

Relationship Marketing: Tools for Ensuring Return on Equity

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Abstract

Introduction: Relationship Marketing helps to create the long term relationship between customer and banking institution providing the satisfying experience in banking services. It also helps to drive the banking excellence to the next level. It also helps to relieve the banking stigma of beating fellow competitors in similar field. Relationship marketing can provide the positive vibe in the mean time of crisis as contemporary world is in seek of forwarding the feet into peculiar pat of economic growth. Bank in mean time has to create positive financial vibe in society which can be done through fulfillment of corporate social responsibility.

Purpose: The main purpose of this research paper is to find out how relationship marketing ensures returns on equity.

Design: The researcher wants to prove the points through numeric justification. Researcher has designed self-structured questionnaire for collecting primary data. For making research more centric towards research question researcher has presented his ideas through data. Therefore, researcher has adopted quantitative research design for this research.

Findings: Bank conducts its financial activities in society thus bonding between society and bank is inevitable. In this regard, Relationship Marketing provides the path for ensuring equity value. In the research, researcher tested the relationship among several hypotheses through statistical analysis facts. The research reveals significant relationship marketing as major aspect of ensuring returns on equity.

Originality/Value: Self designed questionnaire and field survey has make research more native. Besides that, there are limited works carried on in the field of relationship marketing making research precisely unique. To provide more accuracy and ease for understanding, researcher has presented the research works through various well defined statistical chat adding value to research work.

Implication: Researcher is convinced that this research work will provide new arena of study for upcoming researcher. Likewise, statistical justifications in research can help policy maker to rigorously understand relationship marketing and create new strategies for equity magnification. Likewise, research is helpful for academician to understand current trend of marketing prevailing around the world.

Keywords: Relationship Marketing, Return on Equity, Equity Value, Corporate Image

1. Introduction

Relationship Marketing (RM) refers coordinating, cooperating and enriching relationships with customers and other associates for ensuring profitability so that the targets of the stakeholders are achieved in scheduled time. Relationship marketing deals with the relationship between the customer expectation and the corporate services. It provides the ideas regarding customer loyalty in banking institution and develops the phenomenon of going concern process in banking industry. It creates chain of customer's repetitive visit and ensures the profitability of banking institutions. Relationship Management (CRM) with a hybrid of marketing relationship programs that range from relation to outsourcing market exchange and customer interactions (Sheth, Parvatiyar, & Sinha, 2015).

2. Statement of the problem

Marketing trends of contemporary world increases importance of building customer loyalty instead of attracting and seducing new customers. In light of such potential change, the changing dynamics in the financial services sector the uphill task of retaining key value customers, acquiring new customers, building their confidence and maintaining a robust financial performance as became essence (Haque & Wani, 2015).

The pressure to create revenue is addressed as the concern in banking sector. This pressure has leads to employee retention and has created buzz of disrupting customer relations (Chalise, 2019). This can also be solved through some proper strategies. Thus, is relationship marketing a strategies for tackling such problem is crucial question of contemporary context of global pandemic where economies has been shuttered all around.

Relationship marketing can shed light on such crucial problem has been the topic of hot discussion on banks throughout Nepal. Beyond these primal issues, this study also wants to know about the corporate image related concern of banking sector. Since, time and again banking sector are facing the problem of monetary policy change by NRB which create the topic of discussion on importance of corporate image (Chakiso, 2015). To find answers of such question, this study peep through the in-depth study about the contribution of relationship marketing in attaining and retaining customers in the commercial banks in Nepal. From above statement following research question can be drawn:

- Does relationship marketing contribute to attaining and retaining customers in the Nepalese bank?
- Does increased pressure to increase revenue or profits lead to the banks adopting relationship marketing strategies?
- Does relationship marketing lead to improved corporate image?

3. Objective of the research

The objective of the study is as follows

- To identify the role of relationship marketing on attaining and retaining customers in the Nepalese bank.
- To find the relationship between increased pressure to increase revenue and relationship marketing strategies.

- To examine the role of relationship marketing to improved corporate image.

4. Research hypothesis

The hypothesis of the study is listed below:

H₁: There is significance relationship between pressure to increase revenue and relationship marketing.

H₂: There is significance relationship between corporate image and relationship marketing.

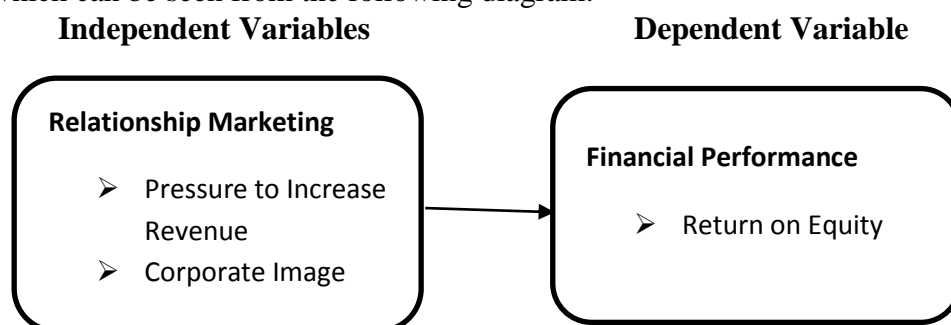
H₃: There is significance relationship between relationship marketing and Return on Equity (ROE).

5. Review of Literature

Madan, Agrawal and Matta (2015) on their paper explores the kind of relationship marketing strategies that the banks are pursuing in today's high competitive environment and what is the effect of these strategies on service quality as perceived by the customers on a comparative basis the private sector banks gave a positive result in relation management of demand and supply, customer complaints, customer retention and customizing relationships. This is because public sector banks have not yet forayed into the world of home banking; internal banking and only recently they have attracted using ATM network. In private banks innovative electronic banking has already replaced the traditional banking system. Khadka and Maharjan (2017) made the purpose of the study was to highlights the reasons for the lack of success of the current crop of CRM tools and review the strengths and weaknesses for the current approaches to CRM. The studies stressed on the point customer needs are dynamic, and there should be new methods to capture them. This means, new dimensions have to be added to the set of IT based CRM tools. A mix of quantities and qualities inputs will provide an insight into the requirements of customers. Computers and packages are only tools. The organization should decide the purpose and make use of a mix of CRM tools. Relationship Marketing as a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than acquiring new ones (Chakiso, 2015).Campbell (2017) addresses the conceptual and measurement issues related to the study of relationship marketing orientation (RMO).

6. Research Framework

To implement the study, following dependent and independent variables are shown in the theoretical framework. The independent variable and financial performance is the dependent variable. These two variables have been chosen to see the relationship between these variables which can be seen from the following diagram:



Source: Palmatier, Robert & Steinhoff, Lena(2019)

This research consists of two variables. Relationship marketing is independent variable and financial performance is dependent variables. The relationship marketing consists of two component pressure to increase revenue and corporate image (Chirica, 2015). Likewise, financial performance is measured through return on equity. The equity is the concern of all investor since it attracts the attention towards organization (Haque & Wani, 2015). Hence, ROE is addressed as factors for ensuring organizational performance.

7. Research Methodology

Research Methodology chapter of a research describes research methods, approaches and designs in detail highlighting those used throughout the study, justifying my choice through describing advantages and disadvantages of each approach and design taking into account their practical applicability to our research. Research methodology is a science of studying and solving research problem. Quantitative research is social research that employs empirical methods and empirical statements. It adopts a scientific approach and focuses on measurement and proof. It is based on the premise that something is meaningful only if it is observed and counted. It refers to the systematic empirical investigation of social phenomena via statistical, mathematical or computational techniques.

8. Population and Sample

The objective of quantitative research is to develop and employ mathematical models, theories and hypothesis. 27 'A' graded commercial banks are selected for the research work out of which 150 respondent's data are calculated through SPSS software. This sample comprises of 20% of the total population of private commercial banks in Nepal. Convenience sampling method is use in this study. Questionnaire were distributed to 150 respondents, all were a minimum of 4 years working tenure in the bank working at either corporate or branch offices located inside Kathmandu Valley.

9. Result and Discussion

9.1.Descriptive Statistics

Descriptive analysis of data measures mean, median, mode and a measure of variability. To analyze this statistical analysis five point Likert scale questions were used to measure the perception where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

Table 9.1. Pressure to increase revenue

Statement	n	Minimum	Maximum	Mean	Std. Deviation
PIR1	150	1	5	3.293	1.033
PIR2	150	1	5	3.453	0.917
PIR3	150	1	5	3.233	0.951

PIR4	150	1	5	3.553	0.952
Average	150	1	5	3.383	0.963

Where,

PIR1 = Increase name recognition and awareness

PIR2 = The bank uses marketing communication tools e.g. advertising, sales promotions, tradeshows etc. to create of product awareness

PIR3 = The bank uses public relations and media relations as a means of reaching out to its publics

PIR4 = The bank engages community involvement and development as away to reach out to its clients.

Table 9.1, shows that the average-mean for the pressure to increase revenue is 3.383. That means we can conclude that the average respondents agrees that the pressure to increase revenue programs held by their Bank. Out of all factors, the highest rated sub-factor was PIR4 with 3.553. That means the respondents agreed that the bank engages community involvement and development as a way to reach out to its clients.

Table 9.2. Corporate image

Statement	n	Minimum	Maximum	Mean	Std. Deviation
CI1	150	1	5	2.787	0.887
CI2	150	1	5	2.700	0.961
CI3	150	1	5	2.940	1.025
CI4	150	1	5	2.733	1.041
Average	150	1	5	2.790	0.978

Where,

CI1 = Effective Communication

CI2 = The bank has well laid out procedures for handling to customer complaints e.g. a Customer Care Department

CI3 = The bank has a comprehensive marketing data base and information management system for data collection which enables collection of customers bio data

CI4 = The bank has a website where clients can get comprehensive information on the bank and its products.

From Table 9.2. researcher can see that the highest mean is 2.940 at CI3 from which we can understand that bank has a comprehensive marketing data base and information management system for data collection which enables collection of customers bio data are highly done during in corporate image. Similarly, the average mean is 2.790 from which we can conclude that the respondent stayed neutral during corporate image.

Table 9.3. Regression Analysis

	Beta	t-value	p-value	VIF
(Constant)		3.826	.031	
RM	-.871	-3.065	.055	1.000
R-square	0.758			
Adjusted R-square	0.677			
F	9.397			
p-value	0.0055			

Table 9.3. determines relationship marketing explains variability in the outcome that is ROE. Linear regression was used to explore the impact of independent variables. $\hat{Y} = -0.871X_1$

Where,

\hat{Y} = ROE (Dependent variable)

X_1 = Relationship Marketing (RM)

The regression coefficient of RM in regression coefficient analysis is -0.871. That means one unit increase in Relationship Marketing will decrease ROE by 0.871 units. The corresponding p-value is 0.0055 which is less than alpha 0.05. Therefore, we can conclude that there is significant relationship between relationship marketing with Bank's financial performance ROE. Moreover, the value of R-square value as evident from Table 9.3. is 0.758 which means 75.8% variation in ROE is explained by relationship marketing. Similarly, adjusted R-square is 0.677 which means 67.7% variation in ROE is explained by productivity. This shows best relationship between all variables of relationship marketing and ROE.

Table 9.4. Summary of hypothesis

Hypothesis	P-value	Remarks
H₀₁: There is significance relationship between pressure to increase revenue and relationship marketing.	0.000	Accepted
H₀₂: There is significance relationship between corporate image and relationship marketing.	0.000	Accepted
H₀₃: There is significance relationship between relationship marketing and Return on Equity (ROE).	0.0055	Accepted

10. Conclusion and Implication

The researcher has found that there is significance relationship between pressure to increase revenue and relationship marketing is accepted. As the primal aspect of profitability is to provide customer value hence pressure to increase revenue is associated with relationship marketing (Kanagal, 2009). Likewise, the hypothesis stating significance relationship between corporate image and relationship marketing is also accepted. Since, relationship marketing is associated with ensuring returns rather than branding corporate image (Chauhan, 2019). Hence, second hypothesis is accepted. Similar, results has been occurred on prior research conducted in America (Czarniewski, 2014). As relationship marketing is all about developing ideas and creating profitability, it mitigates pressure of revenue generation (Chakiso, 2015). However, this research clearly indicates that relationship marketing helps in enhancing return on equity (ROE). So, bank has to maintain focus on return on equity in future too

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