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RELATIONSHIP MARKETING AND ORGANIZATIONAL PERFORMANCE IN NIGERIAN'S BANKING SECTOR

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ABSTRACT

Today's bank customers have a tendency of, each of them, extending their patronage to more than a bank at a time despite the increasingly improved level of banking services that might transpire in their current bank. The premium value of key customers over the value of bank products and services is underscored in this situation. Banks are beginning to learn the importance of developing strong relationships with their customers so as to retain the key customers and improve their bank turnover and profitability. This paper focused on determining the extent to which relationship marketing influences organizational performance in the banking sector in Nigeria. This study revealed that on the average bank employees and customers believe that relationship marketing leads to customer loyalty and retention as revealed by the high average scores and low standard deviation obtained from the data analysis. The result buttresses the fact that the practise of relationship marketing in the banking sectors will lead to improved performance of banks in Nigeria. The study recommends that adoption and management of Relationship Marketing requires the involvement of everyone in the bank in order for it to succeed.

KEYWORDS: *Relationship marketing, competition, profitability, and customer retention, bank performance, Organizational performance.*

1.0 INTRODUCTION

Relationship marketing is a concept that has gained popularity over the recent years; companies and financial institutions are beginning to understand the value of customers rather than products. Consequently, they are now striving to develop meaningful relationship more proactively. This concept was originally introduced by Leornard Berry in 1983 when he made the distinction between relationship marketing which was based on the concept of developing a long term relationship with a customer, and transaction marketing, which viewed the customer in terms of one-off transaction (O'Connor, Galvin, Evans, 2005).

According to Doyle & Stern (2006), relationship marketing is a long term continuous series of transactions between parties which occur when each trusts each to deal fairly, reliably and helpfully. Relationship marketing has therefore emerged as a popular new paradigm due to the shift in focus from customer acquisition to customer retention. It is likely to shift once again and will transform into customer relationship management (CRM) with a hybrid of marketing relationship programs that range from relation to outsourcing market exchange and customer interactions (Sheth & Kellstadt, 2002).When a good working relationship is built, negotiating time and costs are reduced and the patterns of transactions become more predictable and secure.

Due to increased competition, today's companies are beginning to understand the value that customers, rather than the value the products generate for them. To retain these customers, banks are now striving to develop meaningful relationships with key customers and more so to manage those customer relationships more pro actively (O'Connor et al, 2005). Relationship marketing therefore attempts to create a more holistic, personalised brand experience (service) to create stronger customer ties.

Kim, Han, & Lee. (2001) observed that banks have become more customer-oriented organizations aiming at the satisfaction and good service of their customers. Banks try to have good relationships with their customers so as to achieve a competitive advantage in the market place. Many banks try to build and retain their customers using different ways of marketing.

According to Kotler and Armstrong, (1999), relationship marketing is essentially about extending and deepening the business which a bank does with each of its customers. So, rather than letting customers to drift away to competitors, the emphasis of relationship marketing is on retaining those profitable customers that a bank has previously acquired. This study contributes to the understanding of the benefits that can be achieved from relational customers and their loyalty to banks.

The complexity in the banking industry has made bank managers to focus on how to create close affiliation with their customers. No wonder why Nigeria banks now create a separate department in the bank known as customers care unit to address customer issues and complaint in order to ensure that customers get value for their money, thereby enhancing customer loyalty, building and maintaining customer's cordial relationship in order to achieve an advantage that can lead to customer retention and increase profitability.

Furthermore, loyal customers can provide the foundation for growth which leads to competitiveness in the industry. Also, the belief that relationship marketing (RM) investment builds stronger, more trusting customers relationship (Morgan and Hunt 1994) and improves financial performance (Christopher 1991) has led to massive spending on customer relationship programme.

Gronroos (2005), also opined that customer relationship marketing would result into customers' retention which has to do with creating relationship; customers loyalty which has to do with developing relationship; and customer interaction which may lead to customer retention.

Considering the above arguments, Nigerian banks now adopt relationship marketing principles and design strategies to achieve and maintain close and long lasting relationships with the customers.

2.0 STATEMENT OF THE PROBLEM

Bank services are increasing in Nigeria, yet the level of failure in their services indicate that ineffective relationship with customers seems to be pronounced. Such a gap indicates that there is much to learn about how to develop close contact with customer using the appropriate relationship strategies.

Complexity of competition experienced in banking industry today makes bank managers to be desperate such that 'Bank A' manager does not only see 'Bank B' manager as a competitor, but a branch manager of the same Bank sees each other as a competitor. This level of competition has made bank managers to focus on how to be in a close contact with their customers in order not to lose their active customer to their presumed competitors. Banks, generally, today have become chameleon in nature thereby changing from one service provision to the other, most times combining many services together relocating or establishing another branch so as to meet the needs of their customers and to show to the generality of public that their services are unique and better than those of their competitors. However, these services or branches established have not translated to customer satisfaction as customers' experienced human traffic while trying to access these services. This has destabilized customers thereby forcing them to open more than one account across the banking industry in order to satisfy their financial need. This movement of customers from one bank to the other has created serious apprehension among the banks executives thereby leading to the provision of customers' service point in most bank branches across the country for the purpose of having a relationship that can lead to a consistent patronage by their customers. It is this challenge confronting the banking sector in Nigeria that forms the basis of this research.

3.0 RESARCH QUESTIONS

- Is relationship marketing a useful tool to access banks performance?
- Does relationship marketing leads to increase banks profitability?
- Does relationship marketing translate to customer retention for the banks?

4.0 RESARCH HYPOTHESES

- Ho: There is no significant relationship between relationship marketing and bank performance.
- Ho: There is no significant relationship between relationship marketing and increase in banks profitability
- Ho: Relationship marketing does not translate to customer retention for the banks

5.0 LITERATURE REVIEW

Relationship marketing is emerging as a popular new paradigm due to shift in customer acquisition to customer retention. According to (Pilzer, 1990), the first law of modern business is no longer "find a need and fill it" but rather "imagine a need and create it". The objective of relationship marketing is to maintain customer loyalty and retention by providing quality service to satisfy the needs of customers through service innovation (ibid).In order to understand the essence of relationship marketing in customer retention, the meaning of the concept of relationship has to be discussed.

The term relationship comes from the Latin word relatio, relation + onis which means carrying back, bringing back, also with the meaning of repetition and reference, resemblance, repayment (Random, 1999; Simpson, 1971; Simpson and Weiner, 2000; Woodhouse, 1972).

Relation has the meaning of dependence between two things, liaison, and friendship, to know each other, intimacy, and reciprocity, political, commercial and cultural mutual interests. By analysing these different meanings of the term, it can be concluded that a relationship implies commitment, duties, mutual understanding and goals. In this line of thought, Ford, Gadde,

Hakansson and Snehota (2003) claim that a company's relationship with its customers, suppliers and others is an asset for the company, and at the same time a burden for it to carry.

By exploring literature, a set of conditions and implications that a relationship demands can be pointed out; as characteristics of business relationships which are mutual knowledge, symmetry, long term orientation, communication, mutual benefit and satisfaction, mutual trust and fairness, mutual learning, mutual commitment and efforts from both parties, uniqueness, freedom and uncertainty (Ford et al, 2003, Britton and Rose, 2004).

The way banking institutions understand and succeed to refer the products and services to the customers are conditions for the importance they play in the economy. Their marketing could offer new solutions, if the banks shift the focus of their orientation and activities from transaction marketing towards the banking relationship marketing. Relationship marketing tries to establish an "intimacy" that is individualized, links with customers via strong personal appeal and continuing commitment (Lee et al, 2005). For loyalty and relationship to flourish there should be trust, commitment and communication between the interested parties.

Relationship marketing offers new opportunities for banks, since it is loyalty marketing, within the framework of a partnership. This means that this kind of marketing aims to create, maintain and improve the customer's long-term loyalty (Gordon, 1998). Such a goal means that a bank should find a balance between customer satisfaction and profit of the bank.

The change of focus toward customer satisfaction and loyalty is especially pregnant with new opportunities for relationship development. In relationship marketing; the banking marketing acknowledges the customer satisfaction throughout creating and delivering value under the form of banking services as the main goal of any banking institution. A bank really oriented towards customer is the one which believes that the financial objectives could be best achieved by the recognition and satisfaction of the customer's needs and expectations throughout the entire life cycle of the relationship. The loyalty gained through a higher customer satisfaction should be tracked down within the framework of the relationship development.

Ghavami and Olyaei (2006) studied relationship marketing process in customer retention and described the objectives of relationship marketing in customer retention as very important for the survival of companies in today's competitive environment. The study further identified "customers" as being very important factors in companies' management with the power to change their short-term and long-term policies and strategies. Therefore enough knowledge of environment, expectations, customers and their desires are very important to find the best solutions for facing unexpected behaviours of customers to satisfy them and thus be able to retain them for profit.

Crosby (2009) expresses that customer relationship is determined by trust and satisfaction. Effective quality communication aids relationship initiation and building, and is brought about through timelines, frequency, accuracy, competences and credibility (Mohr and Soli 1995: Mohr and Spekman 1994). Strobacka, Strandrik and Gronroos (1994) identified five distinct factors which build the customer relationship, service quality, customer satisfaction, commitments opportunism and social bond.

Akpan (2005) cited in Saka, Elegunde & Lawal (2014) notes that customers represent profit and market share; therefore, most organizations, particularly the banking industry, are placing emphasis on the building of long-term customer relationship as a key ingredient to any loyalty programme. It therefore emphasizes providing a range of products or services to existing customers as they need them.

Schaars (1998) cited in Saka, Elegunde & Lawal (2014) has noted an increase in the trend towards more and stronger relationships. He points out that today, an increasing number ofeconomic transactions take place between buyers and sellers who are working together. This factor has influenced banks to depart from single transaction marketing, and adopt relationship marketing, as this may lead the banks to gain access to new customers; reducing the risk associated with the rapidly changing business environment and obtaining needed skills and resources; paying adequate attention to their problems and taking positive steps in providing solutions to those problems. Buchanan and Gilles (1990) cited in Saka et al. (2014) assert that the increased profitability associated with customer retention effort occurs because of the fact that a customer that stays with a customer-focused company tend to be satisfied with the relationship and is less likely to switch to another company; thereby making it difficult for the competitor to enter market or gain market share.

Boulding et al. (2005) noted that performance should be related to factors such as profitability, improved service delivery, market share growth and improved productivity. Performance is the degree of efficiency and effectiveness with which organizational objectives are achieved.

6.0 METHODOLOGY

A survey method was used to collect data from respondents. Data collected during the research were analyzed. The data from the questionnaire were coded and fed into excel spread sheet. The data were then exported into Statistical Package for Social Scientists (SPSS) software version 17.0. Furthermore, the formulated hypotheses are subjected to empirical test using simple linear regression test analysis. The results of the findings are as follows.

Table1 Mean and Standard Deviation Scores of Relationship Marketing and Organizational Performance in Nigerian's Banking Sector

Items	N	Mean	Std. Dev	Min	Max
Customer relationship marketing has helped your bank to build trust in customers	172	4.4826	.0875	1.00	5.00
The banks relationship has made us trust each other	172	4.4774	.3952	1.00	5.00
According to our past business relationship, I think the bank is a trustworthy company	172	4.6779	0.3826	1.00	5.00
I trust the bank on anything I ask of them	172	4.7477	0.2860	1.00	5.00
The bank is trustworthy on important things	172	4.3563	0.1913	1.00	5.00
The working hours are flexible and adapted to the different types of customers	172	4.3459	0.3217	1.00	5.00
Employees understand the specific needs of their customers	172	4.7909	0.1619	1.00	5.00
Improvement in customer retention can lead to an increase in your banks profit	172	3.4186	0.0740	1.00	5.00
Customer satisfaction through effective relationship enhances banks profitability.	172	4.3186	0.3021	1.00	5.00
Employees devote enough time to each customer to be able to answer his/her questions	172	3.3895	0.2682	1.00	5.00
Employees give sincere and detailed information about all the conditions of the service	172	4.5051	0.1164	1.00	5.00
I will recommend this bank to friends and family members	172	2.3256	0.0791	1.00	5.00
Bank's ability to extend bank closing hours especially during rush period or days leads to bank performance.	172	2.3488	0.0832	1.00	5.00
Customer relationship marketing has positive effect on bank performance	172	2.9791	0.1201	1.00	5.00
Customers trust increases banking performance and sustainability	172	1.4419	0.0217	1.00	5.00
Reliability and assurance in customer service helps to retain customers.	172	1.9709	0.0391	1.00	5.00
As compared to other banks, my loyalty is with this bank	172	1.4593	0.0156	1.00	5.00
I find it difficult to switch to other banks because of what I get from this bank	172	2.7791	0.1923	1.00	5.00
I intend using other products and services of the bank	172	2.1744	0.2593	1.00	5.00
I am confident of giving positive word of mouth testimonies to others about this bank	172	1.59819	0.0135	1.00	5.00

Source: field survey 2014

The above table shows the perception of relationship marketing as perceived by employees and customers in some selected banks in Nigeria. The mean score of the respondents for each of the statement shows that on the average the customers tends to believe that relationship marketing leads to organizational performance as revealed by the high average scores and low standard deviation. The result buttresses the fact that the practise of relationship marketing in the banking sectors will lead to performance of banks in Nigeria.

Table 2: Relationship marketing has no interrelation effect on bank performance, increase in banks profitability and customer retention for the banks

Model Summary					ANOVA[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Model	Sum of Squares	df	Mean Square	F	Sig.
1	.942[a]	.877	.795	.36856	Regression	179.971	3	59.990	461.546	.000[a]
					Residual	22.820	168	.136		
					Total	202.791	171			

a. **Predictors: (Constant), Relationship Marketing**

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.138	.070		1.981	.000
	Relationship marketing and bank performance	.068	.068	.083	.997	.020
	Relationship Marketing and increase in bank profitability	.034	.059	.040	.571	.000
	Relationship Marketing and Customer retention	1.122	.053	.981	21.145	.000

a. Dependent Variable: Organizational Performance of Banks in Nigeria

FINDINGS AND CONCLUSION

The tables above show the results of the regression analysis. The stepwise multiple regression estimates the coefficients of the equation, involving two or more independent variable that best predict the value of the dependent variable. The result showed that R^2 regression value is .877 meaning that Relationship marketing accounts for about 87.7% for the variation of organizational performance of banks. This means that there is a significant relationship between relationship marketing as a strategy and performance of banks. F-value statistics is 461.546 shows that the overall equation is significant at {sig. level = 0.000 (i.e p<0.05)}.

Coefficients table further indicates that variables such as relationship marketing and bank performance p = 0.020, P< 0.05), Relationship marketing and increase in bank profitability (P<0.05), and Relationship Marketing and Customer retention (P<0.05) .The P values are all highly significant which reveals the significant role Relationship marketing plays on bank performance, on bank profitability, customers retention and organizational performance. Hence, this implies that the non adoption of the above mentioned factor or strategy results to poor or no performance of banks.

CONCLUSION AND RECOMMENDATION

In most studies conducted, it has shown that relationship marketing is a factor in customer satisfaction and retention. This study does not show otherwise. From the analysis it can be seen that factors like customers relationship with the Bank, keeping in touch with customers, keeping close cooperation with customers, building a long term relationship, providing services on time, flexible working hours, customers trust in employees, sincere and detail information about all terms and conditions, willingness of employees to help where necessary.

The aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. Similarly, its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This is achieved by a mutual symbiosis and fulfilment of promises. In other words, a key objective is to foster customer loyalty, which is 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 behaviour. This normally culminates into developing brand loyalty on the part of the customer with the company in question. It is therefore crucial that firms cease the opportunity to build their brands through a well-developed relationship over time that breeds loyalty among customers.

RECOMMENDATIONS

The following recommendations are made based on the findings:

1. Banks should ensure that well trained and experienced professionals should be in charge of customer service. The research discovered that majority of the customer service officers in Nigerian banks does not have sense of direction in handling customers issues. Some have personality problems in terms of the way they approach customers thus making customers aggrieved and not satisfied with the service rendered by the banks, thus not making customers get value for their money and this could make them switch to other banks.
2. The adoption of customer relationship marketing requires the involvement of everyone in the bank from the customer service officers up to the top management staff should be part of those involved in establishing cordial relationship with customers of the bank.
3. Banks should also ensure that their customer waiting line is effectively managed by reducing the number of hours spent in attending to customers issues. The research observed that aggrieved customers leaves the waiting line without being attended to and this may result to loss of active customers to competitors.

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