EFFECTIVENESS OF RELATIONSHIP MARKETING STRATEGY; A STUDY OF FINANCIAL SERVICES ORGANIZATION IN NUWARAELIYA DISTRICT

UDESHINI RAJALINGAM*; AMBALAM PUSHANATHAN**

*ASSISTANT LECTURER,
DEPARTMENT OF ECONOMICS & MANAGEMENT,
VAVUNIYA CAMPUS OF THE UNIVERSITY OF JAFFNA,
VAVUNIYA SRILANKA.

** SENIOR LECTURER,
DEPARTMENT OF ECONOMICS AND MANAGEMENT,
VAVUNIYA CAMPUS OF THE UNIVERSITY OF JAFFNA,
VAVUNIYA SRILANKA.

ABSTRACT

The present study focuses on “Effectiveness of Relationship Marketing Strategies; A study of financial services organization in Nuwara-Eliya district.” The main objective of this study is to examine the effectiveness of relationship marketing strategies on financial services organizations. This study utilized 100 financial organizations’ customers and data were collected through judgment sampling method from the financial services organizations’ customers such as banks, insurance and leasing companies in Nuwara-Eliya district. Customer perspective (Trust and Communication) and Organizations perspectives (information technology) considered as independent variables and effectiveness of relationship marketing such as competitive advantage and customer satisfaction are considered dependent variables of this study. Data were analyzed by using the SPSS 17 Package in this study. The results of the study indicated that the positive relationship was observed among trust and communication in customer perspective variables, and the effectiveness ($\beta=0.369$, $p<0.01$ and $\beta=0.273$, $p<0.01$ respectively). In the organization perspective variables, Positive relationship was observed among the inter organization information system, customer relationship management, and data base and the effectiveness ($\beta=0.203$, $p<0.01$, $\beta=0.561$, $p<0.01$ and $\beta=0.468$, $p<0.01$ respectively). Finally the results was indicated correlation of customer perspectives and effectiveness has higher relationship than the organizations perspectives and effectiveness

KEYWORDS: Customer perspective factors, Effectiveness, Financial service organizations, Organization perspective factors.

INTRODUCTION

Relationship marketing is the on-going process of identifying and creating new value with individual and corporate customers. It involves the understanding, monitoring, focusing and management of on-going collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment.
The relationship marketing is well practiced term in the financial service sector. There are lots of efforts put forward to boost up the business performance through varieties of relationship marketing practices. It was believed that the business adopts relationship marketing strategy to improve its business performance. There are no valid measures for relationship marketing effectiveness in Sri Lanka. The research question of this study is what extends the financial services organizations practice the effective relationship marketing in Nuwara-Eliya District.

The objective of the present study is to

- Determine the existing relationship marketing strategies of financial services organization.
- Measure the effectiveness of those existing relationship marketing practices.
- Find the most effective relationship marketing practice which suits the financial service organization in Nuwara-Eliya District.

1. LITERATURE REVIEW

Gruen (1989) emphasize “the philosophy of business has shifted from a production orientation to a selling orientation and then to a marketing orientation and finally to a relationship marketing orientation”. Under the relationship marketing orientation, the theory of relationship marketing was formally initiated by Berry (1983), who defined relationship marketing as “attracting, maintaining, and enhancing customer relationship”. Later, a more modified definition was recommended by Berry and Parasuraman (1991) propose that the Relationship marketing concerns attracting, developing, and retaining customer relationships. Further Gummesson (1994) proposes that Relationship marketing (RM) is marketing seen as relationships, networks, and interaction. GroÈnroos (1989) elaborates that, “Relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and that this is done by a mutual exchange and fulfillment of promises”.

Sheth (1994) defines relationship marketing as “The understanding, explanation, and management of the ongoing collaborative business relationship between suppliers and customers”. Then Sheth and Parvatiyar (1995) broaden relationship marketing as “Attempts to involve and integrate customers, suppliers, and other infrastructural partners into a firm’s developmental and marketing activities”. In recent times, Harker (1999) put forward the following definition: “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.” Even though the above mention definitions differ somewhat, Relationship marketing theories has been broaden time to time and focusing more aspect on the relationship and its dimensions. At the same time these definitions establish that all parties involved in the relationship process should be benefited.

2. MATERIAL AND METHODS

58
2.1 THEORY AND HYPOTHESES

The conceptual model was developed based on the research theme and the literature review. It shows the pattern of relationship that was expected among the variables. The conceptual model is illustrated in Figure 01. The customer perspective is considered as independent variable. It includes relational factors such as trust and communication. Organization perspective is considered as the second independent variable. The information technology is analyzed as sub variables in measuring the effect of organization perspective influence on relationship marketing effectiveness.

FIGURE: 01 CONCEPTUAL MODEL

The researcher highlights the customer perspective factors such as trust and communication which influence most on relationship marketing success. Relationship has to be based on mutual trust. Trust is built upon experience, satisfaction and empathy. A high level of trust is likely to cause a more positive attitude, which in turn is likely to increase the level of customer orientation. Conversely, low trust can have the opposite effect and lead to loss of confidence and dissatisfaction (Morgan and Hunt, 1994).
Communication is the ability to provide timely and trustworthy information. Communication has a positive and indirect impact in the relationship marketing success and also they highlight communication is an essential tool to transform any sort of massage to target group to build awareness. Therefore communication is considered as a core variable on relationship marketing strategy success. Based on the theory and conceptual frame work the following hypotheses were developed. Based on the theories the following hypotheses were developed.

H1 – There is positive relationship between customer perspectives and effectiveness.
H1a - There is a positive relationship between trust and effectiveness.
H1b- There is a positive relationship between communication and effectiveness.

Organization perspective is considered as the second independent variable of this study. The information technology is considered as the variable of the organization perspective. There are two variables analyzed under the information technology variables such as Inter-Organization Information system (IOIS), and Customer Relationship Management (CRM) and Database. The term Customer relationship management is applied to processes implemented by a company to handle its contact with its customers. CRM software is used to support these processes, storing information on current and prospective customers. Effective CRM system is an essential component for successful relationship strategy formation. Effective database is the main components of information technology factors. Data base help to explore customer responses to direct marketing efforts, identify important customers who warrant special attention and isolate customers who cost more than they contribute (Hunt et al, 2006). Base on this theory and conceptual frame work the following hypotheses were developed.

H2 – There is a positive relationship between organization perspectives and effectiveness.
H2a – There is a positive relationship between inter organization information system and effectiveness.
H2b – There is a positive relationship between customer relationship management and effectiveness.
H2c – There is a positive relationship between database and effectiveness.

3.2. METHODS
Two types of questionnaires were designed to collect data from customer point of view and organization point of view. The customer perspective questionnaire consists of 36 questions and organization perspective questionnaire consists 17 questions including the demographical details. The likert scale ranged from 1 (strongly agree) to 5 (strongly disagree) was used to measure a particular statement. The questionnaires were distributed among a sample of 110 respondents selected from Nuwara-Eliya district. 104 respondents returned filled questionnaire. 04 questionnaires were not taken in this study, because the respondent did not properly fill the
questionnaire. Finally 100 questionnaires results were taken into consideration for the analysis of this study. Data were analyzed by using the SPSS 17 Package in this study.

3. RESULTS AND DISCUSSIONS
Correlation and coefficient of independent and dependent variables are discussed in this study. The relationships between independent and dependent variables are indicated in table 01. In order to determine the effectiveness, the correlation between the customer perspective such as trust and communication and organization perspective such as (inter organization system, customer relationship management and database) were measured. The results of the study indicated that the positive relationship was observed among trust and communication in customer perspective variables, and the effectiveness ($\beta = 0.369$, $p<0.01$ and $\beta = 0.273$, $p<0.01$ respectively). Then the hypotheses 1a, and 1b, are accepted in this study. In the organization perspective variables, Positive relationship was observed among the inter organization information system, customer relationship management, and data base and the effectiveness ($\beta =0.203$, $p<0.01$, $\beta=0.561$, $p<0.01$and $\beta =0.468$. $p<0.01$ respectively). Finally the result was indicated correlation of customer perspectives and effectiveness has higher relationship than the organizations perspectives and effectiveness.

TABLE - O1 CORRELATION RELATIONSHIP BETWEEN INDEPENDENT AND DEPENDENT AND DEPENDENT VARIABLE

<table>
<thead>
<tr>
<th>Concept</th>
<th>Influencing factors</th>
<th>Correlation with relationship marketing effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer perspective</td>
<td>Trust</td>
<td>H1</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td>0.369</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.273</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R = +0.528</td>
</tr>
<tr>
<td>Organization perspective</td>
<td>Information technology</td>
<td>H2</td>
</tr>
<tr>
<td></td>
<td>• Inter Organization Information System</td>
<td>0.203</td>
</tr>
<tr>
<td></td>
<td>• Customer Relationship Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Database</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.561</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R = +0.467</td>
</tr>
</tbody>
</table>
4. CONCLUSION
The financial services such as banking, insurance and leasing have to implement relationship strategies more effective with the customers than other industries, since they are involved with the service delivery of high risk products and services, they have to build high degree of positive intangible attributes in the consumers mind set. For this purpose various relationship techniques such as Greeting cards on special occasion, Free gift /vouchers, personalized offering in price/interest rates/premiums, Identify customers by the name, provide timely information through personal e-mail and broachers, loyalty scheme and rewards, curtsey calls and other techniques are used by financial services organization in Nuwara-eliya district.

5. RECOMMENDATION
According to the results relational factors are key drivers of relationship marketing success. It was found that trust and communication factors were unable to have an influence in great extent. Therefore it is advisable to invest much on these two variables in order to enhance the relational values. Since the communication and trust is highly practiced by all firms and seems as core variable in financial service industry, it has high influence in the marketing success. Financial services organization has to build high degree of positive intangible attributes in the consumers mind set.

But a crucial result was found through this survey research, where there is an insignificant correlation between information technology factors and market effectiveness. It attempt to say that effective CRM system is much required to lead the relationship marketing outcome towards success in Nuwara-Eliya district. This result may due to poor practice of relationship techniques such as sending greeting cards, identifying customers by their name, personalized offering, Loyalty Schemes, rewards and Courtesy Calls. Because a effective CRM system is essential to practice these relationship techniques. Our results explored below 50 percent of the customers have come across these relationship techniques in Nuwara-Eliya district. Since these techniques are not practiced effectively in financial service organization in Nuwara-Eliya district. They need to maintain effective customer relationship management system is important. Therefore management should consider the options of either practicing relationship techniques more effectively with the assistance of CRM system or stay away from investing on CRM system if those techniques not practiced. The financial services organizations should conduct awareness programs in Nuwara-Eliya district.

An effective database system in order to discover valuable information. According to the findings the database should be maintain under a sophisticated system to satisfy the customers. Companies should start to realize that employee engagement and retention are crucial to their continued growth; they begin to treat their employee relationships with the same importance as customer and channel partner relationships. Financial services organization should build well-functioning internal relationships as well as external customer relationships. Relationship marketing strategies only yield returns when they are implemented effectively by considering the benefit for both parties involved in the service process.
REFERENCE


