Determinants and Antecedents of Relationship Marketing Orientation: The Impact of Bank Ownership Style on the Bank’s Orientation towards Relationship Marketing

Ahmed Abdelkader, Mansoura University, Egypt
Howard Jackson, Huddersfield University, UK
John Cook, Huddersfield University, UK

ABSTRACT

This study investigates the extent of Relationship Marketing Orientation (RMO) in the banking sector of Egypt. The need to deliver a superior value to bank customers has assumed paramount importance as competition intensifies at a fast pace and local consumers become more demanding. This study attempts to answer whether the bank’s ownership style will influence the extent of the bank’s relationship marketing orientation. This empirical study of 32 Egyptian banks is based on the antecedents and determinants of RMO elected from the literature. Findings suggest that different ownership of a bank may exert a different emphasis on RMO. The study reports that RMO is determined by ten antecedents of relationship marketing.

Keywords: Banking, Egypt, Marketing, Ownership Type, Relationship Marketing Orientation

INTRODUCTION

There is a growing body of knowledge related to Relationship Marketing (RM) developed around the world. RM is one of the important developments in the theory and practice of marketing during the past three decades. It covers a wide range of industries from airlines to education, and from banks to petrol stations that it became a part of everyday life (Hunt et al., 2006). RM has been hailed as a paradigm change in marketing theory and practice by some scholars (e.g., Webster, 1992; Gronroos, 1997; Gummesson, 1998; Mulki & Stock, 2003), and on the other hand was barely seen as “the emperor’s new clothes” by others (e.g., O’Malley & Tynan, 2000; O’Malley & Prothero, 2004;
Zineldin & Philipson, 2007). Additionally, relationship marketing is used as an umbrella term for a wide range of marketing practices, e.g., customer relationship management (CRM); direct marketing; and database marketing, that have – as a common facet – a focus that goes beyond the single discrete transaction between a buyer and a seller (Parvatiyar & Sheth, 2000).

This paramount academic research interest in RM resulted in numerous definitions of the concept that varied to an extent in the way they conceptualise RM. In this respect, Harker (1999), counted, at the time of writing his paper, as many as 28 substantial RM definitions, while Dann and Dann (2001) estimated the number of published definitions at nearly 50.

The earliest definition of RM was stated by Berry (1983, p. 25) as: “attracting, maintaining and enhancing customer relations”. This definition sets the bases for the RM concept which are: customer acquisition; and customer development and retention. Other definitions have appeared in the literature over the course of the following two decades. Notably, Gronroos’s (1997) definition of RM has been perceived by many scholars (e.g., Palmer, 1997; Abratt & Russell, 1999; Harker, 1999; Dibb & Meadows, 2001; Sin et al., 2002; Farquhar, 2004; Bonnemaizon et al., 2007) as the most well-designed and succinct in delivering the essence of RM.

The Gronroos (1997, p. 407) defines RM as: “to identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfilment of promises”. Under this definition, RM has six distinctive characteristics as Gordon (1998) notes and is further supported by Harker (1999) and Egan (2004). These are:

1. RM seeks to create and share new value for customers,
2. RM recognises two key roles for customers, namely, purchasers, and determinants of the value they wish to achieve,
3. RM oriented businesses are seen to design and align processes, communication, technology, and people in support of customer value,
4. RM represents continuous cooperative efforts between buyers and sellers,
5. RM recognises the value of customer purchasing lifetime (CLV) as a long term income stream, and
6. RM seeks to build a chain of relationships within the organisation to create customer value between the organisation and its main stakeholders. This chain of relationships goes beyond the simple dyadic relationship to form a network of relationships between the supplier, the customer, and the customer’s customers.

It is beyond the scope of this study to investigate the appropriateness of all marketing definitions in reflecting the actual meaning of RM. We aim to evaluate the widely used definition of RM stated by Gronroos (1997) according to the point of view of marketing practitioners in the Egyptian banking sector since this definition is heralded by various sources in the literature to be the flagship of RM definitions.

RELATIONSHIP MARKETING IN THE BANKING SECTOR

Relationship Marketing (RM) has been put forth as a way for banks to develop mutually beneficial and long-term relationships with their customers (e.g., Alexander & Colgate, 2000; Adamson et al., 2003; Leverin & Liljander, 2006). RM is believed to work most effectively in service settings when customers are highly involved in the service, where there is an element of personal interaction, and where customers are willing to engage in relationship building activities to achieve certain benefits (Colgate & Alexander, 1998; Dibb & Meadows, 2001; Martin-Consuegra et al., 2006).

RM also progresses through stages as banks develop relationships with their customers over time where the early stages are about uncovering the degree of fit between customer needs
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