

1.1 Background To The Study

Creating loyal customers is at the heart of every business (Keller and Kotler, 2012). Customers are central to all marketing activities all over the world. Success and in turn profit is not unthinkable without customers. Moreover, companies incur millions of dollars to attract customers and make them loyal. With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. The banking industry must develop strong relationships with their customers in order to compete successfully in the competitive retail banking environment. Morgan and Hunt (1994), conceptualized relationship marketing as, all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. On the other hand, Mudie et al, (2006), defined Relationship marketing as a philosophy of doing business, strategic orientation that focuses on keeping and improving current customers rather than acquiring new customers. This definition encompasses the planned action of a given organization to focus on building relationship with the existing customers than acquiring new ones. However, it is not to mean that a company which adopts relationship marketing strategy doesn't want to acquire customers. This new philosophy of marketing idea was first seen on marketing literature on 1983 (Parvatiyar and Sheth, 2000). After its idea of conception by berry in 1983, relationship marketing got the attention of several researchers. However, still now the field is growing in attention and underpinnings which can contribute for relationship building. Beginners may think it as only retention marketing. However, its goal is far from retention marketing (Mudie et al, 2006).

Well managed organizations work hard to develop relationships with desirable customers and to grow the volumes of business that they conduct. Several studies are revealing the importance of relationship marketing than traditional or transactional marketing, because it may cost a firm five to six times as much to attract a new customer as it does to retain an existing one. In addition, common wisdom suggests that long-term customers have the strongest and highest-paying relationships (Palmatier, 2008). and a few studies also raised empathy, and gratitude as building blocks of relationship marketing

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1.2 Statement of the Problem

As the financial marketplace becomes more dynamic and competitive, banks also need to focus on retaining existing clients through effective relationship marketing. In this context, the benefits of long-term retention of existing customers, such as increased profitability, reduced costs in relation to the individual customer and word of mouth referrals from satisfied customers, become important (Gilmore, 2003). Retaining customers requires careful and creative work and planning which satisfies customers. Service becomes more efficient when employees learn about what customers expect and how best to meet customer needs (Clow and Kurtz, 2003). Although, zero defections should be the goal of all organizations, in reality, it probably will not be achieved. Clow and Kurtz, (2003) stated that banks profitability is closely related with customer's retention. They also claimed that, customer defection costs companies millions of dollars each year in lost revenue. In addition to lost revenue, defectors normally spread negative word of mouth communication which can influence other customers to purchase elsewhere. The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Customer loyalty is an important factor that contributes to an organization's earning and profits. Loyal customers normally establish stable relationship

with an organization compared to non loyal customers. Customer loyalty can contribute to an increase in a firm's revenue, reduce customer defection rate and develop new business through positive word of mouth advertising (Zeithaml and Bitner, 2003). Thus, at the end of the day, the bank's assets are not only primarily registered on the balance sheet, but also related to the fact that customers have been successfully retained. In recent years, there has been a refocusing of marketing away from customer acquisition to that of customer retention. If the company is intended to benefit from retaining customers, customers also seek benefit from giving their loyalty to the company (Mudie and Pirrie, 2006). To achieve all the above mentioned goals of customer loyalty, firms devised a new strategy known as relationship marketing (Mudie et al, 2006). Therefore the problem confronting the research is to determine the influence of relationship marketing on bank customers' loyalty

1.3 Objectives of the Study

To determine the influence of relationship marketing on bank customers loyalty

1.4 Research Questions

What is relationship marketing?

What is the influence of relationship marketing on bank customers' loyalty?

1.5 Significance of the Study

The study elucidate on the influence of relationship marketing on bank customers loyalty

1.6 Research Hypothesis

Ho The influence of relationship marketing on bank customers' loyalty is low

Hi The influence of relationship marketing on bank customers loyalty is high

1.7 Scope of the Study

The study focuses on the influence of relationship marketing on bank customer's loyalty

1.8 Limitations of the Study

The study was confronted by some constraints including logistics and geographical factor.

1.9 Definition of Terms

Morgan and Hunt (1994), conceptualized relationship marketing as, all marketing activities directed toward establishing, developing, and maintaining successful relational

THE INFLUENCE OF RELATIONSHIP MARKETING ON BANK CUSTOMERS' LOYALTY

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