The Role of Relationship Marketing in Customer Orientation Process in the Banking Industry with focus on Loyalty
(Case Study: Banking Industry of Iran)

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Abstract

Recently, more than ever before, strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity, caused companies to use relationship marketing strategy to create, maintain, and enhance strong relationships with their customers to secure their loyalty. This article aimed to empirically investigate the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. A survey was conducted, collecting data through a questionnaire containing 34 items that was completed by 384 randomly selected bank customers and multiple regression analysis was used for data analysis. The results revealed that the all underpinnings of relationship marketing were directly associated with customer loyalty and they had a significant effect on it. Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

Key words: Relationship marketing, Customer Orientation , Loyalty, Banking Industry, Iran

1. Introduction

The banking sector is becoming increasingly competitive around the world. This is particularly true in the area of small-medium business banking. Further, the core and actual product being offered to business customers could be considered reasonably homogenous. Consequently, there is an increased need for banks to differentiate themselves from competitors at the augmented product level. One way that this might be achieved is to develop longer-term relationships with their key customers (Heffernan et al, 2008). In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Thus, recognition of the importance of relationship marketing has grown in recent years (Man so and Speece, 2000). Relationship marketing is recommended as a strategy to overcome service intangibility and is appropriate for "credence" services, that is, services that are difficult for customers to evaluate even after purchase and use (Crosby and Stephens, 1987; Gilaninia et al, 2011). Being dependent on repeat business from customers, most firms have necessarily been committed to sustaining customer loyalty and cultivating enduring relationships with customers (Gable et al., 2008; Vesel and Zabkar, 2010). Therefore marketers and managers are trying to obtain valuable information from the customer's needs to develop long-term relationships with them to make their customers loyal (Gilaninia et al, 2011). Relationship marketing strategy, apart from its ability to help understand customers' needs, can also lead to customer loyalty and cost reduction (Ndubisi, 2004). In fact the popularity of relationship marketing is fed by the fact that building relationships is beneficial for both customers and the enterprise.

Organizations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. It is also the same for the customers, who seek a benefit to start relationship and respond with their loyalty (Rashid, 2003). So, the long-term relationship between a bank and its customers brings numerous financial benefits to both bank and customer which have a real economic value (Bae et al., 2002; Ashton and Pressey, 2004). Relationship marketing focuses on how to develop, maintain and enhance customer relationships over the customer life cycle rather than on attracting new customers (Zineldin & Philipson, 2007). Research has shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer (Rosenberg and Czepiel, 1983; Ndubisi, 2003; Ndubisi and Wah, 2005; Gilaninia et al, 2011). Reichheld (1993) reported that a 5 percent increase in customer retention typically grew the company's profit by 60 percent by the fifth year. Also long-term relationships between banks and their customers allow for the systematic monitoring of borrowers for credit assessment, enforcing contract compliance and as a conduit to gather information for profitability, distribution and pricing which leads to greater satisfaction, repurchase, and positive word of mouth (Ashton and Pressey, 2004).

Moreover if a bank builds and maintains good relationships with customers it can not be easily replaced by the competitors and therefore provides for a sustained competitive advantage. Thereby relationship marketing is about the mutually beneficial relationship that can be established between customers and the bank (Gilbert and Choi, 2003). Since customer relationship building creates mutual rewards (Ndubisi, 2006, 2007) and both the firm and the customer benefit, it is important, therefore, to empirically examine the actual impact of the underpinnings of relationship marketing on customer loyalty. Therefore this study was planned to examine the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers (Ndubisi, 2007; Gilaninia et al, 2011).

2. Literature review

The concept of relationship marketing has emerged within the field of services marketing and industrial marketing (Dwyer et al. 1987; Thorbjornsen et al. 2002; Swaminathan et al. 2007, Bolton et al. 2008; Ndubisi and Wah, 2005) and blossomed in the late 1980s and 1990s (Beetles and Harris, 2010). Relationship marketing is one of the oldest approaches to Marketing (Zineldin and Philipson, 2007) and Over the past twenty years, relationship marketing has represented a renaissance in marketing (Bonnemaizon et al, 2007) and it embodies international, industrial and services marketing and in a business context is superseding traditional marketing theory (Davis, 2008). In fact this reorientation of marketing has been proposed in contrast to the traditional approach, transactional marketing (Zineldin and Philipson, 2007). Relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature (Gro¨nroos, 1994; Gummesson, 1994; Leverin and Liljander, 2006) and today this concept is strongly supported by on-going trends in modern business (Ndubisi and Wah, 2005). In 1983, it was Berry who introduced the term relationship marketing in a service context to describe a longer-term approach to marketing. He viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships (Ndubisi, 2007).

According to Gro¨nroos (1994) 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. The American Marketing Association's (AMA) definition of relationship marketing embodies these principles:
"Relationship marketing is a kind of marketing that its goal is developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market" (Gilaninia et al, 2011). There are four fundamental values for relationship marketing. First the activities regarding relationship marketing do not focus upon a specialized department. This means there must be a marketing orientation of the whole company. Second, relationship marketing emphasizes on long term collaboration, so companies should view their suppliers and customers as partners, where the goal is to create mutual value. The relationship must be meaningful for all those involved, with the purpose of retaining long- term relationships with parties. Third, all parties should accept responsibilities. Relationship must also be interactive that means customer can initiate improvements or innovation of the product. Fourth, customers should be considered as individuals, suppliers' task is also to create value for the customers (Kavosh et al, 2011).

Therefore relationship marketing is a strategy where the management of interactions, relationships and networks are fundamental issues (Ndubisi, 2007).This is achieved by a mutual symbiosis and fulfillment of promises (Ndubisi, 2003; Ndubisi and Wah, 2005). Consequently customer relationships are at the center of this marketing perspective (Zineldin and Philipson, 2007). Relationship marketing adopts a customer focus and its main benefits include greater customer retention, increased loyalty, reduced marketing costs, and greater profits (Stavros & Westberg, 2009) and the goal of relationship marketing is to form mutually beneficial alliances that must restrict trade among rivals by creating barriers to entry (Fontenot and Hyman, 2004). 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). Thereby 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. Relationship marketing in service organizations is not an entirely new concept (Man so and Speece, 2000) and Relationship marketing within the banking industry is becoming increasingly important (Colgate and Alexander, 1998). Relationship marketing literature related to banking can be traced back to the early 1980s. Relationship marketing is a feasible way for banks to establish a unique long-term relationship with their customers (Gilbert and Choi, 2003). Relationship marketing activities are critical in the banking sector; for instance: To continue to be successful in the corporate sector, small banks must invest in the long-term relationship marketing infrastructure to support a customer orientated approach (Heffernan et al, 2008).

Scholars have listed key virtues that have been theorized in the relationship marketing literature, for example, trust (Macintosh and Lockshin,1997; Sirdeshmukh et al, 2002; Veloutsou et al., 2002; Knemeyer et al., 2003; Beetles and Harris, 2010), commitment (Morgan and Hunt, 1994; Beetles and Harris, 2010), competence (Smith and Barclay, 1997; Metawa and Almossawi, 1998; Hunt et al, 2006), equity (Kavali et al, 1999),benevolence (Ndubisi and Wah, 2005), empathy (Ndubisi, 2004), conflict handling (Ndubisi and Madu, 2009; Gilaninia et al, 2011), and communication or sharing of secrets (Morgan and Hunt, 1994; Ndubisi and Wah,2005; Knemeyer and Murphy, 2005; Tian et al., 2008). Other scholars (e.g., Morgan and Hunt, 1994; Evans and Laskin, 1994; Wilson, 1995; Sin et al, 2002; Macmillan et al, 2005; Heffernan et al, 2008; Chattananon & Trimetsoontorn, 2009) have documented the following constructs, namely, shared values, bonding, and reciprocity as the underpinnings of relationship marketing. Based on the literature we hypothesized that relationship marketing was a one-dimensional construct consisting of eight underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) and they have been linked in this study to customer loyalty. Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building relationships with loyal, or at least potentially loyal, customers. It is argued here that the eight identified underpinnings of relationship marketing are directly linked to and are capable of predicting customer loyalty.

3. Research conceptual model

The conceptual model depicted in Figure 1 was based on the combination of two models presented in previous studies by Ndubisi in 2007 and Sin et al in 2002. It highlights the effect of relationship marketing underpinnings on customer loyalty.

Insert Figure 1 about here

Trust. Trust is the "cornerstone" of long-term relationships (Jusˇcˇius and Grigaite, 2011). Trust is ". . . a willingness to rely on an exchange partner in whom one has confidence" A betrayal of this trust by the supplier or service provider could lead to defection (Ndubisi and Wah, 2005). It means taking mutually agreed words as fact and reducing one's perception of the likelihood that either party will act opportunistically (Leung et al,2005).Trust is defined as a belief or conviction about the other party's intentions within the relationship. In the context of relationship marketing, trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other (Chattananon & Trimetsoontorn, 2009).

Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability, besides fanning the fire of trust. Gro¨nroos (1990) believed that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in them, and thereby in the firm itself, is maintained and strengthened. Trust in organizations comes from customers' positive experiences that induce them to continue with the relationship (Vesel and Zabkar, 2010).

Commitment. Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. Hocutt (1998) views commitment as "an intention to continue a course of action or activity or the desire to maintain a relationship". Studies in calculative and affective commitment, for example, have in fact demonstrated that buyers base their commitment on calculations of switching risks as well as on sentiments of allegiance (Barry et al, 2008). In general, commitment refers to an orientation that specific intentions and behaviors characterize with the purpose of realizing value for both parties over the long term (Vesel and Zabkar, 2010).

Communication. Communication is defined as "the consumer's perception of the extent to which a retailer interacts with its regular customers in a warm and personal way". Such an interaction is reflected in the feelings of familiarity and friendship, personal knowledge, and the use of the client's family name and/or first name on the sales spot (Naoui and Zaiem, 2010). Also 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 refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post consuming stages .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. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision. Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal (Ndubisi, 2007). Bidirectional communication leads to a strong relationship satisfying both parties, which in turn leads to increased loyalty. Communication should be proactive rather than just reactive (Boedeker, 1997) and it has three sub constructs. These are the frequency, relevance and timeliness of communication from the organization to the customer (Macmillan et al, 2005).

Conflict handling. Conflict, which has been defined as "tension and frustration between two or more social entities that arise from the incompatibility of actual and desired responses", is an opportunity for the company to show its engagement towards its client through its efforts to resolve the conflict and its willingness to openly discuss reasons and possible satisfactory solutions (Naoui and Zaiem, 2010). 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. How well this is done will determine whether the outcome is loyalty, "exit" or "voice". Frequency and bidirectionality communications has the strongest effects on interpersonal conflict and that communication should be meaningful, supportive and appropriate to be more effective (Meunier-FitzHugh & Piercy,2010).

Bonding. Bonding is defined as the dimension of a business relationship that results in two parties (the customer and the supplier) acting in a unified manner toward a desired goal. In the dyadic relationship of a buyer and a seller, bonding can be described as a dynamic process that is progressive over time. The bonding process begins with the very basic force of the need for a seller to find a buyer for their product, and the desire for a buyer to purchase a product that will satisfy their needs (Chattananon & Trimetsoontorn, 2009). It was recognized by Shani and Chalasani (1992) in their identification of the bond developing between consumer, supplier, and product through the application of relationship marketing. Its application to relationship marketing consists of developing and enhancing consumer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization or as Levitt (1983) described, developing and enhancing a long-term relationship (a bonded relationship) with the seller.

Shared values. Morgan and Hunt (1994) define shared values as, "the extent to which partners have beliefs in common about what behaviors, goals and policies are important, unimportant, appropriate or inappropriate, and right or wrong". Shared value has long been considered as an important component in building buyer–seller relationships (Evans and Laskin, 1994; Wilson, 1995; Sin et al, 2002; Macmillan et al, 2005; Heffernan et al, 2008).

Empathy. Empathy is the ability to see a situation from another person's perspective (Wang, 2007). It is defined as seeking to understand somebody else desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense (Chattananon & Trimetsoontorn, 2009). Empathy has a number of analogous meanings – the golden rule, the ethic of care and an "others" orientation. Empathetic marketers are not insensitive to the needs and concerns of the consumer. Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard bargain with customers (Murphy et al, 2007). In the personal selling literature, the empathetic abilities of the salespeople are a prerequisite for successful selling. In the service marketing literature, the component of empathy is used in developing the SERVQUAL test instrument for service quality. In the networking literature, empathy has been considered as an independent variable in explaining franchisor–franchisee working relationships (Sin et al, 2002).

Reciprocity. Reciprocity is the dimension of a business relationship that enables either party to provide favors or make allowances for the other in return for similar favors or allowances to be received at a later date (Chattananon & Trimetsoontorn, 2009). Therefore the rule of reciprocity focuses on a recipient's behavior by the social norm expressed as ''if you have received a drop of beneficence from other people, you should return to them a fountain of beneficence'' (Wang, 2007). The links of reciprocity to relationship marketing have been considered as a basis for the interface between exchange transactions and marketing activities. In fact, relationship marketing is characterized by "…interactions, reciprocities, and long-term commitments" (Sin et al, 2002).

4. Hypotheses

H1: There is a significant positive relationship between trust and customer loyalty.
H2: There is a significant positive relationship between commitment and customer loyalty.
H3: There is a significant positive relationship between communication and customer loyalty.
H4: There is a significant positive relationship between conflict handling and customer loyalty.
H5: There is a significant positive relationship between bonding and customer loyalty.
H6: There is a significant positive relationship between shared values and customer loyalty.
H7: There is a significant positive relationship between empathy and customer loyalty.
H8: There is a significant positive relationship between reciprocity and customer loyalty.

5. Methodology

The target population of this study was bank customers in Guilan province (located in north of Iran). Customers of both public and private banks in Guilan province were selected for this study. Banks of Guilan province consist of 10 public banks and 7 private banks, totally 626 branches. According to interviews with bank managers, the number of bank customers and the number of bank branches were proportionate. Therefore, the number of bank branches was considered in sampling method. Hence, stratified random sampling method was used in this study. The process of stratified random sampling is presented in Table 1. To calculate sample size the following formula was used and according to it, 384 bank customers were selected.

$$n = \frac{Z^2_{\alpha/2} * p * q}{d^2} = 384$$

q = p = 0/5
d = 0/05
a = 0/05 and Z = 1/96

Insert Table 1 about here

Data was collected through a field survey of bank customers in Guilan province, in a period of five weeks. The respondents provided the data by means of a self-completed questionnaire containing 34 items. In the questionnaire completed by customers, items to measure the construct dimensions were adapted from previous studies done by Sin et al (2002) and Ndubisi (2007). All items were measured by responses on a five-point Likert scale of agreement with statements, ranging from 1 = strongly disagree to 5 = strongly agree. According to sample size, 384 questionnaires were handed out and 289 were returned.

However 28 were voided because of incomplete data, resulting in 261 usable responses. This is a 68 percent response rate. Multiple regression analysis was used for data analysis to predict the relationship between the eight "underpinnings" of relationship marketing and customer loyalty, in this context.

6. Validity and reliability

This study adopted Cronbach's alpha value as a tool for reliability examination. Based on the suggestion proposed by Guielford (1965), the higher the Cronbach's alpha value, the higher the internal consistency is. If a value was higher than 0.70, then it showed that the reliability of measurement was high. The examination result of this study showed that Cronbach's alpha value in each variable was higher than 0.7, as shown in Table 2, which indicates high reliability.

Insert Table 2 about here

Content validity and convergent validity were used in this paper to examine the validity of the questionnaire. The content validity of the questionnaire items was verified by 3 academic with expertise in the field and some bank specialists, after which a few bank customers were served the form to get their opinion on the clarity of question wording and meaning. Their feedback was incorporated into the final version of the instrument. Convergent validity refers to the degree of agreement in two or more measures of the same construct (Sin et al, 2002). Evidence of convergent validity in questionnaire was examined through simple correlation among the eight underpinnings of relationship marketing. Results reported in Table 3 show that correlation among the eight underpinnings of relationship marketing ranged from 0.351 to .788, and all correlations were significant at $P < 0.01$. The pattern of correlation indicates that the eight underpinnings are convergent on a common construct.

Insert Table 3 about here

7. Analysis and results

Table 4 shows the demographic characteristics of the respondents. As it is shown 69 percent were male and 31 percent were female. Information on the respondents' service usage, based on the number of years they have been with the particular bank show that 28.7 percent have been with the bank for 3 years or less, 46.7 percent between 4 and 6 years and 24.6 percent have been with the bank for 7 years or more. Age distribution shows that 64 percent were below 45. Also about 40 percent of respondents had a college degree.

Insert Table 4 about here

The results of the regression analysis summarized in Table 5 show that all eight underpinnings of relationship marketing contribute significantly to customer loyalty. It also shows a significant direct relationship between all eight underpinnings and customer loyalty at 5 percent significance level (statistically significant at $P < 0.05$). It means that all p-values are lower than $P <0.05$, hence all eight hypotheses are supported. The positive sign of the estimates shows that the greater the extent of these underpinnings, the higher the level of customer loyalty. All elements of the research proposition are thus firmly supported.

Insert Table 5 about here

8. Limitations and future research

The relationships investigated in this study deserve further research. Because this research focuses on banking services in one country, therefore further research in other sectors may be necessary before generalization can be made on the entire service industry. Researchers by employing these constructs, and replicating this study in other industries, would be able to unveil the factors that discriminate between loyal customers and those who are not, and also produce more generic results. Also the impact of the relationship marketing underpinnings can be investigated on other dependent variables such as market share, satisfaction, profitability and firm performance. Although the dimensions identified were really verified in this industry, it would be helpful to replicate this study in other industries. The outcome of the future studies will determine the extent of generalization to be made.

An important future research direction is to examine the roles of the relationship marketing underpinnings, overall relationship quality and customer satisfaction in creating customer loyalty. Such knowledge would assist banks in designing effective strategies for consummating strong customer loyalty. Another future research direction in relationship marketing research may include other less widely acknowledged relationship marketing variables, for example, friendship, recognition, thoughtfulness, understanding, benevolence, competence, time to listen and likewise the impact of moderating variables such as demographic characteristics can be considered.

These were excluded from this banking sector research, which concentrated only on the more common relationship marketing underpinnings as identified by past studies. By using a more comprehensive list, a richer outcome may emerge. These future studies should use a hold out sample to confirm the model.

9. Conclusion

Changes in the operating environment (e.g. regulation, computerized systems) as well as changes in sources of revenues (e.g. revenues derived from fee-based incomes) are strong motives for banks' adoption of relationship marketing strategies (Perrien et al., 1992). Therefore more than ever before, managers in the financial services industry must understand their customers so that they can better meet their best customers' needs and prevent them from switching to other companies. Any approach that addresses these issues is likely to meet with a great deal of interest, and relationship marketing has proven to be one of the most successful approaches. Relationship marketing adopts a customer focus (Stavros & Westberg, 2009) and the benefits of strong relationships with key customers include increased profit through reduced risk, improved communication links, and referrals and an increase in customer satisfaction leading to more loyal customers (Heffernan et al, 2008).

This research provides empirical evidence for the influence on customer loyalty of eight underpinnings of relationship marketing: trust, commitment, communication, conflict handling, bonding, shared values, empathy and reciprocity. This study adds value to the literature by empirically investigating the impact of relationship marketing underpinnings on customer loyalty in the banking industry. According to the results of this study, banks wishing to retain and develop loyal customers should be trustworthy and committed to the service ethic, should communicate timely and accurately, and must resolve conflicts in a manner that will eliminate unnecessary loss and inconvenience to customers. It has been suggested that loyal customers are valuable communicators of favorable word-of-mouth about organizations or products to which they feel loyal. As evangelists, they can attract new customers for the organization and may even increase their own consumption collectively to the benefit of its sales, revenue and profit.

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. Therefore, banks that desire to build loyal customers should strive to earn customers trust. By giving and keeping promises, showing concern for the security of customer transactions, providing quality services, showing respect for customers, fulfilling obligations to customers, and striving always to enhance customers' confidence, banks can earn customers' trust and, as a result, can make them loyal. Another critical factor in building customer loyalty is commitment. Specific ways to demonstrate commitment include, offering both customized and flexible services. It means accommodating to customers' needs, tailoring products to requirements, and being generally flexible in customer relationships. Banks should recognize the potency of service commitment in keeping loyal customers, and act accordingly. They must show genuine commitment to customer relations, not lip service.
In order for banks to survive in any economy, they should also be able to provide timely and reliable information for customers. Effective communication predisposes customers to stay with a provider of banking services. Loyalty can be nurtured by providing timely and reliable information, for example about the uses and benefits of new banking services or about the status of transactions.

It can also be reinforced by the provision of honest information on what the bank is doing about existing problems and what it does to forestall potential ones. Lastly, 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. Effective reactive solutions should also be marshaled decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem as how it is handled. Therefore Banks should be willing to discuss problems openly with their customers (Ndubisi, 2007). Bank employees must try to establish long-term relationships with customers and work in a close cooperation and be in touch with customers constantly. Paying attention to shared values and the same feelings and opinions is really important. Banks should provide a situation that both customers and employees try to solve difficulties and feel responsible to repay each other's kindness.

Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

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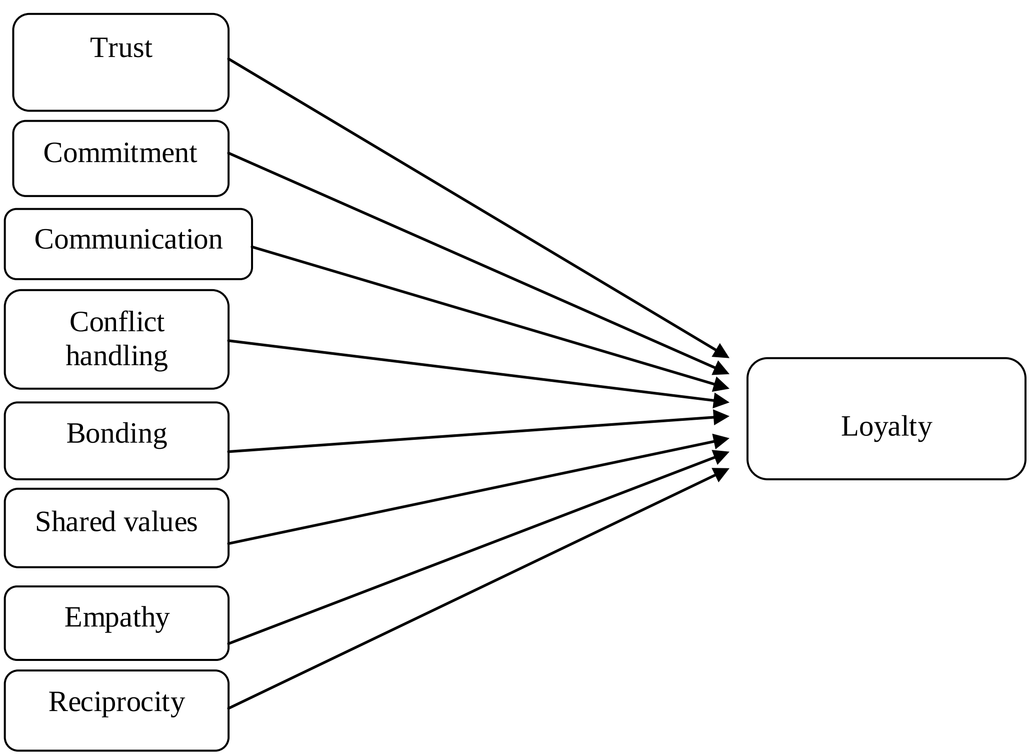

Figure 1.Conceptual model

Table 1. The stratified random sampling of banks in Guilan province

The name of banks in Guilan province	The number of branches related to each bank	Relative share of related bank in population	The number of samples related to each bank
Saderat	134	(134/626) = 0.21	0.21* 384 = 81
Melli	125	(125/626) = 0.20	0.20* 384 = 77
Tejarat	73	(73/626) = 0.12	0.12* 384 = 45
Keshavarzi	68	(68/626) = 0.11	0.11* 384 = 42
Mellat	62	(62/626) = 0.10	0.10* 384 = 38
Sepah	51	(51/626) = 0.08	0.08* 384 = 32
Maskan	44	(44/626) = 0.07	0.07* 384 = 27
Refah Karegaran	39	(39/626) = 0.06	0.06* 384 = 24
Tose Saderat	3	(3/626) = 0.005	0.005* 384 = 2
Sanat va madan	3	(3/626) = 0.005	0.005* 384 = 2
Parsian	8	(8/626) = 0.01	0.01* 384 = 5
Pasargad	5	(5/626) = 0.007	0.007* 384 = 3
Sarmayeh	3	(3/626) = 0.005	0.005* 384 = 2
Eghtesad Novin	2	(2/626) = 0.002	0.002* 384 = 1
Kar Afarin	2	(2/626) = 0.002	0.002* 384 = 1
Saman	2	(2/626) = 0.002	0.002* 384 = 1
Sina	2	(2/626) = 0.002	0.002* 384 = 1
Total	626	1	384

Table 2: Descriptive statistics and reliability estimates

Dimensions	No. of items	Mean	Standard deviation	Cronbach's *a*
Trust	6	3.91	0.86	0.937
Commitment	4	3.69	0.93	0.857
Communication	4	3.58	0.75	0.928
Conflict handling	3	3.64	0.71	0.819
Bonding	4	3.57	0.84	0.906
Shared values	4	3.77	0.63	0.776
Empathy	4	3.83	0.58	0.884
Reciprocity	3	3.72	0.67	0.849
Customer loyalty	2	3.96	0.78	0.924

Table 3: Result of correlation analysis

	Trust	Commitment	Communication	Conflict handling	Bonding	Shared value	Empathy	Reciprocity
Trust	1							
Commitment	0.729*	1						
Communication	0.607*	0.739*	1					
Conflict handling	0.527*	0.665*	0.669*	1				
Bonding	0.672*	0.788*	0.489*	0.634*	1			
Shared value	0.351*	0.573*	0.412*	0.501	0.606*	1		
Empathy	0.574*	0.646*	0.736*	0.619*	0.773*	0.633*	1	
Reciprocity	0.529*	0.505*	0.697*	0.528*	0.601*	0.401*	0.769*	1

Note: *Statistically significant at the 0.01 level.

Table 4: Respondents' demographic profile

No	Profile	Description	Responses	Percentage
1	Age	below 18 years	7	2.7
		18-24 years	30	11.5
		25-34 years	80	30.6
		35- 44 years	50	19.2
		45-54 years	74	28.2
		55 years or above	20	7.8
2	Gender	Male	180	69
		Female	81	31
3	Highest level of education	under 12 years	64	24.6
		High school degree	93	35.6
		1-2 years of college	37	14.2
		3-4 years of college	48	18.4
		Postgraduate	16	6.1
		PhD degree	3	1.1
4	patronage of a particular bank	3 years or less	75	28.7
		4-6 years	122	46.7
		7 years or more	64	24.6

Table 5: Relationship between RM underpinnings and customer loyalty

Dependent variables	Independent Variable	Beta coefficients	t-value	p-value
Customer loyalty	Trust	0.440	2.111	0.036*
	Commitment	0.347	2.363	0.026*
	Communication	0.209	2.440	0.015*
	Conflict handling	0.114	2.495	0.013*
	Bonding	0.180	2.167	0.031*
	Shared value	0.095	1.992	0.047*
	Empathy	0.154	2.080	0.039*
	Reciprocity	0.106	2.205	0.028*

Note: *Statistically significant at the 0.05 level.