

Relationship marketing in the banking industry

[Finance](#), [Banks](#)



The marketing environment within which banks operate has undergone tremendous changes over the past decade due primarily to government's deregulation policy, technological advancement and increasing competition. These factors have resulted in new behaviours and challenges.

With increasing competition among banks, customer loyalty to their banks has declined. Today's customers are approached by more competitors with equal or better offers. As such many customers have become more willing to use more than one financial institution to meet their needs and to switch funds for the short-term gain. The ultimate challenge facing bankers today is not merely to produce satisfied consumers but rather loyal customers for strategic purposes.

According to Kotler (2003: 29) " Relationship marketing, which comes under one of the core marketing concepts, has the aim of building mutually satisfying long term-relations with key parties in order to earn and retain their business".

The operating principle of relationship marketing is " Build an effective network of relationships with key stakeholders, and profits will follow" (Kotler, 2003: 13)

This study will therefore seek to analyse the customer development process, the relationship marketing strategy and practise at Standard Chartered Bank, Ghana and its effect on customer satisfaction, retention, loyalty and profitability for the bank and the competition.

Introduction

Note on Content:

- A statement of your research question, possibly including a central question and three or four aspects or sub-questions (approx. 30-100 words depending on number of research questions).
- Explain why this question is interesting (approx. 100 words).

The study will seek to answer the question, “ Has the implementation of relationship marketing at Standard Chartered Bank, Ghana, the building of mutually satisfying long term-relations with key parties resulted in higher customer retention and consequently improved profitability?” And also

1. How does the bank identify and attract its key customers?
2. What specific strategies are used by the bank to develop stronger customer bonding and satisfaction?
3. What are the inhibiting factors, challenges encountered in the implementation of this strategy?
4. What are the benefits that have been enjoyed by the bank and its customers?
5. What can be recommended to improve strategy implementation to maximise the lifetime value of current customers?

Relationship marketing constitutes one of the major marketing themes in this challenging decade. For us in Ghana, especially academia, little published work has been done to establish the link between theory and

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practice. This study will therefore establish useful, reliable and current work to help bridge the gap between knowledge and practise as well as contribute to the existing knowledge available in the Ghanaian domain on relationship marketing.

Even though I worked in this bank (I. T. Department) for over five years, I knew little about its marketing strategies. This study will help me marry my information technology banking experience with profitability strategies to prepare myself for senior management positions in the Ghanaian banking industry.

Relation to previous research

Note on Content:

- Discussion of the relation between your proposed research and previous research. When expanded in the dissertation this will be referred to as a Literature Review.

It is becoming increasingly clear especially to corporate bodies and marketers that “ the marketplace is not what it used to be”. It is changing radically as a result of major societal forces such as technological advances, globalisation and deregulation. According to Kotler (2003) “ these major forces have created new behaviours and challenges”.

These new behaviours and challenges have compelled new marketers to evaluate the transaction oriented style of marketing. Transactionary marketing focuses on “ the principles of personal selling and negotiation” and its aim “ is to help specific marketers close a specific sale with a customer” (Kotler, P, 2003). It is more oriented towards short term sales and

basically promotionally driven. It has been found to be unprofitable in the long term as it is not customer oriented.

Consequently, “ there has been a shift from transaction to a relationship focus in marketing. Customers become partners and the company must make long term commitments to maintaining these relationships with quality service and innovation” (Frederick E Webster, Jr. 1992).

Eghan, J (2008: 127) adds that “ Customer satisfaction relationship marketing theory suggests that profitability is enhanced when customer retention is high”.

According to Zeithaml et al. (2002) relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than acquiring new ones. This philosophy assumes that consumers prefer to have an ongoing relationship with one organisation than to switch continually among providers in their search for value. Building on this assumption and the fact that it is usually cheaper to keep a current customer than to attract a new one, successful marketers are working on effective relational strategies for retaining customers.

Morgan and Hunt (1994) in their article “ The Commitment Trust Theory Relationship Marketing” in the Journal of Marketing, July, volume 58 No. 3 recognise relationship marketing as a “ major shift in marketing theory and practise”. In their estimation previous decades have witnessed the inception of a major directional change in both marketing theory and practise.

According to Mark Godson (2009: 53) “ studies on interactive business network and their impact on overall competitiveness were underway long before research into relationship marketing took off”. In addition “[Lester Wunderman, an astute observer of contemporary marketing thinks that the marketers aim should be to increase the consumers proclivity to repurchase the company’s brand rather than loyalizing them]” (Kotler, 2003: 80). It will be an interesting point to research.

In addition, “[Retention-building-approaches of financial and social benefits as well as structural ties have also been identified beyond the basics of strong customer bonding which helps with the Customer-Development process]” (Kotler, 2003).

Proposed methods

Note on Content:

- A precise statement of the methods you propose to use.
- Justify the choices you make. Explain why this method is being used in preference to others.
- Discuss the specifics of the method(s) you will use. Be clear about data sources and what will count as data in your research project.
- (In your methods section you may need to make some reference to other exemplary studies and will certainly need to refer to the literature on research methods.)

For this research, I will be using both secondary and primary sources of data in order to combine the advantages of both and significantly reduce the disadvantage of relying on any one of them.

I will also use the quantitative method of experimental or survey research methods of self-administered questionnaires (SAQs) and structured interviews for my primary data acquisition. Structured interviews are also referred to as formalized, standardized or respondent interviews. “ An example is Oliver et al. (2002) on the relationship between psychological/individual factors, organisational variables and occupational accidents” (University of Leicester, Research Methods, 2009: 92).

I will use some qualitative methods, “[to collect data expressed in words via open questions through my questionnaire and personal observation. The data will be analysed by classification into categories via theoretical conceptualisation to provide a richer description of the results]” *ibid*

Secondary data sometimes referred to as historical data, suggests data “ that has been collected by someone other than the researcher for a project different from the one currently being undertaken” (Armstrong, 1979: 28). It is considered to be an alternative to primary data. Therefore any researcher who collects primary data without considering the alternative may be termed narrow-minded and exaggerated. Therefore data for my research will be collected from brochures, annual reports, journals, archives and newsletters of the bank.

One advantage of using secondary data is that it is relatively less expensive. It is also less time consuming taking into consideration time as a major constraint. Secondary data is also a useful reference against which primary data collected will be compared. The comparison can help to validate the primary data and ultimately generalise any research findings.

In spite of its advantages, it is important for researchers to be cautious in relying too much on secondary data. This is because they are generally collected for a purpose other than the one for which the researcher is currently concerned. More importantly unlike primary data the researcher has no control the steps associated with collecting, analysing, interpreting or presenting the secondary data.

Two separate questionnaires designed (for a sample size of 20 staff and 20 customers from each branch) will be used to collect data from both bank officials and customers of the head office and a “ Tema” branch in order to compare and validate views expressed. The questionnaire will be simple, straightforward with logically related and sequential questions. An introductory letter will be included to encourage targeted participants and legitimise the research.

Reflections

Note on Content:

Include reflections on:

- Potential practical and empirical obstacles (e. g. access).
- Conceptual and theoretical problems and difficulties.

- Ethics (both in the narrow and the broader senses).
- Your position as a researcher in a political field, and reflection on how this will impact on your study.

The research would be limited by the short time. Staffs working in the Banking sector are normally busy and as a result they are reluctant to answer the questions for immediate collection hence follow ups will be required. Additionally, access to certain vital information would not be easy as such information may be considered as confidential. There is also the possibility of the data being subjective, carrying some information biases. Problems encountered with previous questionnaires suggest not all participants will respond. Some parts of the questions too may be left blank. There is the possibility of some to consciously or unconsciously misrepresent the truth in order to appear more intelligent or experienced thereby covering up vital information.

To overcome such a limitation, the researcher will verify the data obtained through triangulation, comparison with secondary data. The questionnaires will also compare the samples from the head office with those from the “Tema” branch. Smaller sample size will be chosen due to time and funds constraints.

I will also use the structured personal interviews to enhance the accuracy of data and to verify the responses. This will involve repeating same questions across respondents so that any perceived differences between answers are clarified.

Even though there is over 300 staff at both the head office and the Tema branch, the sample size of 20 staff is considered fairly representative of the entire organization from which basic generalizations can be made. The sample size will consist of Branch managers, personal financial consultants, retail managers, corporate managers, tellers and relationship managers. The 20 customers to be used will include personal and corporate account holders as well as excel and premium customers.

The main data type for the project is both primary and secondary data. The key ethical issues to be considered include informed consent of the respondents, confidentiality, balance of benefits/risks and compliance with the data protection Act, resource utilization.

Conclusion

Note on Content:

- Very brief wrap-up, including discussion of immediate next steps you need to take. Do not restate everything you have already said.

The next steps I need to take now will include renewing and establishing very good communication links with colleagues I have worked with in the bank earlier to advise new developments and practises that will enable me have easier access to the customers and staff of the bank for the questionnaires and the interviews.

I have already had brief talks with the Human Resource department of the bank and the marketing department who have expressed willingness to divulge information if I obtain clearance from “ HR”.

I will use the statistical package for social sciences to facilitate data analysis and reporting. Results obtained from the SPSS analysis including frequencies, cross-tabulations and pie charts will help compare relationships between variables.

Chapter one will deal with the background of the study, statement of the problem and significance of the study. It will also outline the research question, hypothesis and limitation of the study. Chapter two will be the review of relevant literature to the study. Chapter three will present the methodology. Chapter four will include the analysis of the data while chapter five will outline the summary; findings as well as the conclusions, reflections and recommendations of the study.

Timetable

Note on Content:

- Provide dates and major steps or milestones.
- This should be presented in bullet points or as a pictorial diagram.
- Make sure that you include other commitments such as holidays, and allowing time for tutors to approve your research proposal.

References

Note on Content:

- A full list of works referred to in the text referenced correctly.
- Quality is more important than quantity, demonstrating engagement with relevant literature.

- The Internet should not be the only source of references.

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Appendices

Note on Content:

- Containing materials distracting from, but relevant to, the body of the proposal, for example, draft questionnaires, interview questions, other tables, lists, etc.
- Do not overdo it. Only include things that really are relevant. You won't get extra marks for this.

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Ethical Review Form: Part 1

Please read the following two statements and place an X in the area indicated for the statement that most accurately represents your research intentions.

You are only required to fill in part 2 of this form if your research involves studying live human beings. In cases of automatic ethics approval or where no ethics approval is necessary please allow 8-10 weeks from receipt by the University for the return of your grade. In instances where part 3 of the Ethics Form is completed you should allow 8-14 weeks. Proposals that are received without the completed Ethical Review Form will be returned to the student unmarked.

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Ethical Review Form: Part 2

Please answer all of these questions by ticking yes or no in the box provided

1. Does the study involve participants who are particularly vulnerable or unable to give informed consent? (e. g. people under the age of 18, people with learning disabilities, students you teach or assess)
2. Will it be necessary for participants to take part in the study without their knowledge and consent at the time?
3. Does the study involve audio or visual recording of people in public places?
4. Will the study involve the discussion of sensitive topics? (e. g. sexual activity, drug use, illegal activities, death, whistle blowing)

5. Are drugs, placebos or other substances to be given to the study participants or will the study involve invasive, intrusive or potentially harmful procedures of any kind?
6. Will blood or tissue samples be obtained from participants?
7. Is physical pain or psychological stress from the proposed project likely to cause harm or negative consequences beyond the risks in normal life?
8. Will the study involve prolonged or repetitive testing?
9. Will financial inducements (other than expenses) be offered to participants?
10. Will the study involve recruitment of patients or staff through the NHS?

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Ethical Review Form: Part 3

In no more than a page –

1. Explain why you ticked yes to one or more of the questions on Part 2, and how you plan to address the ethical issues raised.

You will need to do this in consultation with a Dissertation Tutor on Blackboard. Please identify which Tutor you discussed these issues with.