

IMPACT OF RELATIONSHIP MARKETING DIMENSIONS ON CUSTOMER PERCEIVED VALUE IN BANKING INDUSTRY OF PAKISTAN

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ABSTRACT

The aim of this paper is to study the relationship between relationship marketing dimensions with customer perceived value in the banking industry of Pakistan. Data has collected from 91 customers having accounts with different banks of Pakistan. A questionnaire consisting of standardized scales using liker scale was self-administered. Results show that different relationship-marketing dimensions influence differently, relational commitment and communication is significantly customer perceived value. Trust and satisfaction have positive but weak association with customer perceived value. Some recommendations for future study has been given at the end. This paper for the first time finds out empirical relationship between relationship marketing dimensions and customer perceived value in the banking industry of Pakistan.

Key words: Relationship Marketing, Customer perceived value, Banking industry, Pakistan

INTRODUCTION

Organizations are learning and implementing new ways to remain competitive in the market (Baker & Sinkula, 2002). Research shows that for getting competitive position organizations have been emphasized on internal organizational improvements, but now the main source of competitive advantage is the firm's orientation toward customer to gain superior customer value delivery (Woodruff, 1997). For financial institutions, to gain competitive advantage and sustain it in long run, the primary focus should be offering and delivering higher perceived value -than that of rivals- to the customers (Roig, Garcia, Tena, & Monzonis, 2006). Relationship marketing offer well understanding of customer needs, cost and benefits, it also enhance financial performance of the organization therefore firms should invest in relationship marketing by targeting customer in strategic manner (Palmatier, Scheer, Evans, & Arnold, 2008). It will be better for the

organization to understand the relationship orientation of the customer because if customer has thirst of relationship then there is no requirement for the firms to spend the huge budgets for pricey marketing programs (Garbarino & Johnson, 1999).

Relationship marketing and customer perceived value concepts get considerable attentions in marketing research and practices. People in services industry are in continuous interaction; therefore, relationship marketing and service marketing are very closer to each other (Kinard & Capella, 2006). Noticing this situation relationship orientation of the service providers is very essential. Relationship marketing orientated organizations are those who know what customers want. In addition, how they are evaluating or perceiving value (Woodruff, 1997). In financial service industry numerous changes are going on, it is necessary that organizations are well aware of value perceived

by the buyers (Roig, Garcia, Tena, & Monzonis, 2006). According to social exchange theory, getting in any kind of relationship we first attach cost and benefits with a particular relationship (Emerson, 1976).

Banking industry in Pakistan also witness changes, banks are adopting the concept of branchless banking, enhancing technological support like internet banking, phone banking and offering minor saving plans to build up relationship from very beginnings. After the privatization of the

banks and entrance of foreign banks in the market of Pakistan, competition and complexity has risen for the bankers (Afsar, Rehman, Qureshi, & Shahjehan, 2010). The nature of the banking competition is different in Pakistani market due to the limited banked population. About less than 20% (twenty percent) of the total population of Pakistan, have banking accounts (Feroze & Basharat, 2011). Sales forces of the banks are more interest in cutting the market share of the competitors. In short, these small numbers of customers are moving bank to bank due to number of reasons. Relationship between individuals are playing important role in these behaviours. Especially in banking sector, relationships are beneficial for the customer's selection and retention, presence of personal banker added great value (Abratt & Russell, 1999). There is immense need for the research in the area of relationship marketing that how customer of banking industry are perceiving the relationship and value delivered by the bankers in these relationships.

In spite of lot of work on customer perceived value and relationship marketing, I have found no as such study which emphasis on the direct relationship of customer perceived and relationship marketing. However, this is also fact that relationship marketing has different dimensions like trust, communication, satisfaction, commitment (Morgan & Hunt, 1994). Few studies investigate these dimensions not as construct of relationship marketing but as depended or independent variable with customer perceived value. So in this paper researcher is focusing on identifying the (1) relationship between relationship dimensions and customer perceived value (2) impact of relationship marketing dimensions on customer perceived

value and also help (3) banking industry in knowing that (a) how effectively they are doing relationship marketing (b) how their customers are evaluating or perceiving them in this regard.

LITERATURE REVIEW

Customer perceived value

Customer perceived value is defined as “the consumer overall assessment of the utility of a product based on perception of what is received and what is given” (Zeithaml, 1988, p. 14). From another angle “customer perceived value is consumer's perception of the net benefits gained in exchange for the costs incurred in obtaining the desired benefits” (Chen & Dubinsky, 2003, p. 326). Incurred costs, cover all most all aspects of utilization of resources and energies required from attaining to disposing of services, on the other hand perception of benefits containing physical and service attributes, technical support available for the use of product, price paid for product and other perceived quality influencers (Annika & Gronroos, 1996). Every person can have his own understanding of value according to their expectations for instance low price, quality against price, and give verses get approach (Zeithaml, 1988). Creation of value is depending on the benefits delivered by products and services to the customers on its consumption, customer benefits are the desired goals in different situations (Flint, Woodruff, & Gardial, 1997). Gronross (2004) argued that the value development is in the result of relationship marketing.

Relationship Marketing

Relationship marketing defined as “all marketing activities directed towards establishing, developing and maintaining successful relational exchanges” (Morgan & Hunt, 1994 , p. 22). The word relationship is define as the bonding between two parties, in a relationship both understand the role of other and for this role there are expected norms of behaviour (Jr & Robertson, 2007). Previous researches discuss various types of relationship marketing dimensions. When relationships are established trust, commitment and communication have the significance (Theron & Terblanche, 2010).

Trust

Scholars have defined trust in same theme but the selections of words are different. The definition of trust is confidence on exchange partner's credibility and benevolence (Morgan & Hunt, 1994, Palmatier, Scheer, Evans, & Arnold, 2008, and Doney & Cannon, 1997). Trust have two dimensions credibility and benevolence, credibility refers to the extent to which exchange partner's is reliable in delivering promise, and benevolence is the intentions of the welfare between exchange partner (Doney & Cannon, 1997). Trust plays an important role in building the relationship; therefore, it is the most important construct of relationship marketing.

Trust builds through indended variable "experience" and evaluation of sales person, more experience enable opportunities for the sales person to demonstrate trust, customer evaluate sales person at three levels (a) Behaviour (b) Attributes, reliability, (c) Overall trust (Swan, Bowers, & Richardson, 1999). In service industry, specifically information, communication and entertainment sector trust is one of the key drivers that contribute in perceived value (Lapierre, 2000).

H1: trust influence strongly and significantly to customer perceived value

Relationship Commitment

Commitment to the relationship is define as an enduring desire to maintain a valued relationship (Moorman, Zaltman, & Deshpande, 1992). Valued relationship here reflects the importance of the relationship and enduring desire is the inclination of the partners toward retaining relationship for the long-term period (Morgan & Hunt, 1994). Commitment involves when there are mutual benefits allied with relationship between service provider and customer (Chenet, Dagger, & O'Sullivan, 2010). The relationship commitment reflects when service provider and customer are willing to invest time and resources to carry on and retain relationship, but customer will only invest when he see benefits of maintaining relationships (Theron & Terblanche, 2010). The strong relationship between relational commitment and customer perceived value has found in prior research (Musa, Pallister, & Robson, 2005).

H2: there is a positive and significant relationship between relationship commitment customer perceived value

Satisfaction

Satisfaction defined as "an overall evaluation based on the total purchase and consumption experience with a good or service over time" (Anderson, Fornell, & Lehmann, 1994, p. 54). Customer satisfaction is not limited to some specific criteria like emotions etc; it is the outcome of all experiences with a firm (Garbarino & Johnson, 1999). Conceptually Customer satisfaction and CPV are very closer to each other; previous research finds a very minute difference between the concepts. The main difference lies between two concepts is satisfaction is affective attachment and CPV related to cognitive approach in the mind of the customer (Eggert & Ulaga, 2002). There is significant relationship between customer perceived value and customer satisfaction, furthermore, when CPV and satisfaction level is above average it can be assume that there is very little ground for the competitor to influence particular customer with better services (Yang & Peterson, 2004).

H3: customer satisfaction influence customer perceived value positively and significantly

Communication

Among all relationship's elements, communication is one of the most valuable ingredients in building relationship (Palmatier, Scheer, Evans, & Arnold, 2008). Communication defined as the formal and informal sharing information or meaning between two parties (Anderson & Narus, 1984, p. 66). It plays the role glue among the relationships; smooth communication process can reduce barriers or problems in relationships (Mohr & Nevin, 1990). Superb communication can give confidence to customer for the long term relationship, in addition to this managers can provide customized services in order to met expectations of the customers (Gordon, Pires, & Stanton, 2008). Theron, Terblanche, & Boshoff, (2008) proposed four guidelines for the effective communication (a) In financial services effective communication reduce the risk and uncertainty by sharing information about upcoming threats (b) giving value to the time of the customer especially focus on the client work

time schedule (c) selection of comfortable channel of communication (d) delivering only relevant information. While designing communication campaign, emphasis should be on the respondent and the meaning perceive by him (Finne & Gronroos, 2009).

H4: there is a positive relationship between communication and customer perceived value

METHODOLOGY

To fulfil the purpose of this paper, researcher executes quantitative analysis through a data gathered by using questionnaire consist of thirteen items. The survey is fully self-administered. Data has gathered from different cities of Pakistan from the customers of banking sector. These customers include students, salary persons, businesspersons and homemakers. Researcher has used convenient sampling technique to gather the data. The 125 questionnaires were distributed, 91 of which in useable form were received back. The response rate is 73%, which is very effective.

Trust, commitment and communication measured by using liker scale adopted from Morgan and Hunt (1994). For measuring satisfaction and customer perceived value scale is adapted from Aurier & N’Goala (2010). All

variables are measured on the basis of five likert scale.

RESULTS

The respondents in this research were customers of different banks of Pakistan. 58% percent of total respondents were male and rest were female participants having different age groups 52.7% are between 18-27years, 30.8% flanked by 28-37, 7.7 % lies in the group of 38-47, 5.5% in 48-57 and 3.3 are among the group of 58 to above. Educational level is also different; respondents report matriculates, intermediate, bachelors, masters, postgraduate and doctorate having 1.1%, 6.6%, 24.2%, 52.7%, 14.3% and 1.1% respectively. Participants have accounts for different purpose in the bank for instance 53.8% of the respondents have reported salary accounts, 15.4% were business account holders, 11% for remittance and 19.8 % have accounts for saving purpose. Relationship with the bank distributed in different categories. Participants have reported 71.4% in 1-5 year category, 17.6% in 6-10 years group, in the categories of 12-17 years, 24-29 and 30 to above 5.5%, 3.3%, and 2.2% respectively. The interaction of the respondents were also reported 43% visit their bank once a week, 38% visits once in a month, 9 % visit bank on daily basis and remaining interact with bank on when needed basis.

Table-1 Demographics

		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	5.382	8	0.673	0.604	0.772
	Within Groups	91.299	82	1.113		
	Total	96.681	90			
Gender	Between Groups	3.779	8	0.472	2.11	0.044
	Within Groups	18.353	82	0.224		
	Total	22.132	90			
qualification	Between Groups	5.76	8	0.72	0.969	0.466
	Within Groups	60.922	82	0.743		
	Total	66.681	90			
Relationship time	Between Groups	11.796	8	1.475	1.248	0.282
	Within Groups	96.885	82	1.182		
	Total	108.68	90			

Interaction	Between Groups	4.48	8	0.56	0.879	0.538
	Within Groups	52.267	82	0.637		
	Total	56.747	90			
Purpose of Account	Between Groups	7.276	8	0.909	0.603	0.773
	Within Groups	123.63	82	1.508		
	Total	130.9	90			

Table 1 show that only gender have effect on customer perceived value all other demographic have no affect on customer perceived value it means that except gender customer perceived

value has insignificant association with other demographic variable.

Table 2 shows the correlation value among the depended and independet variables.

Table-2 Correlations

	Trust	Commitment	Satisfaction	communication	CPV
Trust	1				
Commitment	.439**	1			
Satisfaction	.421**	.726**	1		
Communication	.227**	.589**	.579**	1	
CPV	.338**	.700**	.607**	.611**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

As shown in table customer percived value has significant relationship with trust (.338), commitment (.700), satisfaction (.607) and communication (.611). But trust and

satisfaction has slightly weak relation ship with customer percived value. Relationship of commitment and communication with customer percived value is very strong.

Table-3 Regression Analysis

Coefficients		Un-standardised Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	.957	.344		2.783
	Trust	.020	.095	.017	.213
	Commitment	.452	.114	.445	3.978
	Satisfaction	.118	.111	.117	1.066
	communicatio n	.216	.072	.276	2.993

a. Dependent Variable: CPV

$R^2 = .557$ adjusted R square= .536 F= 27.042, Sig= 0.000, $p < 0.01$, n=91

The value of R^2 (.557) indicates that the model 55.7% explained the relationship of depended and in-depended variables. Beta value shows that one unit increase in in-depended variable it increased (.20) in term of trust, in term of commitment one unit increase (.452), (.118) increase for satisfaction and .216 for communication. F value(27.042) is significant at $p < .000$ (i.e. smaller than 0.05) it indicates that the model is good for predicting about the relationship between dependent variable (customer perceived value) and independent variables (trust, commitment, satisfaction, communication). T value for the H1 is (.213) less then (1.96) and the significance level is (.831) which exceeds the actual significance level (.05). It means that the results of t value and significance does not supporting the H1. For commitment t value (3.978) and significance (.000) is supporting the H2. Satisfaction has t value of (1.06) and significance is (.289) which are not compatible with standard rules so results not supporting H3. T values of communication (2.992) and significance (.004) support H4.

DISCUSSION

The result of this study shows that relationship-marketing dimensions have good perceived value among customers. Trust has positive but weak relationship with customer perceived value. For the trust this paper for the first time find any relationship with customer percive value. It reveals that level of the customer trust on the banking industry is low. There for, this study does not support H1. Previous research emphasis on trust a lot it has bankable value without it quality can not maintained and business can not run effectively (Peterson, 1998). Lack of the trust has negative influence on customer intentions for transactions of sale and purchase (Jin, 2010).

This study support H2 that states that commitment has positive and significant relationship with customer perceived value. Our result justify the finding of Musa, Pallister and Robson (2005) who have first time predicted this relationship in the prior research.

H3 not supported in this study, which shows that satisfaction has slightly weak association with customer perceived value. The findings for satisfaction in this study are not consistent with

the findings of Yang and Peterson (2004) who argue that satisfaction and customer perceived value are strong predicator of each other.

The results depicts that communication also influence customer perceived value positively and significantly. Hence, H4 of this study is supportive in these findings. In banking industry, financial decision needs accurate and timely information for their effectiveness. Timely and accurate delivery of the information will put more value in relationship. The message in communication should be designed to support relationship marketing definition constructs (like establishing, maintaining, enhancement) so that communication make relationship marketing effective with customer (Gronross, 2004). Most of the banks in Pakistan emphasis on advertisement, especially during cricket matches there is a trend of showing high number of TVC's consist of new messages.

CONCLUSION

In this study, the findings did not support H1, which show the low level of trust of customers on banking industry of Pakistan. The result may be due to economic as well as law and order situation of Pakistan. H2 has supported by the findings, which show that commitment has strong relationship with customer perceived value. Study does not support H3 which depicts that customer satisfaction has positive influence on customer perceived value. This may be due to the reason that bank charges, behavior of employees, and products. Communication has strong associations with customer perceived value. This might be due to advertisement on TVs and in print media, in additions bankers have targets to sell maximum products, to accomplish targets bankers have to communicate with customers on individual basis.

I think due to lack of trust small population has accounts in the banks. Banks are responsible for the deterioration of trust, because people hide their wealth from tax and revenue department and from personal relations, tax and revenue department, but banks on a single letter or on a phone call easily transfer information to unconcern persons.

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