

The Strategic Performance of Bangladeshi Private Commercial Banks on Post Implementation Relationship Marketing

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Abstract

Nowadays using the right marketing tools to manage the strategic performances to achieve sustainability for the banks is crucial, and it is important to monitor the post-implementation success outcomes to get the true glimpse of the effectiveness of such tools. As the banking industry deals with financial management, a very sensitive component of human life, and as it has the inherent nature of service industry, the practice of relationship marketing strategies automatically comes under discussion. In addition, the private banks have gradually shown their better progress compared to the public for the last two decades by adopting various relationship marketing instruments. Keeping this view in mind, this conceptual paper proposes to explore the most critical success factors of post-implementation relationship marketing (RM) for the private banks in Bangladesh along with the impact of RM on the sustainability of the banks. It also presents the intended methodology to accomplish the required purposes of the study and ends with viable recommendations along with an indication for future research.

Keywords:

Relationship marketing
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Banks in Bangladesh
Post implementation success
Strategic performance.

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1. Introduction

Bank customers are in a bargaining position due to the significant growth of banks in Bangladesh. The general perception that public banks in Bangladesh have failed to play an effective role and are unsuitable in an era of globalization led to the establishment of a handful of private commercial banks (PCBs) in the mid-1990s. According to [Mentzer, Bienstock, and Kahn \(1993\)](#) it is viewed by the customers that the services provided by the private banks are better compared to public banks.

Majority of the private banks generally claim that relationships are vital to them and that they are conscious of the “potential power” that relationships hold. The success of a service lies in close relationships with clients and professional service. Private banking is commonly labeled as “the provision of banking services to high net worth and professional people”. [Nathan \(1996\)](#) has mentioned that this “high net worth” (p.14) market may be seen to consist of the customers who do not need to borrow money as they commonly have a surplus “cash and assets”, but they need to be well-dealt with and their money well-managed.

In Bangladesh for a host of reasons such as infrastructure inadequacy, poor rate of literacy, general security problems etc. the adoption of self-serving technologies (SSTs) is more difficult. A good number of studies on relationship marketing and customer relationship management (CRM) in several organisations in Bangladesh ([Islam, Siddiqui, Hossain, & Karim, 2014](#); [Khan, Haque, & Islam, 2007](#)) seems to have concentrated on the theoretical framework, uses and implications of relationship marketing and CRM (Customer Relationship Management) in general.

By opting private commercial banks of Bangladesh as a ground, this study expects to explore the outcome success factors of relationship marketing for the private banking sector of the setting of “South Asian developing countries” (i.e. Bangladesh). Though the use of certain terms such as customer relationship

management, database marketing etc. are mushrooming in the business world especially for the service-oriented industry, there has been very little evidence on the research done based on the outcomes of those tools particularly on how PCBs can contribute to the success of the companies. Hence the researchers tried to highlight the outcome success factors for the PCB's in Bangladesh. This article presents the literature survey relating the aforementioned theme followed by study objectives and methodology. It concludes with necessary recommendations for the academic researchers and marketing practitioners.

2. The Competitive Picture of Bangladeshi Banks

There are 56 scheduled banks functioning over their 8794 branches in Bangladesh as of June 2014. These total numbers of branches comprise of, 3536 state-owned commercial banks (SCB), 3692 local Private Commercial Banks (PCB), 70 Foreign Commercial Banks (FCB) and 1496 Specialized Banks (SB).

By picking private commercial banks, this study intends to explore the strategic performance outcomes of customer-employee relationship in Bangladesh and by implication in the developing countries, particularly those of South Asia. Table 1 depicts the framework of the banking system including the percentage of assets and deposits based on the respective categories of banks:

Table-1. "Structure of the Banking System" in Bangladesh (Up to June 2014).

Categories of Banks	Numbers	Number of Branches	Total asset (%)	Total deposit (%)
State-owned commercial banks	4	3536	26.48	25.57
Specialized banks	4	1496	5.46	5.21
Private commercial banks	39	3692	62.29	63.87
Foreign commercial banks	9	70	5.77	5.35
Total number	56	8794	100	100

Source: Bangladesh Bank.

Based on Table 2, PCBs manage 62.29 % of total assets and 63.87 % of total deposits. On the other hand, SCBs handle about 26.48 % of total assets and 25.57 % of total deposits. Surprisingly, the SBs have only 5.46 of total assets and 5.21 % of total deposits though they are operating 1,496 branches through the country.

The growing success & demand for relationship managers in the private banking can be also analysed from the various financial indicators such as deposits and its growth rate, capital adequacy ratio, NPL to total loan ratio, Return-on-Asset (ROA), Return-on-Equity (ROE) & Net Interest Income (NIM) in terms of profitability for the last decade.

The SCBs held 27.5 % of the total industry assets in 2015 against 26.4% in 2014. PCBs' share in total assets was able to demonstrate a persistent trend which has increased slightly from 61.8 % in 2014 to 63.3 % in the year 2015. PCBs' deposits in the year 2015 amounted to Tk 4449.4 billion or 63.9 % of the total industry deposit against Tk 3939.3 billion or 62.8 % in 2013.

Table-2. Banks' financial indicators in Bangladesh.

Criteria	Year/Bank	2004	2005	2006	2007	2008	2009	2010	2011
Total deposits (Tk in billion)	private bank	588.00	731.30	955.50	1150.20	1450.70	1792.40	2266.50	2787.50
	public bank	544.56	608.36	641.16	686.76	745.86	869.19	1044.96	1235.65
Deposit growth rate (%)	private bank	nil	24.37	30.66	20.38	26.13	23.55	26.45	22.99
	public bank	nil	11.72	5.39	7.11	8.61	16.54	20.22	18.25
Capital to risk weighted assets ratio (%)	private bank	10.30	9.10	9.80	10.60	11.40	12.10	10.10	11.50
	public bank	4.10	(-0.4)	1.10	7.96	6.90	9.00	8.90	11.70
NPL to total loan ratio (%)	private bank	8.50	5.60	5.50	5.00	4.40	3.90	3.20	2.90
	public bank	25.30	21.40	22.90	29.90	25.40	21.40	15.70	11.30
Return on asset (%)	private bank	1.20	1.10	1.10	1.30	1.40	1.60	2.10	1.60
	public bank	(-0.1)	(-0.1)	0.00	0.00	0.70	1.00	1.10	1.30
Return on equity (%)	private bank	19.50	18.10	15.20	16.70	16.40	21.00	20.90	15.70
	public bank	(-5.3)	(-6.9)	0.00	0.00	22.50	26.20	18.40	19.70
Net interest income (Billion Tk)	private bank	13.70	21.00	25.40	36.10	48.50	56.70	82.80	91.40
	public bank	(-1.1)	7.70	9.00	7.40	7.90	12.10	19.80	34.30

Source: Bangladesh Bank Annual Reports 2004-2011.

In one of their studies, Crosby, Evans, and Cowles (1990) surmised that in the banking industry simply an excellent front office employee can upsurge overall customer satisfaction and loyalty to a remarkable extent (Colgate & Danaher, 2000). The above comparative performance statistics of SCB's and PCB's provide a strong basis to the researchers to explore further on the relationship of the banks' employees and customers that successfully works behind the comparatively better outcomes of the PCB's.

3. Objective of the Study

In a study on relationship marketing, the banking sector has been selected because of the fact that a great deal of research has increasingly emphasized on the strong competitive pressure leading the financial institutions to revise their marketing strategies and to utilize their long-lasting relationships with customers. Based on [Tyler and Stanley \(2001\)](#) recent studies have shown that the corporate banking customers still deem personal relationships as the prime mode of communication. Due to this and also because of relationship marketing being considered “strategically imperative in the modern financial sector” ([Berry, Seiders, & Grewal, 2002](#)) this study wishes to identify the most critical success factors of post-implementation relationship marketing for the private banking sector in Bangladesh and also intends to find out the most important critical success factor along with the way to retain sustainability through relationship marketing for the private banks as well. To comply with the research objective the research questions are as follows:

- What are the post-implementation critical success factors of relationship marketing for the private banks in Bangladesh?
- What is the most important factor among them?
- How can the relationship marketing bring sustainability for the private banking sector in Bangladesh?

4. Relationship Marketing (RM)

Relationship Marketing indicates to ‘a process of attracting, maintaining, enhancing and, when necessary, terminating relationships with customers and stakeholders at a profit’ ([Das, 2009](#); [Gronroos, 2007](#); [Kotler & Gary, 1999](#); [Zineldin & Philipson, 2007](#)) so that the goals of the parties involved are accomplished through mutual exchange and the fulfilment of promises. Relationship Marketing involves ‘two-way communication’ and accentuates “strong personal relations, interaction and social exchange in order to succeed” ([Chen, Shi, & Dong, 2008](#)). [Kassim, Bahari, Kassim, Rashid, and Jusoff \(2009\)](#) defined it as a company’s activity that helps in developing and retaining customers through increased satisfaction, trust, loyalty, and commitment.

4.1. RM Strategies in Banking Sector

The increasing use of technology CBS (Core Banking System) has made the work easy and transparent by integrating all the data, customer profiles and clients’ feedback in the bank. Besides the other computer-based information system, such practices can improve the information flow and decision processes between various departments of the bank. The concepts of Relationship Managers and Customer Grievance Management as available in the banking sector are helpful in increasing customer loyalty. If banks wish and reward the customers on their birthdays and anniversaries, it gives a personal touch. Moreover, use of instant messages, emails, and the short messaging system makes the communication transparent and accessible.

4.2. RM Success Factors in Literature

[Mulki and Stock \(2003\)](#) stated that numerous environmental factors are involved in the increase of relationship marketing. This shows the trend for firms in progressive economies (like that of Bangladesh) to be “service-oriented”, be “information-oriented”, be “niche-oriented”, “embrace information and communication technologies and be global in nature” ([Gummesson, 2002](#); [Sheth & Parvatlyar, 1995](#)).

[Hunt and Arnett \(2003\)](#) model has seven relationship marketing success factors which were extracted such as:

- developments in competitive advantages in the marketplace ([Day, 2000](#); [Hunte, 2000](#));
- improved levels of customer satisfaction ([Abdul-Muhmin, 2002](#));
- higher financial performance ([Kalwani & Narayandas, 1995](#); [Weber, 2000](#));
- partners’ propensity to stay ([Jap, 2001](#); [Verhoef, 2003](#));
- reductions in uncertainty ([Achrol & Stern, 1988](#); [Morgan & Hunt, 1994](#));
- organizational learning ([Selnes & Sallis, 2003](#)); and
- acquiescence by partners ([Kumar, Stern, & Achrol, 1992](#); [Morgan & Hunt, 1994](#)).

In addition to that, there are three more constructs that are referred to in the literature of marketing. These additional relationship marketing outcomes are: customers’ (positive) ‘word-of-mouth communication’, ‘customer loyalty’, and ‘attracting new customers’ ([Hennig-Thurau, 2000](#)).

Banks apply the “relationship marketing” concept as a strategy which helps to develop financial and market performance and achieve a better competitive edge. [Cross \(1999\)](#) states that, according to a recent research, robust customer relationships can bring both “higher profits and increased market share” (17-18). Relationship marketing activities do not influence financial performance directly but rather help to construct and/or maintain customer-seller relationships (i.e., relational assets), which then affect customer behaviors, which in turn propagate improvements in the seller’s financial outcomes. In the setting of relationship marketing, customer satisfaction can be elaborated as “customers’ cognitive and affective evaluation based on

their personal experience across all service episodes within the relationship” (Davis-Sramek, Mentzer, & Stank, 2008).

Bank customers measure their satisfaction based on ongoing relationship experiences with the bank’s employees or a series of encounters. This substantiates (Storbacka, Strandvik, & Grönroos, 1994) who argued that customers’ overall satisfaction influenced by their experiences gathered from all service encounters. In those market situations, according to Nevis, DiBella, and Gould (1995) where firms (or banks in this case) face periods of substantial, discontinuous change and/or there is a need to distinguish the firm from competition through the implementation of a relationship marketing style that gets incremental outcome through adaptive learning style. A customer’s propensity to stay in the relationship has been considered more imperative in service industries (Ahmad & Buttle, 2001). This indicates a willingness to continue in co-production which ultimately leads to economic gain. Conceptually, acquiescence parallels the performance outcome of compliance, as discussed by Kumar et al. (1992).

With regard to relationship situations, Morgan and Hunt (1994) considered acquiescence. It is likely that different industries will exhibit variation in relationship models according to differences in the levels of environmental uncertainty (Gatignon & Anderson, 1988; Grundvåg Ottesen & Grønhaug, 2004). Relationship marketing is defined by Peng and Wang (2006) as, all marketing activities stressed towards building customer loyalty (keeping and winning customers) by offering value to all the parties associated in the relational exchanges. It is the main job of managers and marketers to build and improve customer loyalty in the banking sector if they want to sustain their company and upsurge its profitability. Based on Anderson (1998) “(positive) word-of-mouth” is defined as all kinds of informal communications between a customer and the people of a firm, regarding the evaluations of goods or services, such as “relating pleasant, vivid, or novel experiences; recommendations to others; and even conspicuous display” (33-34).

“Word-of-mouth” communication can be perceived as a crucial relationship marketing outcome intended at replacing lost customers. In the relationship marketing concept, drawing new customers has been understood as part of the concept by many advocates (Gronroos, 1990; Morgan & Hunt, 1994). Good relationship management of a company or a bank forms over time a good image and positive fame that can amaze new customers.

5. Methodology

The population of this research will comprise relationship managers from 7 different leading private banks in Bangladesh, namely Standard Chartered Bank, HSBC Bank, Dutch Bangla Bank, Mutual Trust Bank, Prime Bank, Al-Arafah Islami Bank and Bank Asia. The locations of the branches of these 7 respective private banks will be chosen to cover the bigger areas of Dhaka, the capital city of Bangladesh. Most of the branches are located at Motijheel, Dhanmondi, Uttara, Banani, Gulshan, Mohakhali, and Narayanganj. The sample size for this research will be 200 relationship managers who will be selected based on simple random sampling technique. Around 300 structured/ close-ended questionnaires will be delivered to the relationship managers of the selected banks.

The instrument such as questionnaire will be used in this study inspired by previous researchers. Close-ended questions will be used in the questionnaire due to their ease to administer, score and code (Burns & Burns, 2008). In the survey, the respondents will be asked to respond using a “seven-point Likert scale”. The scale is ranging from “strongly disagree” (1) to “strongly agree” (7). The data was collected through a specially designed self-administered questionnaire. This method will be used in order to induce a greater number of respondents to complete the questionnaires and hence to achieve a higher response rate. In addition, it could also help to reduce the cost incurred and time spent on data gathering (Burns & Burns, 2008). All the data collected will be coded into the computer and analyzed by using Statistical Package for Social Sciences-SPSS version 22.

Besides the structured questionnaire, the researchers also intend to use few open-ended questions to at least 2 relationship managers from the chosen 7 different leading private banks in Bangladesh in order to accomplish the last objective of the research which will focus on how the relationship marketing can bring sustainability in Private Banks in Bangladesh. The interview with the respective relationship managers will be recorded and later on analyzed using Atlas.ti 7.

6. Conclusion

The research intends to explore the 10 post-implementation success factors of relationship marketing for the 7 leading Private Banks in Bangladesh. Furthermore, it also wants to identify the most important post-implementation success factor for the private banks as well. According to Keshvari and Zare (2012) when a bank claims to be exercising relationship marketing, it indicates that it has embarked on an “organization-wide strategy” to manage and foster its interface with customers and sales prospects. Relationship marketing should not remain only at the “customer service” point or at “relationship manager” level but at all points in the organization. Besides from the face to face interview with the relationship managers from the chosen

private banks in Bangladesh will also help to uncover the impact of post-implementation success factors of relationship to achieve sustainability for their business. The findings of the research are expected to help the academicians, marketing practitioners to view relationship marketing as a holistic approach to the business for future sustainability. Besides, the future research can also focus on a longitudinal study where the progress of the banks' performance can be closely monitored throughout the time and necessary measures can be implemented to fruitfully retain customers in the future.

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