiated, supported and continued by the successive Governments of India aimed at developing an integrated and diversified financial system by adopting globally recommended norms and procedures. The state owned and indigenous private banks of India are not only competing with each other but are also challenging the foreign banks. The competitiveness of the banks has thrown up new challenges in respect of commercial viability, cost effectiveness, revenue generation and marketing strategy in particular. The challenge for the banks is to reach as many people as possible, influence them to believe in their policies, earn their faith and trust, convince them to be their customer, anticipate their future demands, fulfill their needs and finally retain them. The biggest change that has taken place in the marketing world is the absolute shift from sellers to buyers’ market, once again reemphasizing the words of Peter Drucker “it is the customer who determines what a business is”. The banks of 21st century are today more market savvy than ever before and their marketing strategy has to be more unique than ever.

Deryk Vander Weyer of Barclays Bank, who became Senior General Manager and Deputy Chairman rising from the rank of a junior clerk, calls marketing strategy as “a process consisting of identifying the most profitable markets now and in future; assessing the present and future needs of the customers; setting business development goals and making plans to meet them; and managing various services and promoting them to achieve the plans-all in the context of a changing environment in the market” (B Subbaiah, 2012).

The marketing strategy of banks is bound to be special and unique because of the following inimitable features of banking products:
Banking products cannot be seen or touched like manufactured products and hence are intangible.

Banking products cannot be standardized and are heterogeneous.

The producer, seller and the product in a banking business are inseparable.

Banking products cannot be stored and inspected before delivery and are perishable.

The marketing strategies of banks have undergone a huge change from days of conservative and traditional banking where banking was available to a class of people and hence selling or marketing was not considered necessary, to the present days when due to liberalization banks are being forced not only reach out to the masses but prevent their switch to the competitors through innovative marketing practices—Relationship Marketing Strategies being the latest.

### 1.3 REVIEW OF LITERATURE

In the course of going through the research work, the researcher has taken help from the available documented literature. Some of the relevant research works related to this topic have been presented below:

Marketing practices can be traced back as far as 7000 BC (Carratu, 1987) but it was only around the start of last century that marketing was borne out, primarily due to economic reasons, as a distinct discipline. The primary focus of marketing through the first three quarters of the twentieth century was on exchanges and transactions. However, the development of marketing as a field of study is undergoing a reconstruction in its orientation—from transaction to relation (Kotlar, 1990; Webster, 1992).

The earliest known reference to influence of relationship on marketing could be traced to an educator and economist of business administration Edmund Mcgarry’s writings (1951, 1953) on ‘Contactual Function’ of marketing. Mcgarry was of the view that ‘contactual’ information formed the basis of cooperation/collaboration between buyer and seller. He opined that long-term, continuous relationship between buyer and seller that develop a bond of mutual interest, confidence and respect which can bring down the marketing cost by 10-20 percent. He further advocated that long-term cooperation/collaboration between the seller and buyer is a mechanism to increase marketing efficiency from the seller’s point of view.

In 1975 Richard Bagozzi, Professor of Behavioral Science in Management, Ross School of Business, University of Michigan put forward the idea that exchange relationship can fall into three types of exchanges: restricted, generalized and complex. Restricted exchanges are about reciprocal relationships between two parties like customers and company or company
representatives, generalized exchanges are about univocal reciprocal relationships between at least three actors like the middleman the company and its customers, complex exchanges are mutual relationships between at least three parties and are the closest to the concept of relationship Marketing.

The origins of modern relationship marketing can be traced back to a passage by B Schneider (1980) in which he observes: "What is surprising is that researchers and businessmen have concentrated far more on how to attract customers to products and services than on how to retain customers".

The initial research was done by C Gronroos (1982) at the Swedish School of Economics who introduced what he called "interactive marketing". In 1989 Gronroos wrote, marketing is about mutual exchange and fulfillment of promises and it is through making promises and keeping them that trust develops and out of trust long-term relationships grow.

L Berry (1982) a distinguished professor of marketing at Texas A&M University and a former President of American Marketing Association, coined the term "Relationship Marketing". Berry emphasized the importance of maintaining and enhancing the relationships with existing customers in addition to creating new customers. He suggested five types of Relationship Marketing Strategies which are core service, relationship customization, service augmentation, relationship pricing and internal marketing.

First generation marketing theorist Levitt (1983) at Harvard also referred to broadening the scope of marketing beyond individual transactions. In practice, RM originated in industrial and B-2-B markets where long-term contracts have been quite common for many years. Academics like Jackson (1985) at Harvard re-examined these industrial marketing practices and applied those to marketing proper.

Larry Rosenberg an American Professor of Psychology and John Czepiel a Professor of Marketing in New York University for the first time in 1984 stressed on the importance of customer retention by cultivating long-term relationships.

In a Relationship Development Process model developed by Dwyer et al. (1987), it has been found that relationship between buyer and seller evolve through five general phases, viz., awareness, exploration, expansion, commitment and dissolution. Each phase represents a major transition in how parties regard one another.

According to Professor Emiretus of Service Marketing and management of Stockholm Business School, E Gummesson (1987), long-term relationships are most expensive to create and most profitable to nurture in the services sector.
According to Sheith et al., 1988 the emphasis placed on Relationships as opposed to transaction-based exchanges, is today redefining the domain of marketing. In other words the overall objective of relationship marketing is to facilitate and maintain long-term customer relationships, which lead to changed focal points and modifications of the marketing management process. This relational bond, rechristened as relationship marketing, is the newest form of the old strategy of direct marketing prevalent during pre-industrial revolution days when the sellers and customers were engaged in a direct face-to-face buying and selling in local markets, which have made a comeback both in Business-to-business and Business-to-consumer markets.

Turnbull and Wilson (1989) have defined RM as the formation of long-term buyer-seller relationships through the creation of structural and social bond between companies.

Gronroos (1990) stated that the purpose of marketing in the new context is to establish, maintain and enhance relationships with customers and other partners at a profit so that the objectives of the partners will be fulfilled. This is achieved by mutual exchange and fulfillment of promises.

It cannot be denied that RM as a strategy helps increase the profitability of the organizations as indicated in the research by Reichheld & Sasser (1990). In this connection, it is better to mention the observations made by Buchanan and Gilles (1990). According to them the increased profitability associated with customer retention efforts occurs because of the reasons mentioned below.

- The cost of acquisition occurs only at the beginning of a relationship. Thus, longer the relationship, lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- Long-term customers tend to be less inclined to switch and also tend to be less price-sensitive. This can result in stable unit sales volume and increase in dollar-sales volume.
- Long-term customers may initiate free word of mouth promotions and referrals.
- Long-term customers are more likely to purchase ancillary products and high margin supplemental products.
- Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making competitors' market entry or market share gains difficult.
- Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.
Increased customer retention and loyalty makes the employees’ jobs easier and more satisfying.

M Christopher an author and emeritus professor of supply chain management at Cranfield University, USA, D Ballantyne an Associate Professor of marketing at University of Otago, USA, and A Payne a Professor of marketing at University of New South Wales, Australia, in a book titled “Relationship Marketing: Bringing Quality, Customer Service and Marketing together” (1991) highlighted how “the developing central themes of marketing interest” over the last five decades have culminated in current marketing thinking. T Ambler (2004) in a research article titled “A long perspective of marketing” further highlighted the aforementioned shift in marketing thinking. A graph showing the evolution of marketing as depicted by the authors is given below (Figure 1):

**Figure 1: Evolution of marketing**

As can be seen from Figure above in the 1990s academic and practitioner interest in RM took off to the extent that many marketers viewed it as the key marketing issue of the decade which was to culminate in a fundamental reshaping of the field. Indeed, a number of authors (e.g. Gummesson, 1987; Moller, 1992; Grönroos, 1994) proposed that there was a “paradigm shift” within the field of marketing away from the traditional transaction-based approach towards a more relationship-orientated one. It can be logically argued that the “paradigm shift” is not without purpose. With the advent of globalization, the business houses today are facing competitions more than before. And it is this competition that is forcing the organizations to adopt different and dynamic strategies. It has compelled the companies to shift their strategic
focus on marketing in place of product. Market engineering is more important today than product engineering. And the companies are also realizing that informing, engaging or may be even energizing the customers will give them a competitive edge over their rivals. Whatever may be the types of strategies the organizations adopting, the underlying objective of relation building is nothing but to retain customers as B Schneider (1980) wanted it to be.

Berry and Parasuraman (1991) were of the opinion that customer retention strategies can be formulated at various levels like establishing financial bonds, social bonds, customization bonds and structural bonds with customers. The strength of customer relationships and thereby the competitive advantage to the firm will be determined by the level of strategy adopted by the firm. Customer relationship marketing is one of the best contemporary marketing strategies which can satisfy most if not all customer needs and wants.

Mckenna (1991) and Shani and Chalsani (1991) opined that RM attempts to involve and integrate customers, suppliers and other infrastructural partners into firm developmental and marketing activities.

Most importantly, building bond is a part of the strategy to achieve sustainable competitive advantage and, thereby, enhance business performance (Bharadwaj et al., 1993).

As far as role of relationship marketing is concerned Evans and Laskin (1994) have stated that the role of RM is to augment the vendor’s core product, i.e., to differentiate the firm’s total offering in the marketplace. They define RM as a process that includes inputs (understanding customers’ expectations, building service partnerships, empowering employees and total quality management) outcomes (customers’ satisfaction, customers’ loyalty, increased profitability and quality products) and ongoing assessments (customers’ feedback, integrating RM into the firms strategic planning framework).

Sheth and Parvatiyar (1995) have observed that RM is about developing close interaction with selected customers, suppliers and competitors for value creation through co-operative and collaborative effort. Sheth and Parvatiyar (1995) have stated that RM comprises of four sub-processes: Formation Management and Governance, Performance Evaluation and Relationship Evaluation/Enhancement.

Cravens(1995) has stated that RM, as a field of study, began to attract attention in early 1990s as firms began to enter into long-term associations to take care of the impact of increased customer demands and intensified global competition.
Relationship between customers and their service providers have been at the forefront of marketing enquiry for decades. Measuring the value of enduring long-term relationship has been a recurring theme to such an extent in recent services that Gummesson (1999) has started calling for “return on relationship” measure. Such a measure was mooted somewhat earlier again, from among the Nordic School of researchers, by Storbacka et al. (1994). Working in a personal retail banking context, he coined this measure as “customer relationship profitability”.

In 1997 R J Brodie, N E Coviello, R W Brookes and V Little were of the view that there are four types of marketing. The first being the traditional transaction marketing and the other three being the branches of relation marketing viz. database marketing, interaction marketing, and network marketing. They further argued that transaction and relationship marketing can and often do co-exist.

Gronroos (2000) has stated that, for a successful Relationship Marketing Strategy three processes are required and those are interaction, dialogue and value process.

Deepali Singh (2001) in a study examined the status of relationship marketing in India. The researcher tried to uncover the techniques to maintain relationship with customers through information technology and thereby make a shift from discrete transaction to enduring relationship. The findings revealed the only strategy that is emerging out to be the most significant in the current environment is Customer Relationship Management.

Koushiki Choudhury, Avinandan Mukherjee and Ashish Banerjee (2001) in a research paper explored the kind of relationship marketing strategies that the Indian banks are pursuing in today’s highly competitive environment. They further tried to find out the effect of these strategies on service quality as perceived by the customers on a comparative basis.

Mobeen (2001) in a research article opined that as competition becomes tougher banks will have to concentrate on retaining their key customers, who are becoming increasingly demanding and are looking for better and convenient services. The demand of customers can be met only when the staff show high level of understanding and commitment which can only be developed through professional training. CRM programme is the only one at present which can help the organization achieve the aforementioned.

Malyadri and Kumar (2002) also observed that tough competition requires the companies to retain market share and adoption of CRM. The main focus should be on measuring the profitability of each customer and not the products. The public sector banks have to play a
proactive role anticipating changes in customers’ demands and equip themselves to face the private banks and the global challenges.

Bennett and Durkin (2002) in their article discussed about the growing attention being received by relationship marketing. The paper also addresses a number of key issues associated with the implementation of a relationship culture in the context of a leading and long established retail banking institution. In the light of this analysis the authors proposed a conceptual model for the development of relationship cultures within the banking industry.

The concept of relationship transparency was introduced by Eggert and Helm (2003). They defined relationship transparency as an individual’s subjective perception of being informed about the relevant actions and properties of the other person(s)/group(s) in the relation. They found out that according to conceptual model and structural equation estimates, transparency delivers value to the customer, increases customer satisfaction and ultimately leads to favourable behavioral intentions.

The fact that CRM has gained momentum in recent years was also stressed by Maged et al. (2004). An important element of corporate strategy today is about understanding and responding to customer needs and improving customer service.

It was emphasized by Scullin et al. (2004) that the organizations want to increase return on investment (ROI), customer loyalty, effective marketing, and improved customer service and support and cost reduction with successful implementation of e-CRM. They further wrote that the financial institutions get the opportunity to establish individual and need-oriented customer relationships via e-CRM. It enables the institutions to provide the right financial product at the right time.

Leverin & Liljander (2006) concluded that implementation of a relationship marketing strategy in a retail bank did not result in the increase of loyalty with respect to the most profitable customer segment.

The relationship marketing and its successful implementation in Turkish Beverage Companies was empirically examined by Selin et al. (2007). Relationship marketing scale, environmental factors scale and company performance scale were used to generate data. According to the analysis the role of bonding seemed to dominate, where market turbulence is high. It has been found further that the second environment factor called competitive intensity
has no moderating effect on relationship between marketing orientation and company performance.

Anurag Mittal (2008) examined the relationship orientation of the managers of public and private sector banks. He found out that there is variation in implementation of relationship marketing philosophy in the banks under study. He concluded that public sector banks need to strive harder to follow relationship marketing approach.

The attitudes of the users of two-wheelers were studied by Purohit (2008). He analysed their attitude towards communication and the factors that influence consumer relationship behavior. He proved that there is a relation between brand loyalty and customer relationship management. He found out that the customers prefer to switch to other brands rather than complaining. The researcher was of the opinion that the marketers should endeavour to identify dissatisfied customers and communicate with them in order to satisfy and retain them.

J Egan (2008) portrayed traditional marketing as a process where sale and purchase follow the system of attract-exchange-separate so that business growth and success is formed of a continuum of independent profitable sales events. Whereas relationship marketing is about building long term relationships with the customers and anticipate their needs & wants if possible, to satisfy and retain them.

Krasnikov et al. (2009) worked on the impact of implementation of customer relationship management on cost and profit efficiencies in the U.S commercial banking industry. The researcher found out that CRM implementation is associated with decline in cost efficiencies but increase in profit efficiencies. It was also found out that two adoptions related factors, time of adoption and time since adoption, influence the relationship between CRM implementation and cost and profit efficiencies.

Das et al. (2009) found out that customer relationship management might not be a profitable strategy particularly for Indian retail banks.

Heffernan (2010) in a study “Relationship Marketing: The impact of emotional intelligence and trust on bank performance” explored the development of trust for relationships between staff and customers in the banking sector and also investigated possible links between financial performance of relationship managers and their levels of emotional intelligence and trust. The study recommended increasing awareness of relationship managers in dealing with
customers, because that will lead to increase of trust between both parties and consequently enhancement of financial performance of the banks.

The study of Omar, Mohd Ali (2010) shows the impact of relationship marketing through Bank Islam employees in Malaysia on Brand Loyalty. The study more specifically tried to find out how relationship marketing measured through three dimensions viz. Customer trust on Bank Islam staff, Staff Commitment of the Bank Islam and communication skill among Bank Islam Staff, can influence Brand Loyalty among Bank Islam Customers. The study recommended that bank Islam follows the suggested model to ensure that they significantly improve their overall Brand Management as well as Brand Loyalty among customers.

The article of C Rootman, M Tait & G Sharp (2011) addresses the need for further understanding of relationship marketing and customer retention of Banks. The article also revealed the lessons that can be learned from banks in Canada and the United Kingdom (UK). The study revealed that fee structure and ethical behavior of banks are regarded as the most important focus area for banks. Canada was identified as the country with the most highly regarded banks in terms of relationship marketing, customer retention, empowerment of bank employees and personalization of banking services. UK banks were highlighted as superior in setting fee structures, communication strategies and ethical behavior. The study contributed a conceptual model that could be used in future relationship marketing research.

Ankita Niraj (2011) in a study tried to find out the effectiveness of customer retention strategies from the perspective of the existing customers of a bank in Dehradun (India). The conclusion was that relationship practices are yet to make a significant mark in the Indian banking industry.

An empirical research work by Ankit Shah (2012) focused on exploring the major factors that lead to customer satisfaction in retail banking in India. A conceptual framework of relationship marketing practices in Indian Banks was developed by virtue of the customer perception about satisfaction of various services. The research paper aimed to help the bank management not only in improving the overall level of customer satisfaction but also strengthening the bond between the banks and their customers and thus helping the banks retain as well as expand their customer base.

In a study Jumaev, Dileep Kumar, Jalal (2012) discussed the impact of customer loyalty in banking sector. The high customer expectations and severe competition in the modern day
banking has made customer loyalty a subject of concern. The authors believe that offering excellent service and meeting customer needs are ways of enhancing customer loyalty. It was further concluded that appropriate marketing strategies directed towards Relationship building and customer retention can be developed provided the banks have good understanding of their customer behavior.

In a comparative study of CRM in SBI and other nationalized banks in India Sanjay Kanti Das (2012) observed that the CRM approach of SBI and other nationalized bank are to some extent same but the reach is quiet distinguishable. It was found that the banks are far from developing a customer centric approach. The study revealed that in reality CRM is not playing the integrative role it ought to play within the bank.

The study of S Sivesan and S Achchuthan (August 2012) expressed that Relationship Marketing helps build customer loyalty. It has been measured through the indicators like trust, communication, commitment, and conflict handling. It was found out that trust and communication significantly contribute to customer loyalty while commitment and conflict handling do not.

Ashish Gupta and G.P Sahu (2013) studied relationship marketing influenced by factors like trust and customer satisfaction. They used Interpretive Structural Modelling (ISM) to find out the impact of the factors. The effort was to find out how the dimensions can improve the performance of firms and help in overall growth of the firms. It was suggested that the management should pay serious attention to all the aforementioned relationship marketing variables to improve the performance of the firms.

Mihir Dash and Vineetha Rajshekhar (2013) analysed the perception of the customers of public and private sector banks in India regarding relationship marketing. They discussed various barriers to the implementation of relationship marketing in Indian banking sector. They also found out a significant gap between expectations and perceptions of the customers regarding bonding, communication and conflict handling aspects of relationship marketing. Further, communication and conflict handling aspects were found to be the significant drivers of overall customer satisfaction. The study recommended that the top management should encourage the employees and establish an effective customer service system and they should not only respond to customer complaints, but also encourage the customers to reveal their problems.
Firdaus and Kanyan (2014) observed the importance of trust in successful relationship marketing. They studied the food service industry and created a 31-item instrument to identify key dimensions of positive relationships. Customers initially identified communication, trust, empathy and commitment as the most important factors in helping create a strong emotional connection to a business. On confirmatory analysis, the researchers determined that all four factors were positively correlated to customer loyalty. Customers need to receive understandable communications, feel confident in the business, feel reassured that the business understands their challenges, and experience excellent customer service.

Raggio, Walz, Godbole and Garretson Folse (2014) found out that gratitude was an important component in the relationship between buyers and sellers. They used in-depth interviews with both buyers and sellers and determined that expressions of gratitude were vital to building and advancing business relationships with customers. Customers feel more connected to an organization when their business is acknowledged and appreciated.

1.4 RESEARCH GAP

The banking sector has played a very important role in building the Indian economy since independence and the time of inception of banks. This was due to planned economic growth, increase in money supply, growth of banking habit, control and guidance by the Reserve Bank of India, nationalization of banks in July 1969, and above all, acceptance and implementation of Narshimham Committee recommendations on modernization and integration of Indian Banking system with that of the World. At present traditional banking is dying and its place is being taken by the new age banking concepts. Today people need banking, and not just the banks. And, this change is the outcome of the introduction of New Industrial Policy on 24th July, 1991 and the financial sector reforms that are taking place. Thrust of reforms programme is on promotion of efficiency through competition and market orientation and strengthening the shock-absorption capacity of the system through adoption of prudential norms and tightening of supervision.

The growth of private sector banks in India has led to the adoption of innovative marketing strategies by the Public Sector banks. The challenge of the Government owned banks, in respect of reaching out to the customers, attracting them, offering them the best possible goods and services and finally preventing them from switching over to other banks, is far greater today than ever.
Substantial number of research work has been done in India on the strategies adopted by the Indian banks (both nationalized and private) during the post-liberalization period to attract and retain customers. Most of the works in this area are basically conceptual. Authors have elaborately discussed what strategy is, how strategies are formulated by banks and so on. The limited research works conducted on Relationship Marketing strategy are mostly on Customer Satisfaction, Customer Loyalty and Customer Relationship Management which is a narrow concept of Relationship Marketing and is often referred to as Database Marketing. Relationship Marketing strategies adopted by the banks and the outcomes have not been dealt with in great details, neither many research has been undertaken to investigate the variables affecting Relationship Marketing strategies in India, thus leaving scope of undertaking research in this field. On the whole, the issues relating to relationship marketing strategies have not been accorded the due importance that it warrants in connection with the banking sector in India and Kolkata in particular.

1.5 PROBLEM STATEMENT, CONCEPTUAL FRAMEWORK, RESEARCH QUESTIONS, RESEARCH OBJECTIVES, AND RESEARCH HYPOTHESIS:

Against the brief background provided on the importance of the Relationship Marketing Strategies in the banking sector, the following sections will outline the Problem Statement, Research Questions, Research Objectives and Hypothesis of the study.

1.5.1 Problem Statement

The study focuses on the need for understanding the Relationship Marketing Strategies (RMS) of the selected Public Sector Banking branches of the Kolkata Metropolitan area. Given the pivotal role played by RMS the problem statement is as follows:

To investigate the variables that may have an impact on the RMS of the selected banking branches of the Kolkata Metropolitan area.

More specifically the purpose of this study is to identify the independent variables that influence the dependent variable i.e., RMS of the selected banking branches of the Kolkata Metropolitan area.

An independent variable is a variable that is studied as a possible cause of something else. A dependent variable is a variable whose values are predicted by independent variable.
Some of the variables identified from the various literatures of RM and their supporting studies which led towards adoption of RMS for effective firm performance are given in the table below.

**Table 1: Dimensions of Relationship Marketing identified in marketing literature**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Variables</th>
<th>Supporting studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Trust</td>
<td>Moorman et al. (1993), Orth &amp; Green (2009)</td>
</tr>
</tbody>
</table>

Source: Theron, E., Terblanche, Nic S., 2009

The variables chosen for the current study are Trust, Commitment, Reciprocity and Empathy based on the following facts:

(i) The variables find a mention in the promotional efforts of the banks as referred to earlier.
(ii) The conversations with the mid level bank officials, who act as a link between the rank and file supplying ground level information with the policy makers, who feel that the variables are among those which influence the relationship between the customers and bank.
(iii) The conversation with target customers who feel that the variables are among those which affect their relationship with bank.

In the current study the influence of each of the aforesaid independent variables on the dependent variable i.e., RMS will be empirically tested. Further the researcher will also endeavour to find out the influence of biographic variables on dependent variable i.e., RMS. In other words the conceptual framework of figure 1 will be empirically tested.

### 1.5.2 Conceptual framework

Though mentioned earlier the researcher feels it wise to repeat the same for better understanding. The study undertaken is to test the influence the impact of independent variables like Trust, Commitment, Reciprocity and Empathy on the dependent variable Relationship Marketing Strategy. While 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, 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. Reciprocity is a dimension of a business relationship that enables either party to provide favours or make allowances for the others in return for similar favour or allowances to be received at a later date. As far as Empathy is concerned it is characterized as the ability to ‘put oneself into another shoes’, or in some way experience the outlook or emotions of another being within oneself.

Further the influence of biographic variables like age, gender, income, educational qualification and length of association is also a subject under study.

**Figure 2: Conceptual Framework**

1.5.3 *Research questions:*

The rationales behind choosing the banking sector for studying relationship dimensions being, the rising tide of technology, demand of transparency from stakeholders like government and customers, in addition to competition, which have forced the banks to adopt proactive measures to meet the wishes of the customers who are more demanding than before. Further, in the last few decades, the banking as a function has come to a full circle with the government sending a clear indication via various guidelines and circulars, ‘perform or perish’. 
In view of the aforesaid circumstances the present study desires to throw light on one of the latest and innovative marketing strategies of the banks which aims at not only reaching out to the customers, attract them with smart goods and services, but also prevent them from shifting their loyalty towards other banks. The study aims at gaining an in-depth understanding of the Relationship Marketing Strategy by investigating into the variables which affect it. The study endeavors to answer the following questions:

- What is the current situation of Relationship Marketing strategy (RMS) in the selected banking branches in Kolkata Metropolitan area?
- How important is RMS in the financial services sector with special reference to the selected banking branches in Kolkata Metropolitan area?
- Which variables influence RMS and what is the extent of this influence in the selected banking branches in Kolkata Metropolitan area?
- How can the selected banking branches in Kolkata Metropolitan area internalize the variables like Trust, Commitment, Reciprocity and Empathy in order to improve their RMS?
- Do the biographical aspects of banking clients (e.g., age, gender, income, educational level, and length of association) influence clients’ view of degree of the RMS in the selected banking branches in Kolkata Metropolitan area?

1.5.4 **Research objectives:**

The primary objective of this study is to investigate the influence of selected independent variables (trust, commitment, reciprocity, empathy) on the dependent variable (relationship marketing strategy) of the selected banking branch in Kolkata Metropolitan area.

More specifically the following research objectives were identified:

**Research objective one:** To collect relevant data relating to RMS in the selected banking branches in Kolkata Metropolitan area.

**Research objective two:** To investigate into the importance of RMS in the selected banking branches in Kolkata Metropolitan area.

**Research objective three:** To conduct an empirical investigation in order to find out the influence of the selected independent variables (trust, commitment, reciprocity, empathy) on dependent variable (relationship marketing strategy) of selected banking branches in Kolkata Metropolitan area.

**Research objective four:** To perform a cross analysis on the possible influence of selected biographic variables on RMS in selected banking branches in Kolkata Metropolitan area.
1.5.5 Research hypotheses:

To give effect to the problem statement a number of null hypotheses have been formulated, stating that no relationship exists. Alternative hypotheses have been formulated stating that relationship exists, as depicted in conceptual diagram figure.

Specifically the null and alternative hypotheses are:

(a) Relationship between independent variables and dependent variable (RMS)

$Ho_1$: There is no relationship between perceived Trust and RMS in the selected banking branches in Kolkata Metropolitan area

$Ha_1$: There exists a relationship between perceived Trust and RMS in selected banking branches in Kolkata Metropolitan area

$Ho_2$: There is no relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area

$Ha_2$: There exists a relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area

$Ho_3$: There is no relationship between perceived Reciprocity and RMS in selected banking branches in Kolkata Metropolitan area

$Ha_3$: There exists a relationship between perceived Reciprocity and RMS in selected banking branches in Kolkata Metropolitan area

$Ho_4$: There is no relationship between perceived Empathy and RMS in selected banking branches in Kolkata Metropolitan area

$Ha_4$: There exists a relationship between perceived Empathy and RMS in selected banking branches in Kolkata Metropolitan area

(b) Relationship between biographic variables and dependent variable

$Ho_5$: There is no relationship between biographic variables (gender, age, educational qualification, income level, number of years of association) and dependent variable (RMS) in the selected banking branches in Kolkata Metropolitan area

$Ha_5$: There exists a relationship between biographic variables (gender, age, educational qualification, income level, number of years of association) and dependent variable (RMS) in the selected banking branches in Kolkata Metropolitan area
1.6 RESEARCH METHODOLOGY

1.6.1 Questionnaire selection:

The most popular ways of collecting and analyzing empirical data in business research includes experiments, surveys, and analysis of archival information, histories and case studies. The current research used survey method to collect necessary data for the research.

Designing a questionnaire is an integral part of collecting data by survey method. The questions of the survey may be either open or close ended.

Open ended questions need to be coded for content analysis, which at times are not suited to powerful parametric statistical analysis (Miles & Huberman, 1994; Malhotra et al. 1996). Further open ended questions require more effort and space for responses. It has often been found that the respondents’ reply to open ended questions often leads to articulation bias and in some instances data yielded from open questioning can be irrelevant.

In comparison several practical advantages of closed questions make it suitable to conduct surveys. The respondents requires less effort and understanding to answer the queries and the responses can be easily coded and analysed (de Vaus, 2002; Sekaran, 2003).

The present questionnaire (Annexure A) has two components- Part A and Part B.

The first part (i.e., Part A) contains five items to gather some relevant biographical information about the respondent viz. Gender, Age, educational qualification, annual income, number of years of association with the bank.

The second part (i.e. part B) contains 23 items to gather the responses (i.e., the perceptions) of respondents on a five point scale (the response alternatives being, strongly disagree/disagree/neither agree nor disagree/agree/strongly agree) with respect to five aspects viz. trust ([6 items] [Security of transaction, reliable promise, consistency of service, respect to customers, fulfills obligation, confidence in service]), commitment ([4 items][adjustment, personalized service, flexibility1, flexibility2]), reciprocity ([4 items] [timely action, responsiveness, communication1, communication2]), empathy ([4 items] [attention, convenience, interest, need]), and relationship marketing strategy ([5 items] [satisfaction, pleasant experience, relationship benefit, bond, cooperation]).

The questionnaires included some items adapted from previous studies carried out by Ndubisi (2005), Huseyin et al. (2005). In addition structured interviews were conducted with officers of the banks selected for the study in order to identify important aspects of Relationship Marketing to assist development of questionnaire items.
In order to supplement the findings of the survey based on primary data and help get such primary data clarified at the macro plane, some relevant secondary information and data have been gathered from existing literature, such as relevant research based books/articles, reports/documents, and some relevant websites have also been visited. Such exercise has also helped the researcher to appreciate the conceptual issues involved.

The primary data collected have been intelligently collated, processed, tabulated and analysed using appropriate statistical techniques with the help of a statistical software package, viz., SPSS (version 20).

1.6.2 Case selection and sampling:

The researcher has chosen the Public Sector Banks designated as Scheduled Commercial Banks having headquarter at Kolkata viz., United Commercial Bank, United Bank of India and Allahabad Bank. The reason being:

(i) The study is based on banks in Kolkata.

(ii) It helped the researcher to design the questionnaire after talking to the officials who are involved in designing strategies and policies.

(iii) It is basically a perception study. Hence it was essential to identify the customers interacting frequently with the bank. Speaking with the aforementioned officials helped the researcher to identify such customers.

There are 351 branches in total in Kolkata district. Out of which UCO has 79 branches, UBI 118 branches and Allahabad 154 branches in Kolkata (list enclosed as Annexure-B). 35 branches were chosen (representing 10% of the number of branches) from among the 351 branches in the following manner.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Commercial Bank</td>
<td>8 branches</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>12 branches</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>15 branches</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>35 BRANCHES</td>
</tr>
</tbody>
</table>

The branches were selected based on the following premise:

(i) The number of selected group of customers are large enough

(ii) The area is dominated by the business community

The list of branches chosen is enclosed as Annexure-B.

The cash/credit customers were chosen from among the following:

(i) Sole Proprietary concerns.

(ii) Partnership firms.
(iii) Hindu Undivided Families.
(iv) The customers with current account having cash/credit facilities or customers having cash/credit accounts with the banks.
(v) The customers who utilize the aforementioned accounts for their working capital management.
(vi) The accounts are active and transactions are regular (monthly) in nature.

Information relating to 5508 Cash/Credit account holders was collected. Out of them contact details [telephone numbers (landline and cellular), e-mail ids] of about 550 (i.e., 10% of 5508) account holders could be gathered and contacted to. 384 respondents (i.e., 70% of 550) actually responded out of which 312 (57% of 550) completed questionnaires were selected.

1.6.3 Tools for Data Analysis

Crosstabs and Chi-square -The researcher performed the Chi Square test for independence of attributes between two categorical variables which uses cross classification table to examine the nature of relationship between the variables (independent, and dependent).

Factor Analysis-Factor analysis is a statistical tool used to group variables with similar characteristics together. It helps to reduce large number of variables to a smaller number of manageable variables. The reduced number of factors is utilized to explain the observed variance in the large number of variables.

Correlation and Regression-The word “correlation” is used to denote the degree of association between the variables. In the current research the statistical tool has been used to find out the relationship between the individual independent variables (Trust, Commitment, Reciprocity, Empathy) and the dependent variable (Relationship Marketing Strategy).

“Regression” is used to denote estimation or prediction of the average value of one variable for a specified value of other variable.

1.7 CHAPTER SCHEME

The study follows a logical structure and is presented in six chapters. Chapter one serves as an introductory chapter and explains the research problem and purpose. A brief description of the theoretical framework of the study along with research gap, research questions, research objective, research hypothesis and research methodology have been presented in this chapter. This chapter also presents the view of reputed authors and thinkers about Relationship Marketing Strategy in a detailed literature review. Chapter two has placed the Relationship Marketing
Strategy in perspective by describing the evolution and benefit of Relationship Marketing Strategy. Chapter three focuses on the evolution and growth of the Indian banking sector before presenting a brief description of the profiles of the Kolkata based banks selected for the study viz. UBI, UCO Bank and Allahabad Bank. Chapter four deals in detail the independent variables selected for the study. The empirical results and findings are presented in chapter five. Finally chapter six throws light on the recommendations, limitations and further scope of the study.
1.8 BIBLIOGRAPHY


