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**Relationship Marketing and Customer Loyalty: Experience from Banking Industry of Bangladesh**

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**Abstract:** The study aims to investigate the impact of Relationship Marketing practices on customer loyalty of bank customers in Bangladesh. The researchers have used loyalty as the dependent variable and the five variables of Relationship Marketing; namely, trust, commitment, conflict handling, communication and commitment as the independent variables. The data collection has been carried out through structured questionnaires. Then the effect of customer loyalty on Positive Word of Mouth communication and customer retention has been analyzed. The effect of demographic characteristics of the respondents on Relationship Marketing- Customer Loyalty has been analyzed by the researchers. Results show that Relationship Marketing practices have significant impact on customer loyalty and there is significant impact of level of education of the respondents on Relationship Marketing – Customer loyalty relationship. The results also show that customer loyalty has significant positive association with customer retention and Positive Word of Mouth Advertisements.

**Keywords:** *Relationship Marketing, Customer Loyalty, Banking Industry, Bangladesh.*

### **Introduction**

In this era of intense competition, it has become so much challenging for the firms to survive and stay ahead of competition. To achieve sustainable competitive advantage and build strong and loyal customer base companies are utilizing Relationship Marketing practices. Relationship Marketing is all marketing activities performed in order to create, extend, and sustain successful relationships (Mishra and Liy, 2008). Relationship Marketing aims to provide unique services to build long term relationship with the customers and this emphasizes to keep the current customers than to acquiring new customers. Previous studies have showed that it is highly profitable to serve one loyal customer than to attract and serve a new customer. The studies also confirmed that by reducing the defection rate of customers the companies can increase their profitability toward a highly desired level (Ndubisi, 2003; Kim and Cha, 2002). Relationship Marketing strategy, apart from its ability to help understand customers needs, can also lead to customer loyalty and cost reduction (Ndubisi, 2004). Berry (1983) suggested that Relationship Marketing can secure customer loyalty which can assist to attain higher competitiveness and enhanced customer satisfaction. Anderson and Zeithamal (1984) stated that service companies can obtain incredible benefits from loyal customers. Relationship Marketing has been considered as a crucial strategy for the financial service industry especially for banking sector due to increased acquisition cost of new customers, increased customer expectations and high rate of customer defections ((Ndubisi, 2003; Rosenberg and Czepiel, 1983).

Since 1972, the banking sector has been playing a commendable role in achieving the economic growth of Bangladesh (Sarkar and Saha, 2011). The denationalization and privatization in 1983 (Sarkar and Saha, 2011), globalization and technological development have increased the level

of competition in banking sector. At present, there are 56 listed banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991 (Bangladesh Bank, 2014). Previous studies have demonstrated the positive impact of Relationship Marketing orientations, underpinnings and practices on customer loyalty of banking industry from the context of various developed and developing countries (Taleghani et al., 2003; Alrubaeei and Nazer, 2010; Seyyednejad et al., 2013; Anabila et al., 2012). Unexpectedly, however, there is a shortage of study on the impact of Relationship Marketing practices on bank customer's loyalty in Bangladeshi context. Hence, the current paper attempted to fill the gap in the literature by explore the impact of Relationship Marketing practices on customer loyalty from the perspective of banking industry in Bangladesh. The study aims to investigate the following research questions: What is the impact of Relationship Marketing on Customer Loyalty of Banking Industry in Bangladesh? What is the impact of Customer Loyalty on Customer Retention and Positive Word of Mouth Communication? How Demographic characteristics affect on Relationship Marketing- Customer Loyalty relationship?

### **Literature Review**

An organization engaged in proactively creating, developing, and maintaining committed, interactive, and profitable exchanges with selected customers (partners) over time is engaged in Relationship Marketing" (Sin et al., 2005). Groenroos (1994) states that Relationship Marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfillment of promises. Kotler and Armstrong's definition of Relationship Marketing is noteworthy: "Relationship Marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. Relationship Marketing is orientated to the long term. The goal is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction." (Murphy et al., 2005). Relationship Marketing is about retaining customers by improving communications, customer data collection and customer service quality (Patsioura et al., 2009). In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior. Scholars have identified different orientations of Relationship Marketing such as trust (Macintosh and Lockshin, 1997), commitment (Morgan and Hunt, 1994), competence (Smith and Barclay, 1997), equity (Kavali et al., 1999), conflict handling (Ndubisi and Madu, 2009), communication or sharing of secrets (Morgan and Hunt, 1994; Ndubisi and Wah, 2005), Benevolence (Ndubisi and Wah, 2005), shared values, bonding, and reciprocity, (Morgan and Hunt, 1994; Wilson, 1995), satisfaction (Alrubaeei and Nazer, 2010).

#### **Relationship Marketing Variables:**

##### **Trust**

Trust, which exists when one party has confidence in an exchange partner's reliability and integrity, is a central component in all relational exchanges (Morgan and Hunt, 1994). Trust is also defined as one party's belief that its needs has been fulfilled in the future by actions undertaken by the other party (Anderson and Weitz, 1989). Trust is the willingness to rely on an exchange partner in whom another has confidence (Hadjikhani and Thilenius, 2005).

##### **Commitment**

Hocutt (1998) views commitment as "an intention to continue a course of action or activity or the desire to maintain a relationship". Commitment refers to an implicit or explicit pledge of the continuity of a relationship between exchange partners (Dwyer et al., 1987). Another strong definition of commitment emphasizes on the willingness to rely on an exchange partner on whom another has confidence (Hadjikhani and Thilenius, 2005).

### **Conflict handling**

Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. The conflict management strategies aim to minimize negative outcomes and maximize positive consequences. (Sohail, 2012).

### **Communication**

Communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers (Sin et al., 2002). Communication in Relationship Marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. (Ndubisi, 2007).

### **Bonding**

Bonding is defined as the dimension of business relationship that results in two parties (buyer and seller) acting in a unified manner toward a desired goal (Callaghan et al., 1995). According to Wilson (1995), bonding can be classified into two categories: social bond and structural bond. Social bond has a number of dimensions including social interaction, closeness, and friendship and performance satisfaction.

### **Loyalty**

A comprehensive definition of bank loyalty views the construct as “the biased (i.e. non random) behavioral response (i.e. revisit), expressed over time, by some decision-making unit with respect to one bank out of a set of banks, which is a function of psychological (decision-making and evaluative) process resulting in brand commitment” (Bloemer et al., 1998). Oliver (1999) considered loyalty as a deeply held commitment to rebuy or repurchase a preferred product/service consistently in the future, thereby causing repetitive, same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

### **Relationship Marketing and Customer Loyalty**

Rusanti and Lestari (2016) showed that relationship marketing which consists of competence component, communication, and conflict handling have significant positive influence towards loyalty of bank customers. Ali (2016) showed that Relationship marketing variables such as Trust, Communication, Bonding and Empathy have significant positive correlation with loyalty in banking industry. Gaurav (2016) showed that four constructs of relationship marketing viz. Customer Centricity, Commitment, Trust and Communication contribute significantly to customer loyalty and predict substantial percentage of the variation in customer loyalty in Indian Automobile industry. Chakiso (2015) showed in a study that trust, communication and commitment can significantly predict loyalty of bank customers. The study has been conducted on 200 customers of Zemen bank.

### **Outcomes of Customer Loyalty**

Sadik (2012) states two important outcomes of customer loyalty which are customer retention and positive Word of Mouth communication.

### **Customer Retention**

Customer retention (CR) is concerned with maintaining the business relationship established between a supplier and a customer (Gerpott et al., 2001). Hettiarachchy and Samarasinghe (2016) stated that relationship marketing practices can significantly predict customer retention. An important statement which has to be remarked is the distinction between customer loyalty and customer retention. Customer loyalty can be defined both in terms of customer behavior, which has been synonymous with customer retention, and in terms of customer attitudes. (Filip and Constantinescu, 2007). A growing body of literature suggests that customer loyalty has positive impact on client retention (Sin *et al.*, 2002). Therefore, we can propose the following hypotheses:

## Word of Mouth of Communication (WOM)

Word-of-mouth marketing means the interaction of consumers and users that serve as original marketing message (Thomas Jr, 2006). Srinivasan et al. (2002) states that Positive Word of Mouth communication is a direct outcome of customer loyalty.

The above discussion showed that various studies have investigated the impact of relationship marketing on customer loyalty. Moreover, several studies have examined the impact of loyalty on customer retention and word of mouth advertisements. However, still now there is no study has been conducted to investigate the impact of relationship marketing on customer loyalty from the perspective of banking industry of Bangladesh.

## Objectives of the Study

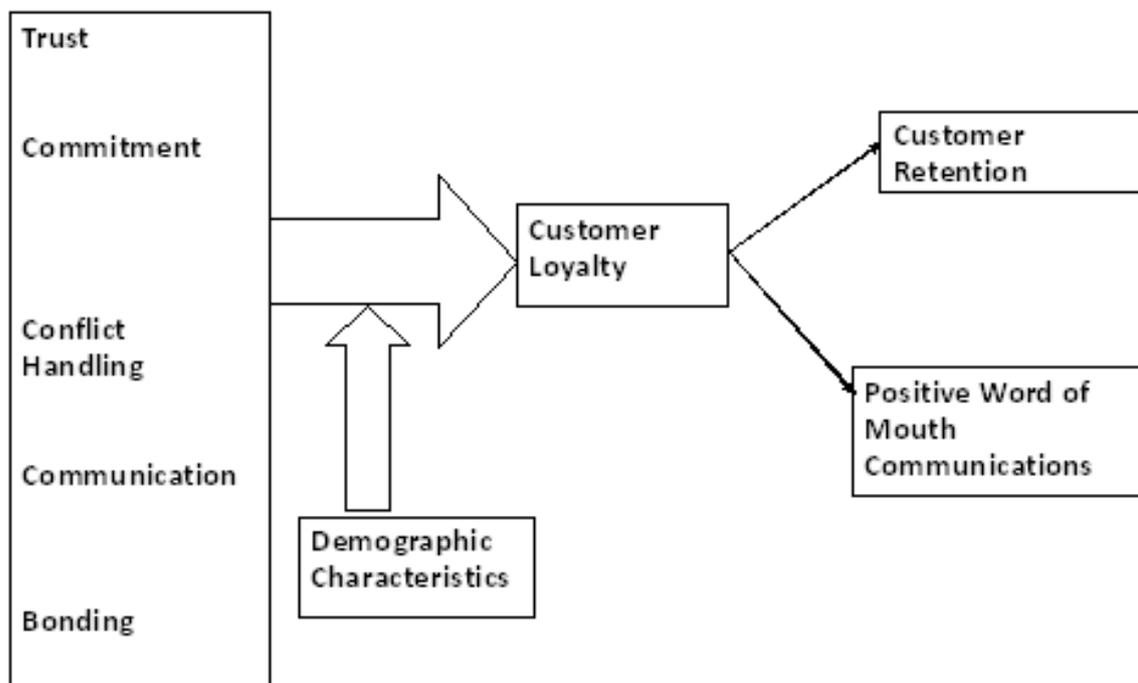
**Broad Objective:** The broad objective of the study is to analyze the Impact of Relationship Marketing on Customer loyalty in Banking Industry of Bangladesh.

**Specific Objectives:** The specific objectives of the study are as follows

1. To determine the impact of Relationship Marketing orientations on customer loyalty of Bank customers.
2. To investigate the impact of Demographic Characteristics of the respondents on Relationship Marketing- Customer Loyalty relationship.
3. To identify the relationship between customer loyalty and customer retention.
4. To identify the relationship between customer loyalty and positive-word-of mouth communication.

## Conceptual Framework

Figure 1: Conceptual framework



The conceptual framework presented in figure 1 summarizes the relationship between dependent and independent variables that are used as the fundamental basis for the study. The researcher has used the customer loyalty as the dependent variable and the five Relationship Marketing orientations as the independent variables. To find out the relationship between customer loyalty and loyalty outcomes customer loyalty has been used as independent variables. The impact of Demographic characteristics on Relationship Marketing – Customer

loyalty relationship has been analyzed. The conceptual framework also shows the hypothesized relationships between the constructs.

### **Hypotheses of the Study**

Keeping in mind the objectives of the study and the proposed conceptual framework the researchers have developed the following hypotheses.

H1: Relationship Marketing has significant positive effect on customer loyalty.

H2: Demographic characteristics of the respondents have significant mediating effect on Relationship Marketing- Customer Loyalty Relationship.

H3: Customer loyalty has significant positive effect on positive Word of Mouth communication.

H4: Customer loyalty has significant positive effect on customer retention.

### **Methodology**

The research philosophy of this study is based on positivism. The study has developed hypotheses from previous studies and then tests those hypotheses through empirical testing. This study is exploratory and quantitative in nature aiming to identify the relationship of Relationship Marketing practices and customer loyalty. The research will also try to show the relationship between loyalty and two important outcomes of customer loyalty which are customer retention and positive Word of Mouth communication.

#### **Selection of Sample and Data Collection:**

The study is empirical and based on the primary data. The data has been collected from EMBA students of a private university which is situated in Dhaka and from bank customers from three branches of private commercial banks which are situated in Mirpur Area, Dhaka. The data collection has been carried out on a sample of 155 respondents, through distribution of structured questionnaires from March 15, 2017 to April 15, 2017 (one month). The respondents of the study have been chosen through simple random sampling. All of the respondents who have participated in the study have at least one bank account. A group of BBA students was given proper instructions and has been sent to the EMBA students. A total of 117 EMBA students have participated as respondents of the study. About thirty eight bank customers of three private commercial bank's branches have participated as respondents in the study. The questionnaires have been distributed to those respondents through bank employees who have also been instructed regarding the survey. The questionnaire has been compiled in such a way that extensive information can be collected on the demographic characteristics of the respondents. The questionnaire also contained abundant items regarding customers' views on bank Relationship Marketing orientation, customer loyalty, customer's retention and Word of Mouth communication.

#### **Method of Data Analysis**

The statistical package SPSS (version 17.0) has been used for data analysis. First, factor analysis has been performed to extract the underlying factor of Relationship Marketing; second, Multiple regression analysis has been performed to understand the Relationship Marketing-customer loyalty relationship; third, Bivariate regression analysis has been performed to understand the relationship between customer loyalty and outcome of loyalty which are customer retention and positive Word of Mouth advertising; fourth, Multiple regression analysis has been performed to understand the mediating impact of demographic characteristics on Relationship Marketing- Customer Loyalty relationships.

#### **Scale and Measurement**

As discussed in the above section, we have considered Relationship Marketing orientation to be a multidimensional construct consisting of five behavioral components: trust, commitment, communications, bonding and conflict handling. Each of the components has been measured

reliably with a multi-item scale. The researcher has measured Relationship Marketing orientations and customer loyalty by utilizing five point likert scale (1 = strongly disagree” and 5 = strongly agree. To measure the customer retention and positive Word of Mouth the researcher used single item with a 5 point likert scale. The researcher has adapted questionnaire items from previous research works to suit the need of current research. The questionnaire items to measure relationship marketing orientations and customer loyalty have been adopted from Alrubaiee and Nazer (2010), Sin et al. (2006) and Ndubisi (2007).

## Analysis of Data

### Demographic Profile of the Respondents

Table 1 shows the demographic characteristics of the sample. This study focuses on three demographic variables: Educational qualification, Gender and Age. As shown in Table 1, among the 155 respondents 82.6%% were male and 17.4% were female. More than 45.8 percent of the respondents are aged between 20 to 25 years, 16.1 percent of the respondents are aged between 26 to 30 years, and 20.6% percent of the respondents are aged above 40 years. About 56.1 percent of the respondents are graduates and 19.4% of the respondents have masters’ degree.

*Table 1: Demographic Profile of the Respondents*

Variable	Frequency	Percent
<b>Educational qualification</b>		
Below SSC	7	4.5
S.S.C	10	6.5
H.S.C	21	13.5
Graduate	87	56.1
Masters or More	30	19.4
Total	155	100.0
<b>Age</b>		
20-25	71	45.8
26-30	25	16.1
31-35	20	12.9
36-40	7	4.5
Above 40	32	20.6
Total	155	100.0
<b>Gender</b>		
Male	128	82.6
Female	27	17.4
Total	155	100.0
<b>Types of Bank</b>		
Public bank	17	11.0
Private bank	138	89.0
Total	155	100.0

### Measuring Scale Reliability and Validity

To measure the reliability of the scale, at first the researchers have conducted analysis of correlation between initial scale items. The correlation analysis shows many high correlations. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was 0.770 (comfortably above the 0.60 benchmark) and the Bartlett's test of sphericity was significant at  $p < 0.001$ .

At the next step the researchers have conducted exploratory factor analysis to initially assess the psychometric properties of the scale. Factor analysis was used to allow the grouping of variables and simplify data for possible interpretation. The exploratory factoring was based upon a principal components analysis. The extraction method was Varimax rotation with

Kaiser Normalization. Table 2 shows the result of factor analysis which indicates that most of the items of Relationship Marketing orientation load heavily on their primary variables. These primary variables have been used as independent variables in regression analysis.

A reliability analysis was conducted on the summated scale of these constructs using reliability coefficients. The internal consistency was assessed by means of the Cronbach's alpha coefficient. Table 2 shows the reliability coefficient of all the five components: bonding (0.677), trust (0.709), communications (0.698), conflict handling (0.734) and commitment (0.798). Therefore, these reliability estimates are in the range of 0.6 to 0.8 which are acceptable (Hair et al., 1998). These Cronbach alpha's indicate that the scales used in the questionnaire satisfactorily measured the constructs and it is reliable for measuring Relationship Marketing variables.

*Table 2: Reliability and Validity of the Questionnaire Items*

	<b>Factor Loadings</b>	<b>Variance Explained</b>	<b>Cranach's Alpha</b>
<b>Factor 1 : Trust</b>		12.96	0.719
My bank is reliable for providing better service	.856		
My bank has good reputation	.689		
My bank has high integrity	.519		
<b>Factor 2: Bonding</b>		12.21	0.617
The employees of my bank show respect to me	.475		
My bank tries to understand my need.	.775		
The employees of my bank try to provide best service to me.	.713		
<b>Factor 3 : Communication</b>		11.454	0.618
The staffs of my bank communicate in a friendly manner.	.489		
My Bank communicates frequently with me.	.780		
Bank provides important information	.786		
<b>Factor 4 : Commitment</b>		12.160	0.728
My relationship with my bank is important for me.	.848		
I will give maximum effort to maintain relationship with my bank.	.904		
<b>Factor 5 : Conflict Handling</b>		12.463	0.744
My bank tries to avoid conflict with me.	.464		
My bank discusses solution openly when conflict arises with me.	.842		
If any conflict arises with me and My bank than my bank shows sincere interest to solve conflicts.	.818		
<b>Factor 6 : Customer Loyalty</b>			0.790
If I need any kind of banking service (exp: opening a deposit account, taking loan) than I will consider my bank as first choice.	.660		
I want to maintain relationship with my bank.	.871		
I am loyal to my bank.	.816		

Table 3: Descriptive Statistics

	Mean	Std. Deviation	N
Trust	4.0065	.69783	155
Bonding	3.5677	.66469	155
Communication	3.2065	.88050	155
Commitment	4.0065	.76444	155
Conflict Handling	3.5613	.79023	155
Loyalty	3.9161	.75554	155

A mean of approximately 4 was obtained for Trust, Bonding, Communication, Conflict Handling and Commitment (table 3). This suggests that on the average, the respondents “agree” that these constructs are factored in the Relationship Marketing practices of the banks. The least standard deviation of 0.66469 was obtained for bonding which indicates that the respondents (irrespective of the bank) have the most related views about Bonding as a construct of Relationship Marketing practice. The highest standard deviation of 0.88 was obtained for ‘communication’ which implies that the respondents have more varied views with regarding the issue of ‘communication.’ Comparatively, the banks pay the biggest attention to trust in their Relationship marketing (RM) practice. This is followed by conflict handling, communication, commitment, competence and bonding respectively.

Table 4 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.571 <sup>a</sup>	.326	.303	.63071	1.730

Table 5 : ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	28.638	5	5.728	14.399	.000 <sup>a</sup>
Residual	59.271	149	.398		
Total	87.910	154			
a. Predictors: (Constant)	Conflict Handling, Conflict Handling, Trust, Commitment, Bonding, Communication				
b. Dependent Variable:	Loyalty				

Table 6: Coefficient table

Model	Unstandardized Coefficients		Standardized Coefficients	t value	Sig
	B	Std. Error			
(Constant)	1.354	.432		3.136	.000
Trust	.481	.086	.444	5.577	.015
Bonding	.237	.096	.209	2.461	.549
Communication	-.044	.074	-.052	-.601	.606
Commitment	-.037	.071	-.037	-.517	.004
Conflict Handling	.322	.081	.223	.267	.002
a. Dependent Variable	Customer Loyalty				

### Test of Hypothesis 1:

Hypothesis 1 states **that there is a significant positive effect of Relationship Marketing practices on Customer Loyalty.** The regression model was used to determine how the five Relationship Marketing variables impact on customers’ loyalty in banking industry of Bangladesh. The results showed that there is a significant relationship between Relationship Marketing and customer loyalty (F= 14.399, p<0.05). This implies that Trust, communication,

conflict handling, commitment and bonding jointly determine customer loyalty in banking industry of Bangladesh.

An R-Square of 0.326 was obtained indicating that all five Relationship Marketing variables jointly determine 32.6 % of customer loyalty.

An attempt has been made to estimate how the individual variables contribute to customer loyalty. Table 6 revealed that only three out five relationships marketing dimensions (bonding, trust, conflict handling) shows positive and significant association with customer loyalty. This means Bonding, Trust and conflict handling are the major determinants of customer loyalty in the banking industry of Bangladesh. From these three variables ‘Trust’ is found to be the most dominant relational dimension in determining the variation in customer loyalty.

On the other hand communication and commitment are not significant determinant of customer loyalty in banking industry from Bangladeshi context. This outcome is unexpected since these two variables are found significant in numerous previous studies ( Anabila et al., 2013; Wetzels et al., 1998; Garbarino and Johnson, 1999; Verhoef, 2003; Priluck, 2003; Cater and Zabcar, 2008). However, commitment has been found insignificant to determine customer loyalty in Jordanian banking industry (Al-rubaei and Nazer, 2010).

Finally, the first hypothesis that there is a significant positive relationship between Relationship Marketing variables and customer loyalty has been accepted.

**Test of Hypothesis 2 :**

**Hypothesis 2** states that customer demographic characteristics (Gender, level of Education and Age) affect the relationship between Relationship Marketing and customer loyalty.

**Impact of Gender on Relationship Marketing – Customer Loyalty Relationship:**

R square = 0.337	F = 12.523	Sig=0.000<0.05
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Table 7: Coefficient table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.376	.430		3.201	.002
Trust	.461	.087	.426	5.304	.000
Bonding	.243	.096	.213	2.525	.013
Communication	-.045	.074	-.052	-.606	.545
Commitment	-.050	.071	-.051	-.705	.482
Conflict Handling	.038	.081	.040	.469	.640
<b>Gender</b>	<b>.214</b>	<b>.137</b>	<b>.108</b>	<b>1.564</b>	<b>.120</b>

The researchers have introduced Dummy variables to study the impact of sex difference on Relationship Marketing-customer loyalty relationship. Male is categorized as 0 and female is categorized as 1. Table 4 presents the regression results of the variables. As can be seen from table 7, there is no significant impact of sex on the Relationship Marketing-customer loyalty relationship. Therefore, on the basis of analysis, it can be said that there is no significant impact of sex difference on Relationship Marketing-customer loyalty relationship in the context of the banking industry of Bangladesh.

**Impact of Age Level on Relationship Marketing – Customer Loyalty Relationship:**

R Square =0.328	F =12.065	Sig = 0.000
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Table 8: Coefficient table

The researchers have used ‘age group’ as independent variable with the Relationship

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.341	.433		3.100	.002
<b>Age group</b>	<b>.025</b>	<b>.033</b>	<b>.053</b>	<b>.770</b>	<b>.442</b>
Trust	.477	.087	.441	5.511	.000
Bonding	.241	.097	.212	2.492	.014
Communication	-.053	.075	-.062	-.706	.481
Commitment	-.042	.071	-.042	-.583	.561
Conflict Handling	.022	.081	.023	.274	.785

Marketing variables to analyze the impact of Age on Relationship Marketing-customer loyalty relationship. The result in Table 8 shows that, there is no significant impact of Age Level on the Relationship Marketing-customer loyalty relationship. On the basis of this analysis it can be said there is no significant impact of Age Level of the customers’ in Relationship Marketing-customer loyalty relationship in the context of the banking industry of Bangladesh.

**Impact of Education Level on Relationship Marketing – Customer Loyalty Relationship:**

R Square = 0.346	F = 11.998	P = 0.000
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Table 9: Coefficient Table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.052	.518		3.964	.000
Trust	.455	.086	.420	5.304	.000
Bonding	.203	.096	.178	2.107	.037
Communication	-.003	.075	-.004	-.044	.965
Commitment	-.045	.070	-.046	-.648	.518
Conflict Handling	.000	.080	.000	-.006	.996
<b>Education level of the respondents</b>	<b>-.128</b>	<b>.054</b>	<b>-.166</b>	<b>-2.365</b>	<b>.019</b>

In order to study the impact of education on customer loyalty, education level is considered one of the Independent variables in this model. Table 8 presents the regression results of the variables. The results in Table 9 show that there is significant impact of education level of the respondents on customer loyalty. The sign of regression coefficient of education level indicates negative relationship between level of education of the respondents and customer loyalty. Finally, the second hypothesis that there is significant impact of demographic variable on Relationship Marketing-customer loyalty relationship has not been accepted for gender and Age group . However, the hypothesis is accepted for level of education.

**Hypothesis 3: There is a significant relationship between customer loyalty and positive Word of Mouth Advertisement.**

**Summary Regression Result of The Impact of Customer Loyalty on Positive Word of mouth**

R Square = 0.356 F=84.733 (P= 0.00) coefficient value = 0.597 (P=0.00)

**Hypothesis 3 states that there is a significant relationship between Customer loyalty and Positive Word of Mouth Advertisement.** The regression model was used to determine how customer loyalty impact on Positive Word of Mouth communication in banking industry of Bangladesh. The results showed that there is a significant relationship between customer loyalty and Positive Word of Mouth communication (Standardized Coefficient = 0.597, F= 84.733,  $p < 0.05$ ). An R-Square of 0.356 was obtained indicating that customer loyalty can determine 35.6 % of Positive Word of Mouth communication. Hence, Hypothesis 3 is accepted.

**Hypothesis 4: There is a significant relationship between customer loyalty and Customer retention.**

R Square= 0.075 F = 12.347 (P=0.001) Coefficient Value= 0.275 (P= 0.001)

Hypothesis 4 states that there is a significant relationship between customer loyalty and Customer retention. The researchers have used regression model to determine how customer loyalty affects customer retention. The results showed that there is a significant relationship between customer loyalty and customer retention in the banking industry of Bangladesh (F= 12.347,  $p < 0.05$ , Standardized coefficient= 0.273). Therefore, hypothesis 4 is accepted.

An R-Square of 0.075 was obtained indicating that customer loyalty determines 7.5 % of customer retention.

**Managerial Implications and Conclusion:**

The primary purpose of this study was to find out the impact of Relationship Marketing practice on customer loyalty and to investigate the impact of loyalty on customer retention and positive Word of Mouth communications. The study also focuses on intervening role of demographic variables on Relationship Marketing - Customer loyalty relationship.

**Impact of Relationship Marketing Components on Customer loyalty:**

This study provides initial empirical evidence of the impact of Relationship Marketing orientation on customer loyalty. The result of the regression analyses provides support for the first hypothesized relationships which shows that Relationship Marketing orientation has significant positive effect on customer loyalty. The results of the regression analysis summarized in Table 5 show that three variables of Relationship Marketing contribute significantly to customer loyalty. These variables are Trust, Bonding and Conflict Handling. The positive sign of the coefficients of these variables indicate that with the increased focus on these variables the loyalty of the customers will increase in banking industry in Bangladesh. The coefficients of Communication and Commitment have negative sign and the result is insignificant. This is inconsistent with some previous studies. Anabila (2012) showed that commitment is the most important determinant of customer loyalty in the banking industry of Ghana. Commitment has also been found significant predictor of customer loyalty in many

past studies (Wetzels et al., 1998; Garbarino and Johnson, 1999; Verhoef, 2003; Priluck, 2003; Cater and Zabcar, 2008). However, commitment has been found insignificant to determine customer loyalty in Jordanian banking industry (Al-rubaei and Nazer, 2010). Anabila (2012), Taleghani et al. (2011) and Alrubaiee et al. (2010) have found Communication as a significant predictor of customer loyalty in Ghanaian, Jordanian and Iranian banking industry context.

#### **Impact of Demographic Variables on Relationship Marketing – Customer Loyalty Relationship**

The level of education of the consumers has a significant effect on Relationship Marketing – customer loyalty relationship. This is inconsistent with the study of Alrubaiee et al. (2010). However, Alrubaiee et al. (2010) have showed there is a negative relationship between the level of education and customer loyalty in Jordanian context. This research also confirms that the level of education has a negative relationship with customer loyalty. It indicates that highly educated consumers are less loyal to the bank or switch bank more often.

The study reveals that sex difference, age and the types of bank have no significant impact on customer loyalty- Relationship Marketing relationship. This result is incompatible with some previous research work especially in terms of gender. Alrubaiee et al. (2010) showed that there is a significant impact of sex differences in Relationship Marketing- customer loyalty relationship. Alru Kahraman and Ndubisi (2005) argued that women tended to be more loyal than man. Fry et al. (1973) confirmed that males have a higher probability of remaining loyal. These research works have been conducted in other countries with different context. Hence, future researches should focus on the mediating impact of gender differences on Relationship Marketing-Customer loyalty relationship more elaborately. Another reason may be that the issue of loyalty differs in terms of Gender in different countries. For exp: In Bangladesh female and male bank customers may have same level loyalty toward their bank but in Middle east female bank customers may be more loyal toward their banks than male bank customers.

#### **Managerial Implications**

1. The bank managers should manage each dimension of Relationship Marketing to enhance customer loyalty which will assist them to become more competitive.
2. Training programs should be arranged for the bank staffs on the basis of each dimension of Relationship Marketing variables to improve their understanding of Relationship Marketing activities.
3. ‘Trust’ has been found the most important determinant of customer loyalty in banking industry of Bangladesh; so it requires special attention. Bank managers should take measures that will lead to trusting relationships with customers. Managers must make efforts to keep promises made to customers, keep customers information confidential and provide quality service that will win the confidence of their customers (Anabila et al. 2012). Banks should ensure the security of customer transactions, fulfill obligations to customers and attempt to enhance the confidence of customers.
4. Banks must take measures to build strong bonds with customers since it is a significant determinant of customer loyalty in banking industry. Anabila et al (2012) suggested several measures to strengthen the social and financial bond with Bank customers. For example, Bank managers should organize or participate in social events with customers which can strengthen their social tie. Banks should involve customers in social functions and treat them as partners of the organization. To strengthen financial bond the banks should offer more discounts to customers and design special financial packages .
5. Customers tend to be loyal to banks that combine proactive steps towards conflict resolution with satisfactory responses to manifest problems. This results when the organization is capable of avoiding potential conflicts or becoming proactive in dealing with conflicts when they do arise. It is therefore important that effective conflict resolution mechanisms are not only in place but are proactive, so as to pre-empt potential sources of conflict and address them before problems become manifest (Taleghani et al., 2011).

6. The research reveals that communication has insignificant effect on customer loyalty. This means that respondents do not consider communication a significant factor to determine customer loyalty. However, past studies suggest that this variable has significant effect on customer loyalty which is inconsistent with the present study. The possible explanation is that respondents consider communication as a 'hygiene' factor which is not important for customer loyalty but its absence may create dissatisfaction among customers. Banks should keep in touch with valued customers, provide timely and trustworthy information on service and service changes and communicate proactively if a delivery problem occurs. The communication between bank and customer should be interactive which will ensure strong relationship for both parties. Another explanation may be the demographic characteristics of the respondents. Around 75% of the respondents are highly educated (having graduate, masters or more than masters degree) and 60% are aged between 20 to 30 years. Hence, these respondents can easily collect information regarding the bank related matters through bank websites by using internet which is spreading very quickly in Bangladesh especially in big cities like Dhaka. Therefore, communication from bank may not be essential to these respondents. The banks should update their websites regularly to make it easier for the bank customers to obtain required information whenever necessary.

7. The research also shows that commitment has no significant relationship with customer loyalty. A possible reason may be the study area from where the sample has been chosen. The sample has been chosen from Dhaka city which is the capital city of Bangladesh and there are many banks in this city. The residents of Dhaka city can easily choose another bank if he or she doesn't get expected service from the current bank. Therefore, the commitment of the respondents toward their current bank may be not so high because a lots of options are available to choose from. Nevertheless banks must not underestimate this variable. Banks must be committed to the needs of the customers by making adjustments to suit customers' needs and offering personalized services to meet customers' personal needs. Bank managers must show genuine commitment to customer relations to enhance the loyalty of customers.

#### **Limitation and Future Research**

The study aims to investigate the impact of Relationship Marketing on consumer loyalty with the mediating role of demographic characteristics of the respondents. The study also focuses on the effect of loyalty on customer retention and Word of Mouth Advertisement. For this purpose the researchers have collected data from capital city of Bangladesh. To increase the generalizability of the findings researchers should conduct the study in other cities of Bangladesh. Researchers of other developing countries should conduct this study in their countries to compare the result. The research is limited to banking industry of Bangladesh; so future research should be conducted on other industries which will increase the acceptability of the study. The study has considered five important variables of Relationship Marketing. However, there are some less recognized variables of Relationship Marketing such as friendship, recognition, thoughtfulness, understanding, benevolence, competence, time to listen etc. The impact of these less recognized variables should be tested by other researchers.

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