
Impact of Relationship Marketing on Brand Loyalty with Reference to Nepalese Commercial Banks.

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ABSTRACT

In this study, the researcher makes the efforts to examine impact of relationship marketing strategies followed by Nepalese Commercial Banks make the customers brand loyal toward them. Primary data and secondary data are used for the study. After analyzing the data, Nabil bank ranked the 1st position. The most of the Chitwan customers are loyal towards the Nabil Banks due to good relation and trust of customers.

Keywords: Relationship Marketing, Brand Loyalty, Commercial Banks, Bank Strategy and Trust.

1.1. Introduction

Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customer rather than acquiring new customers. Relationship marketing has emerged from 1980s as a key concept in marketing literature due to realization of attracting a new customer may cost five times high than existing one. So; it has been widely adopted by the organizations in the contemporary marketing world.

Relationship marketing shifts attention from short-term transaction and immediate profits towards a process of creating customer value through building long term relationships with customers.

Relationship marketing's focus is not on immediate sales rather it is directed at building a large group of satisfied and loyal customers. Customer retention and winning back lost customers are the key strategy in relationship marketing. Relationship marketing uses sustained long-term efforts in delivering value to the customers and profit to the firm.

Relationship marketing has aim of building mutually satisfying long-term relation with key parties such as, customers, suppliers, distributors-in order to earn and retain business. In competitive market, it is not enough to build relationship only with customers; it is equally important to establish relationship with vendors, intermediaries and other influence groups. Relationship marketing is adopted by smart marketers who try to build up a long-term trusting win-win relationship with valued customers, distributors, dealers, suppliers and other stakeholders. This approach is directed at building strong economic, technical and social relationship with the parties concerned over a period of time. The objective of relationship marketing is to build a valuable company asset popularly known as marketing network. Today the real competition is not between companies rather it is between marketing network (Koirala K.D-2011).

1.2. Statement of problems.

The main problem of this research is that whether relationship marketing makes consumer brand loyal towards Nepalese Commercial Bank or not. So, in this regards the researcher makes the efforts to examine impact of relationship marketing strategies followed by Nepalese commercial make the customers brand loyal toward them. So, following are the research questions.

- i) What is the impact of relationship marketing on brand loyalty?
- ii) What are strategies of relationship marketing to be followed by different Banks?
- iii) Which one strategies are most preferred for making brand loyal towards Nepalese commercial Banks?
- iv) What are the factors affecting brand loyalty?

1.3. Objectives

The main objective of this research is to analyze whether relationship marketing makes the customer brand loyal towards Nepalese commercial Banks or not. But specific objectives are as follows.

- i) To analyze the impact of relationship marketing on brand loyalty.
- ii) To evaluate strategies of relationship marketing in context of Nepalese commercial Banks.
- iii) To assess the most preferred strategies of relationship marketing in the context of Nepalese commercial Banks.
- iv) To explore the factors affecting brand loyalty towards the Nepalese commercial Banks.

1.4. Hypothesis

H0: There is association between relationship marketing and brand loyalty.

H1: There is no association between relationship marketing and brand loyalty.

H0: There is association between relationship marketing strategies and brand loyalty.

H1: There is no association between relationship marketing strategies and brand loyalty.

H0: There is association between most preferred relationship marketing strategies and brand loyalty.

H1: There is no association between most preferred relationship marketing strategies and brand loyalty.

H0: There is association between factors affecting brand loyalty and loyalty.

H1: There is no association between factors affecting brand loyalty and loyalty.

2. Literature review

2.1 Banking history in Nepal

The first commercial Bank in Nepal, Nepal Bank Ltd. was established in the year 1994 B.S. This is a major milestone in the history of Nepal as the country entered into official financial system. After the nineteen year of establishment of NBL, the Nepal Rastra Bank (NRB) was established in the year 2013 B.S.

Rastriya Banijya Bank and agriculture development ltd were established in the year 2022 and 2024 B.S. respectively. 47 years after the first privately owned commercial bank, Nabil Bank Ltd. was established in the year 2041 B.S. seven more commercial banks were added in a decade after 2041 B.S. only four commercial banks were established from the period of 2051 B.S. to 2063 B.S. Now, in Nepal there are 27 commercial Banks operating in case of Nepal Kumari Bank was the initiator of internet banking. It started its e-banking service in 2002. And soon was accompanied by Laxmi Bank with its mobile (SMS) banking in 2004. <http://www.sharesansar.com>

2.2 Market structure and performance of commercial banks in Nepal

Market structure of commercial banks in Nepal has monopolistic competitions. It is because, each Nepalese commercial bank markets same service product but charges different price for its service products. Among the private commercial banks NABIL Bank leads in as in Nepalese commercial banks industry, where government owned commercial Banks Rastriya Banijya Bank lead the market of banking sector. In Nepal there are 27 commercial banks including government, commercial banks till the 2021.

The history of modern banking practices in Nepal has started after the establishment of Nepal Bank Limited in 1937. Similarly, Nepalese financial system got the new dimension after the establishment of Nepal Rastra Bank as the central bank in the year 1956. With the limitation of financial sector liberalization process during 1980s many joint venture and local private banks entered into the market. Banking industry of Nepal has been characterized by strong competition with continual increase in the number of banks. After the entry of joint venture banks and then mushrooming of Nepalese private banks with the new definition of and approach to banking, the whole banking industry in general and the one-time monopolist government owned banks in particular are under the pressure to continue their competitive position (Thapa, 2010). As the apex body of financial institution, Nepal Rastra Bank (NRB) regulates the activities of financial institution; provide guidelines and suggestions to make

them more competitive and efficient. (Kunwar Krip -2018.)

2.3 Relationship marketing: Impact on Banks customer's satisfaction

Banks are considered as the key vehicle for the economic development of the country. They basically help the mobilization of unproductive capital to the productive area. They aim at providing banking facilities, in all parts of the countries has such rural and semi urban areas as well. The economic development of the country depends up on the succuss of its banking industry and success of the banks largely depends upon trust and satisfaction of its customers. The traditionally banking of India is only limited its transaction with depositing and lending activities. But the modern banking is a business which includes more activities than traditional banking. The major reforms is must is banking industry of India. Because target market of banking sector has become highly competitive, dynamic and fragmented. Hence, there is a need for a shift from transactional marketing strategy to relationship-based marketing strategy in all banks. Ajay Kelkar, co-founder and coo this company has come with the innovative suggestion to shift the marketing from power of brand to power of customers who contribute disproportionately to the company's profit. This strategies focuses on customer retention rather than new customer acquisition.

Over the last few years, the concept of relationship marketing is widely understood both academically and professionally. The goal of relationship marketing is to build strong relationship and to convert indifferent customers into loyal ones through commitment, trust, empathy, power, co-operation, financial bonds, social bonds, rapport etc. In today's business world implementation of relation marketing strategies is need of hour which creates mutual benefits to both the firm and the customers.

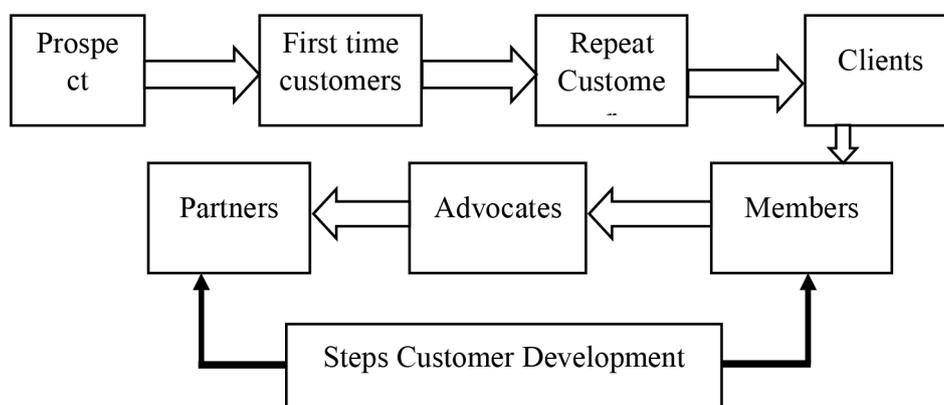
In this study concludes that relationship marketing dimension like quality service, tailored products, communication, trust, commitment, empathy, social bonding, financial bonding, co-operation and technology should be taken into serious consideration by banks to enhance the level of customer satisfaction in turn increases customer loyalty and retention rate. Consequently, both the parties get mutual benefits.

2.4 Concept of Relationship Marketing

Relationship marketing is building long term mutually satisfying relation with customers. It aims to gain and retain their long-term loyalty. The customer is regarded a partner in creating value. It focuses on knowing the customer and delivering high customer value and satisfaction. It is a method to retain customers by building one-to-one relationship. Relationship marketing is a long term partnership between marketer and customer. Both parties collaborate for identifying needs and developing and updating marketing mixes to satisfy needs. It creates customer loyalty to ensure that customers return time and time again. It converts customers into clients. Customer keep buying more and more. Customers are never forgotten. Agrawal Govind-2016 Pg. No. 398

2.5 Customer Development Process and Relationship Marketing

Relationship marketing involves customer development. The customer development process consists of the following stems.



Prospects: people who have interest in the product and ability to pay for it. They are likely to buy the product.

First time customers: prospects who buy a product for the first time. They can be defectors from other brands.

Repeat Customers: first time customers who repeatedly buy the product. They experience satisfaction with first time purchase.

Clients: repeat customers who are treated specially and knowledgeably by the organization. They are loyal and satisfied customers.

Members: clients who join membership program to take advantages of benefits.

Advocates: members who enthusiastically recommend the organization and its products to others.

Partners: advocates and the organization work together actively for mutual benefits for long term. Relationship develops into strategic partnership.

Relationship marketing aims to convert the prospect into partner. It is partnership marketing where organizations and customers work together to discover ways to build mutually satisfy relations. It implies common goals, mutual respect, ongoing trust, cooperation and long-term commitment.

Relationship marketing has been driven by technology especially the internet. Investment in time and money to build customer database is important for relationship marketing. It helps to be in touch with customers. Agrawal Govind-2016 Pg. No. 399.

2.6 Strategies for Relationship Marketing

The following strategies can be used for relationship marketing.

1) Quality Assurance

Markets promise and deliver high quality product at fair prices to customers. This promotes long term loyalty and relationships. Consistence and conformance to quality standard is ensured. Quality customer service is regarded as on obligation. Timeliness is ensured. Customers feel good.

2) Economic Benefits (Financial benefits)

Strong economic ties are built with customer to prevent competition. This can take in the form of:

i) Frequency Marketing programme:

Key customers who buy frequently are given attractive discount and rewards. Generally, 20% of customers account for 80% of the sales.

ii) Club membership:

Club membership is given to customers. Attractive discounts and other benefits are given to the members. Book club present an example.

iii) Gifts

Sending corporate memento, such as pen, clock, and calendar to customer as token of love.

3) Social Benefits

Organizations increase social bonds with customers by:

- i) Individualizing and personalizing customer relationship. They provide social recognition to the customer.
- ii) Organizing customer get together to meet and enjoy each other
- iii) Demonstrating care and concern; Emotional connections are established by sending newsletters, birth day and New Year card.

4) Technical Benefits

Organizations develop technical ties with their key customers. Such ties are mostly technology based. They help the customer to better manage their efforts they can be:

- i) Developing EDI (Electronic Data Interchange) capabilities to help customers manage orders, inventory, and shelves place etc.
- ii) Supplying computer linkages to customers, including software program.
- iii) Launching targeted customer loyalty programs for building customer relations to retain customer's long-term loyalty.
- iv) Pre-empting and preventing customer problems. Agrawal Govinda-2016 Pg. No.400-401

2.7 Relationship Marketing and Customer Loyalty

(Hakins et. Al. 2001) listed five elements of relationship marketing; developing a core service or product around which to build a customer relationship; customizing the relationship to the individual customer, augmenting the core service or product with extra benefits, pricing in a manner to encourage loyalty and marketing to employees that they will perform for customers. The primary goal of relation marketing is to build and maintain a base of committed customers who are profitable for the organization. Relationship marketing recognizes that it is more profitable to retain and grow banking business with existing customers than to create new ones and main objective is to retain existing customer for building customer loyalty by bank it tries to improve customer satisfaction. As a result, it strengthen bonds of bank with customer through adding more value to the core product (The service product quality is improved, supporting services are include into offering and soon.

2.8 Relationship Marketing and Banking

Today's world is one where customers have a lot of product vendors which makes for a very picky customer. This means that customers have an increasing rate of expectation and decreasing level of tolerance. Hence, banking industry traditionally offers product services that are simply commodities. Essentially there are little or no differentiation in products and services banks offer to their customers. However, there is keen competition among the Nepalese commercial banks so it is difficult for them to compete and Nepalese customers are picky or the choice of banks. So, large numbers of banks are going to be merged day by day to dominate in Nepalese commercial banks markets. In this conditions Nepalese commercial banks must embrace the customer relationship marketing strategy and to gain their trust and making them brand loyalty.

2.9 Research Gap

However, research article does not spell out that how picky customers are made brand loyalty towards the Nepalese commercial banks. But this study makes efforts how to make the picky customers brand loyal towards Nepalese commercial banks through relationship marketing strategies.

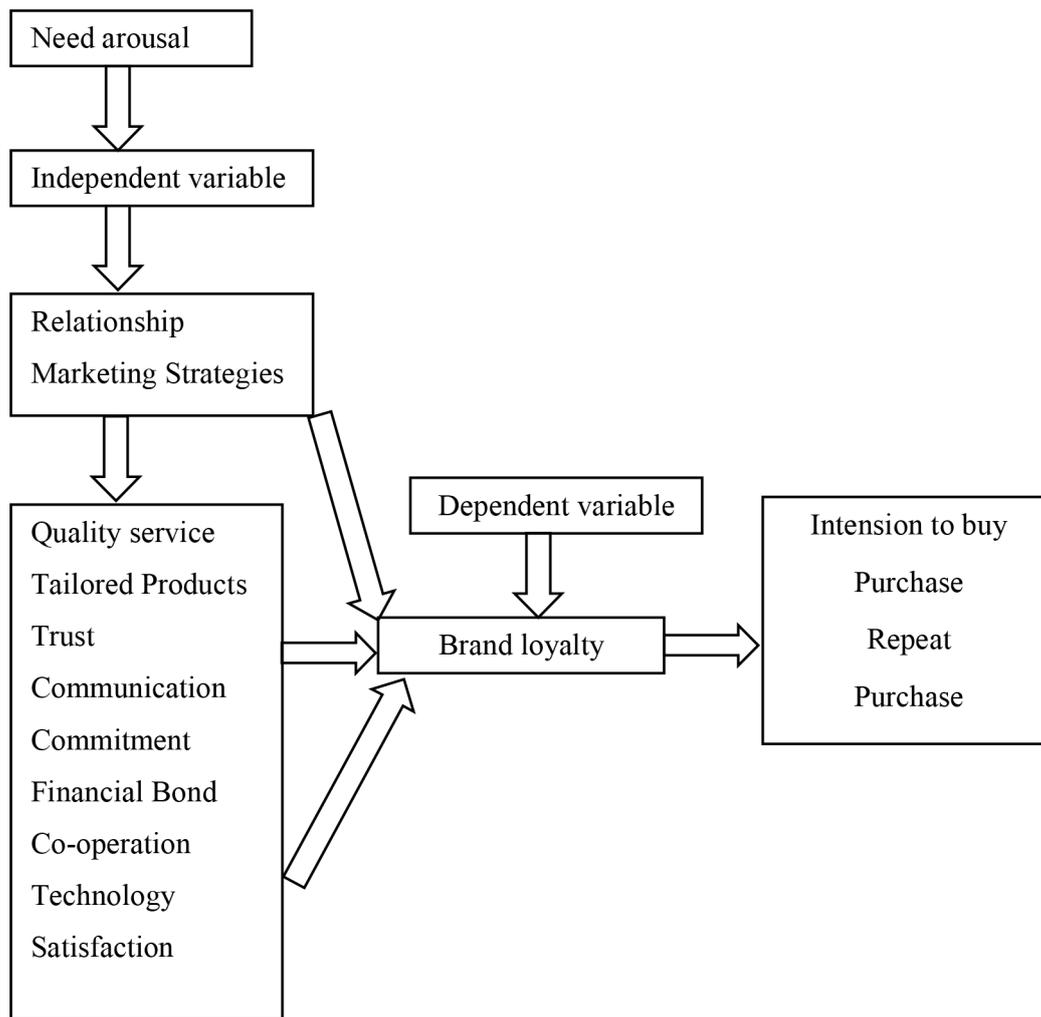
3. Research Methods:

Both qualitative and quantitative research are used and survey research design is used as well. A self-administered questionnaires are used and some are used to examine the impact of relationship marketing for making brand loyal towards Nepalese commercial banks.

Sample size is 200 customers of different commercial banks in Chitwan and among them 102 customers are selected randomly because data are homogeneous in nature. It is noted that 105 questionnaires are distributed but 102 questionnaires are received having filled up. Primary and secondary data are used. The sources of data are primary and secondary. Primary data are collected from questionnaires and secondary data are collected from books, journals, article in google form.

Research design used in this study is both descriptive and quantitative. In this method percentage, pie chart, hypothesis, bar diagram are used for analysis of data through excel software program.

Conceptual Framework



Sources: Chatterjee Doboshree, Kamesh AVS-2019

4. Data Presentation and Analysis

Sample population is comprising of 102 students whose average age is found as 24. 97 where the age is found ranging from 20 years to 35 years. Out of 102 respondents 93 were being selected from master’s degree, 6 were from Bachelor level whereas 3 had not mention their current educational status. Also 63 were students, 36 were engaged in private job and remaining 3 were working on government job.

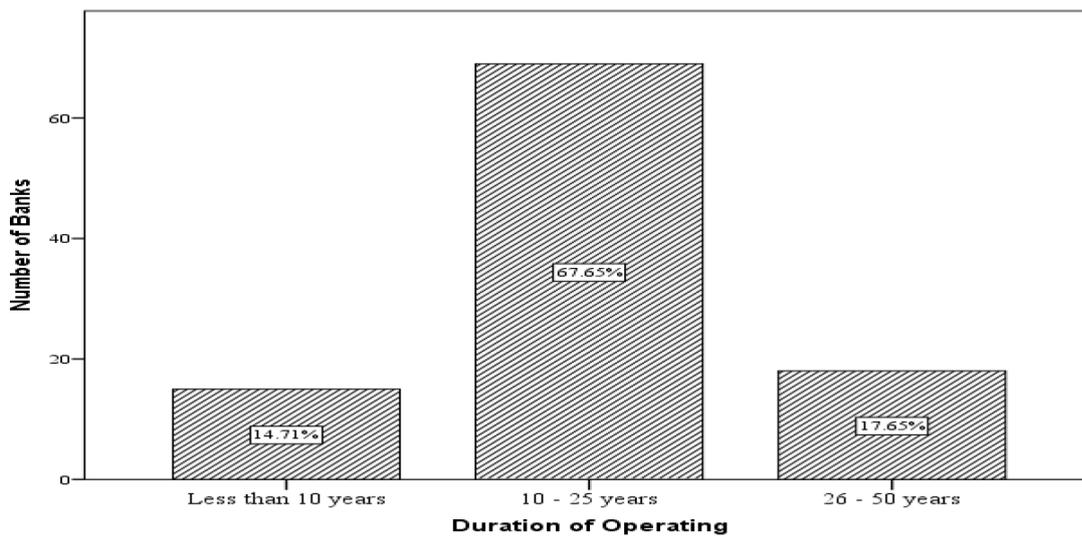
Following is the table of bank on which respondents are transacting most in recent years.

Banks	Frequency	Percent	Rank
Nabil	21	20.6	1
Global IME	18	17.6	2
Banijya	6	5.9	3
BOK	6	5.9	3
Citizen	6	5.9	3
Everest	6	5.9	3
NCC	6	5.9	3

Siddhartha	6	5.9	3
Sunrise	6	5.9	3
Agriculture	3	2.9	4
Investment	3	2.9	4
Mahalaxmi	3	2.9	4
Nepal Bank	3	2.9	4
NIC Asia	3	2.9	4
Prime	3	2.9	4
Sanima	3	2.9	4
Total	102	100	

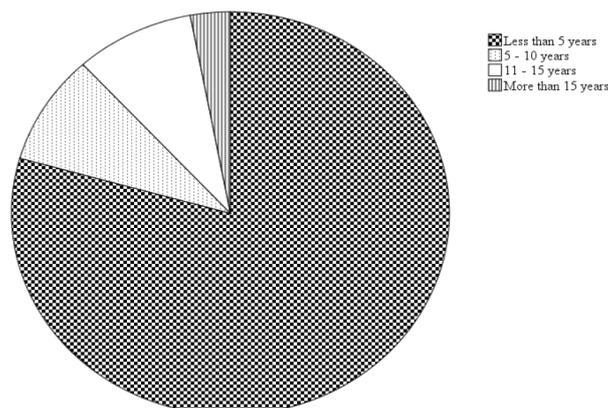
Above table shows that respondents are most loyal towards Nabil Banks, their preference for choosing bank is second for Gopal IME bank and other various banks are categorized in to ascending order.

Ownership structure of Bank



Above shows the knowledge of respondents about the establishment of their currently most transacting bank. This figure shows that as per their knowledge most of the banks have been established in Chitwan by 10 to 20 years ago.

Duration of transaction



Above figure shows the attachments of respondents with banks by years. Most of the respondents are transacting at their current bank by 15 years.

Table indicating nature of transaction and loyalty status of customers

Variable	Categories	Frequency	Percent
Types of Transaction	Deposit	96	94.1
	Loan	3	2.9
	Others	3	2.9
Frequency of Transaction	Regularly	60	58.8
	Occasionally	42	41.2
Loyalty status	Full loyal	75	73.5
	Divided Loyal	18	17.6
	No Loyal	9	8.8

Above table shows that 94.1% of customers take bank service for deposit purpose and 2.9% for loan purpose and 2.9% for other purpose. 59% of customers are transacting with banks regularly and 41% customer occasionally. 74% of customers are full loyal towards bank, 18% divided loyal and 9% no loyal

Table showing relationship marketing strategies of Nepalese commercial banks

Loyalty	frequency	percentage
Tailored product	48	14.2%
Trust	66	19.5%
Satisfaction	57	16.8%
Quality	57	16.8%
Fast Service	57	16.8%
Good Relation	54	15.9%

Above table indicates that 20% of customers are in favor of building trust of bank with the customer strategy of bank and 17% of customer are in favor of satisfaction, quality and fast service strategies respectively. And 16% of customers are in favor of good relation with bank and 14% are in favor of tailored product strategies.

Table indicating most preferred banks' strategy of bank by customer

loyalty	Number of Persons	Percent
Quality	54	12.8%
Price	54	12.8%
Helpful Employees	66	15.6%
Good Relation	72	17.0%
Fast Service	60	14.2%
Trust	54	12.8%
Satisfaction	63	14.9%

Above table shows that 17% of customers preferred towards good relation of bank with customer, 16% preferred

towards helpful employees, 15% of customer preferred satisfaction, 14% of customer preferred fast service and 13% of customer preferred quality, price, trust of customer with bank respectively.

Table showing factors affecting brand loyalty

Factors affecting loyalty	Number of Persons	percentage
Quality Service having cheap price	60	19.0%
Good relation with the bank	63	20.0%
Trust with the bank	66	21.0%
providing you satisfaction	72	22.9%
All of above	54	17.1%

Above table clarifies that 23% of customer viewed that providing satisfaction by banks to customer is main factor of making them brand loyal towards bank. And 21% of customer trust of customer with bank, 20% of customer good relation of customer with bank and 19% of customer viewed, that banks' quality of service having cheap price are factors of making them brand loyal towards banks.

5. Major findings

- i) 1st rank commercial bank is Nabil bank and 2nd rank commercial bank is Global bank.
- ii) most of the commercial banks were established in Chitwan 10 to 20 years ago.
- iii) 94% of customers take the banking service for deposit purpose and 59% of customer transact with bank regular and 74% of customers are full loyal towards Nabil bank and Global bank IME respectively.
- iv) 20% of customer are in favor of building trust with bank strategy.
- v) most of customers i.e. 17% of customer preferred towards good relation of bank with customers strategy.
- vi) most of the customers i.e. 23% of customer viewed that providing satisfaction to customer by bank is main factor making them brand loyal.

6. Conclusions

Actually, relationship marketing has a great impact on brand loyalty towards commercial banks in Chitwan. So due to the good customer relation and trust of customer towards Nabil bank and Global IME Chitwan customer are full loyal towards these banks.

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