

**IMPACT OF RELATIONSHIP MARKETING ON  
CUSTOMER LOYALTY:  
EVIDENCE FROM BANKING SECTOR OF PAKISTAN**



**By:**

*Summiya Nasir*

**01-121192-013**

**Supervisor:**

**Umer Chaudhry**

**MBA[1.5]**

**Department of Business Studies**

**Bahria University Islamabad**

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01-121192-013

**Supervisor:**

Sir Umar Chaudhry

**Department of Business Studies**

**Bahria University Islamabad**

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**Names of Student(s):** Summiya Nasir

Enroll #01-121192-013

**Class:** M.B.A (1.5 years)

**Approved by:**

---

**Sir Umer Chaudhry**

Supervisor

---

**Dr.Muhammad Arsalan Nazir**

Examiner-I

---

**Sir Kasheer**

Examiner-II

---

**Dr.Syed Haider Ali Shah**

Research Coordinator

---

**Dr.Khalil Ullah Mohammad**

Head of Department

Business Studies

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**Summiya Nasir  
(Under Direction of Sir Umar Chaudhry)**

**ABSTRACT**

The purpose of this study is to determine the effect of relationship marketing factors (trust , communication and conflict handing) on customer loyalty in banking sector of Pakistan.

To understand the effect of these independent variables over customer loyalty (dependent variable), a comprehensive research methodology was utilized. Initially, data was mustered. through Google forms questionnaires, from 302 different customers of disparate banks, based in the metropolitan cities of Islamabad and Rawalpindi. Correspondingly, the questionnaire was derived from previous studies.

Consequently, the results indicate that all three dependent variables i.e., trust, communication, and conflict handling have a positive effect on dependent variable i.e., customer loyalty. This shows that banks in Pakistan can use relationship marketing techniques for increasing customer loyalty. The outcome of this study is paramount. for the various industries and sector that have a robust customer base and these findings have implications for these companies to help retain the loyal customers via improving the relationship marketing practices used in any organization. This paper's contribution is that it adds to the relationship marketing literature by questioning the efficacy of relationship marketing, particularly the usage of the same relational constructs for consumers at different phases of the relationship lifecycle.

**Key Words: Relationship Marketing, Banking sector of Pakistan, Customer Loyalty.**

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## CHAPTER 1: INTRODUCTION

Over the past few years, there has been a paradigm shift in the way marketing is conducted. The relationship marketing theory is one of the services and industrial marketing ideas that has piqued academicians' and professionals' interest (Gummesson E. , 2017). There has always been concept of transactional marketing floating in the market, which was popular for decades, but now it has been gradually taken over by relationship marketing. Moreover, relationship marketing focuses on customer retention rather than one time customer. Previously, the focus was primarily on making more customers whereas now companies pay attention to customer retention as well.

In favor of relationship marketing, the conventional marketing approach has lost more ground, emphasizing the concept of developing a shared experience between a business and its customers. Using appropriate personalized contact and building long-term relationships. Conventional ways of marketing were used for gaining increased novel customers for profitability. However, incumbently according to the research by (Berry, 2002) companies can earn more by retaining existing customers. According to berry in 2002 if companies solely rely on gaining new customers, then this can be expensive process, as it might cost the company to gain more new customers than keep or build up current customers. Marketing relationship marks the change from mainstream marketing to one, as a process that fits both seller and buyer in a lucrative, intimate, professional, and long-term reciprocal relationship. Relationship Marketing is thought to be one of the most important form of marketing.

Relationship marketing is called 'Keys to Effective Relationship Marketing,' and it consists of three phases for creating a customer relationship plan. The first step is to define the problem. The company's goal, beliefs, and culture are all important factors to consider. The relationship approach is the second phase, and the third phase is to implementation. Companies may now stay in the market for the long haul by using relationship marketing methods to build long-term relationships with their consumers (Payne, 2017). However, it should be emphasized that establishing a good customer connection is not a simple process, since bad relationship marketing practices might have severe consequences (Salem.S, 2021).

A few research have looked at the direct and indirect impacts of customer loyalty on conflict handling, commitment, and trust (Salem.S, 2021). This means that there is still room for research on this particular topics. It is commonly expected that studies involving the banking sector would offer substantial study contributions related to customer loyalty and relationship

marketing factors. Relationship marketing can be done by building trust, effective communication, and handling conflicts, effectively. If these three factors are combined, they can help the company have a loyal customer-base and increase customer-loyalty. In this research, we are studying the banking sector of Pakistan. In addition to this, we foresee how we can use the factors of relationship marketing for increased customer loyalty.

## **1.1 Background of Study**

Imagine that you walk inside of your bank and are greeted by a friendly employee who already knows your name and does not need any other information( e.g bank account number). That employee provides you with service immediately without waiting for a long period of time , asks you regarding your experience with the bank and when you show concern regarding any issue, he immediately takes action and assures you that it wouldn't happen again. This kind of service leaves you more committed and loyal towards the bank.

Now a days, every company is providing almost same product and services. What distinguish them is exceptional customer service which motivates the customer to buy from you and come back again and again in the future. The concept of creating new customers rather than retaining old customers is long gone. Because business competition is so fierce, firms must be able to satisfy the demands of their customers to build customer loyalty (Maradita.F., 2021).

Now companies specially banks need loyal customer for staying profitable in the market. The goal of relationship marketing is to provide the customers with customized and targeted individual sales. This creates a bond between the customer and the company which is strong. While this can also be emotional, but it also creates other additional benefits for the company such as free word of mouth advertising. The company can also get authentic, trustworthy, and beneficial information that can help company to improve their product and services. This can be taken by customer feedback from long-term customers who understand and have experience with the company for a while. There are two things known as connection and relationship.

Connection can be with anyone and just a click away, but relationship is something which builds over time. These days customers want customized products and services according to their needs and wants. In today's world, customers have a lot of options due to which a company should be very much careful while answering the demands of a customer. In this competitive market, companies need to use relationship marketing to get a competitive

advantage in their market by understanding what their customers want. A firm can manipulate customer relationship for gaining useful information regarding customers' needs and wants so that a strategy can be developed to serve the customers more efficiently and effectively than their rivals.

According to (Gaurav.K., 2016) we are experiencing customer-driven marketing, in which all businesses in the industry are attempting to acquire new consumers and maintain old ones in a variety of methods, all while delivering similar products and services at comparable prices. In this competitive market, companies need to use relationship marketing to get a competitive advantage in their market by understanding what their customers want. A firm can manipulate customer relationship for gaining useful information regarding customers needs and wants so that a strategy can be developed to serve the customers more efficiently and effectively than their rivals. Marketing has never been more competitive than it is now, because to the introduction and supremacy of Liberalization, Privatization, and Globalization (Gaurav.K, 2016) . It is obvious that the business environment will continue to change fast, that local and global rivalry will intensify, and that consumer expectations will alter and grow at the same time (Maradita.F., 2021).Globalization of banking services are the consequences of technological development and the minimization in management and monetary interventions which have led us to stronger competition and the higher risk of reducing market shares for every bank.

The true goal of business is to establish and maintain mutually beneficial relationships, particularly with a limited group of clients. With the core concept, successful partnerships are based on a two-way flow of value. Relationship marketing, which includes not only buyers and seller's exchanges but also business partnerships, strategic alliances, and cooperative marketing networks, usually results in strong economic, technical, and social ties among the stakeholders' parties, lowering transaction costs and increasing exchange efficiencies (Adejoke.K., 2012).

In today's contemporary world, it is imperative for bank managers to understand the costumers wants and desires more than before and create long-term business stable relationships with their customers to prevent their costumers to switch to another bank. Customer feedback is critical in the service business, such as banks, to evaluate if consumers are satisfied or dissatisfied with the services given (Azar, 2020).Bank can use this customer feedback data and work to improve themselves.

Loyal customers have a better relationship than customers who are not loyal. It means at the end of the day, the bank's assets are not only posted on the balance sheet, but also due to the reason that customers have been successfully retained and they are still loyal (Chakiso.C.B, 2015). Including this, the customers also expect to gain some fringe benefits from having this cordial relationship with their banker. We cannot treat all customers alike. Every customer is different and needs to be treated differently, because not all customers provide the same benefit and profit. It is up to the marketer to assess which approach should be taken, weighting the cost and benefit factor.

Relationship marketing is seen differently in different cultures and marketers should be aware before prescribing universal solutions for exchange bases as they are of developing one product and promotion for all markets. In Pakistan market is different and banking sector is also different from the rest of the world. Culture in Pakistan is quite different from the other countries. People in Pakistan, have different mindset and definition of right and wrong. In this study we are trying to see that if customer loyalty is affected by building trust, proving commitment to service and handling conflict efficiently in context of Pakistan as there has been minimum research on this. Relationship marketing strategies which have been effective are customer contact points, front office, and back office. The first one is customer contact points which means how we can use relationship marketing while we are having one on one contact with the customer. It can be in bank or through mobile phone. It might be difficult to provide excellent customer service. With the emphasis on connections, it is critical to provide the greatest possible client experience. Technology is allowing businesses to engage with their consumers on a more personal level, which is critical when getting to know them and their requirements. Call centers, internet, email marketing, sales, direct marketing, telemarketing , advertising and fax machines are examples of contact points, which are the actual interactions between the customer and the firm.

The second relationship marketing strategy is front office which refers to the main desi where most of the customer interaction is happening. The operations of an organization must be process-oriented for customer relationship marketing to perform successfully. Processes are commonly used to develop tasks such as order delivery and customer service. Other roles, such as sales and marketing, are unstructured, and their job is non-mechanic.

The third strategy is the back office which means where all the data and information is being processed regarding different clients. Depending on how their structures are built, companies

have several sorts of database organizations. There are barriers that the firm must overcome to get the desired database shape. They are well-known for their lack of process orientation.

In 2019, Affran did a research on using relationship marketing for increasing customer loyalty and gaining competitive advantage. His study shows that a company can gain competitive advantage if they apply relationship marketing theory.

### **Importance of Relationship marketing in banking sector of Pakistan**

In any economy, banks are the most important savings mobilization and financial resource allocation institutions. Modern economies are rely on a functioning financial system, which is thought to account for roughly 20% of GDP (Zephaniah.C., 2020). Because the banking industry has become highly complex and competitive, while the services and products offered by banks differ slightly, making differentiation difficult, the quest to keep the promise of making the banking industry the engine of every economy has caused the banking industry to undergo tremendous transformation across the globe (Beerli.A., 2004). Research has scarcely kept up with recent changes in the banking industry (Zephaniah.C., 2020).

It is an indisputable reality that companies in the consumer market find it extremely difficult to survive on their own. To attract and retain existing consumers, an increasing number of businesses have begun to enhance service quality. As a result, every corporate organization must prioritize the development of positive customer relationships (Affran.S., 2019).

Now a days due to globalization, world has become a global village. The banking industry competes on both a national and international level. This means that the bank needs to have competitive advantage to compete in national and international market. The situation is worth learning about and analyzing because any changes in market structure will have an impact on banking competition. Hence customer loyalty building programs are used by most banking organizations to build and defend their market. Customers' wants and wishes are growing, and as a result, banks are trying to deliver convenience and innovation in their services. Customer want customize service when it comes to the bank and innovative solutions to their problems and needs. A positive customer relationship is critical to the company's success in customer service. With evolving technology and varied client demand, the financial services industry is facing an uphill battle of reorienting itself.

Customers show loyalty to the bank by re purchasing their products and reusing their services again and again even when there is another alternative which they can try. Customers also show their loyalty to the bank by recommending their products and service to other people

and proving the firm with honest feedback so that they can improve their services and products (Ganiyu, 2012). This kind of customer loyalty shows that the bank is providing high quality service that meets their banking needs and encouraged them to make repeat purchases from the bank. Trust is a crucial component that contributes to client loyalty, according to Iglesias (2020). As a result, a relationship is formed, making it harder for customers to move to another brand.

Customer loyalty is a very significant part of marketing. Loyal customers are very important for the bank for staying functional for a longer period. The deeper the bank's relationship with its customers is, the more likely the bank has been able to achieve the results that its customers have come to expect, and vice versa. Customer loyalty has long-term and cumulative benefits, therefore the longer a customer uses banking products, the more loyal they become (Sibarani.H., 2021).

Customers will come to the same bank again and again if they trust their staff to do what's best for them and work in their interest. Similarly, a customer will be more loyal to the bank if they can have an open and effective communication with the bank employees. In this scenario we are talking about the communication which is happening between the customer their bank employee. A proper response by bank will create customer loyalty. It is important how the bank handles conflict that arises between the customer and the bank.

Relationship marketing is a concept which tells us that we need to create long term loyal customers rather than one-time customers. This is because the bank needs long term customers for keeping the bank floating and profitable. Long term loyal customer can provide bank with more profit than one-time customers because a long-term customer will keep account with the bank over the years, but one time customer will change bank and provide zero profits. Similarly with bank products. One time customer will only buy products on loan one time, but long-term customer will come back to the same bank for its loan and product needs.

The new era of Covid-19 pandemic where customers do not want to visit branches rather use mobile banking apps. Specially in Pakistan, Customers of bank want their banker to provide them information through mobile as they do not trust mobile applications. In this case the customer will only be able to use mobile application service in case he trusts the bank completely and knows that if issue arises it will be solved in an effective manner.

Pakistan's selected banks were investigated by (Iftikhar.H., 2009). The research looked into and examined the strategic deployment of corporate relationship management in a number of

Pakistani banks, identifying the advantages as well as the success and failure reasons, and developing a deeper knowledge of corporate relationship management influence on banking competitiveness as well as what defines excellent corporate relationship management practices.

## **1.2 Problem Definition & Rationale of Study**

Now a days, people all over the world are using relationship marketing especially in-service sector. It is the new way of engaging customers while gaining profits for a longer period of time. There is a lot of research conducted on this around the world specially in banking sector but not much research is done in Pakistan. First time the concept of relationship marketing was coined by Berry in 1983 and the last time research conducted in this area in Pakistan, was in 2015. However, there is a dearth of research in this area in the context of Pakistani market. This research aims to address this gap.

Due to globalization the world has been a global village where banks do not only have to compete with national banks but also international banks. Customer these days want better ,customized and innovative products from their banks otherwise the switching cost of banks is very low. It is also concluded that effective relationship marketing techniques help the company to understand their customers needs, so that the companies can serve their customers better than their competitors This leads to reduction in cost and develops customer loyalty.

We are studying three most important factors of relationship marketing and how they can help in improving customer loyalty in banking sector. In this era of Covid 19 pandemic where customers want minimum physical interaction rather prefer virtual interaction we need to study this in order to retain our customers. Customers will only use your only services if they trust you enough to communicate properly with you regarding pro and cons of their services and if they trust the bank to eliminate any kind of conflict effectively if one arises. In contemporary setting, switching banks is easy and in the presence of flickering customers, banks need more loyal customers who will increase their profitability. Through this research we are going to understand what are the factors through which we can retain our customers.

## **1.3 Research Questions and Objectives**

RQ1: What is the impact of trust on Customer Loyalty in banking sector of Pakistan?

1: To investigate the impact of trust on Customer Loyalty in banking sector of Pakistan.

RQ2: What is the impact of Communication on Customer Loyalty in banking sector of Pakistan?

2: To investigate the impact of Communication on Customer Loyalty in banking sector of Pakistan.

RQ3: What is the impact of Conflict Handling on Customer Loyalty in banking sector of Pakistan?

3: To investigate the impact of Conflict Handling on Customer Loyalty in banking sector of Pakistan.

#### **1.4 Significance of Research**

When we look at current practices, we see that companies are more focused on providing maximum value to their customers for creating a long-term sustainable relationship with them. When there is one on one customer dealing with the customers there is more interactive and emotional aspect involved. In this era, it is more difficult to retain customers and similar is the case of banking sector where switching cost is not high and various options are available. Organizations have changed considerably in recent years to cope with the problems they face on a constant basis because of technology advancements, changes in external global environmental factors, changing customer behaviour, and changing purchasing and consuming habits. Organizations are constantly looking for innovative methods and techniques to deal with today's problems and complexities. Management is adopting more and more customer-oriented practices to survive, get a competitive edge, and, of course, maximize revenues. One of these philosophies are relationship marketing (Datta.P., 2018) .

Effective relationship marketing strategy helps the company to understand customers desires and wants, so that companies can give more benefit to their customers, which results in decrease in cost and increase customer loyalty. Only a limited research has been done on relationship marketing and customer loyalty (Salem.S, 2021). Customer retention can be done by customer loyalty. We can gain customer loyalty by building trust with our customers, proving commitment to the service they provide and by handling conflicts effectively.



This study is done for providing vital information regarding the theory of relationship marketing and can it be used in Pakistani banking sector for increasing profits. (Fallon, 2012) said that organizations who can give their clients trust and devotion stay on top of the market with their loyal customers. This study is done for providing vital information regarding the theory of relationship marketing and can it be used in Pakistani banking sector for increasing profits.

### **1.5 Research Gap and Problem**

The concept of relationship marketing started in the 90's when it was first proposed by Berry. In Pakistan we still lack research in this area specially in the banking sector. Still, we are using old traditional methods which are gaining new customers through any means possible without giving much importance to the current customers. This behavior makes customer switch between different banks as they are not acknowledged as they first did while opening an account. According to research a company can earn more through customer retention. Bankers now a days needs to understand how to retain the customer and make they long term customers of their bank as these days switching cost is not high and every bank is snapping up the opportunity of having competitive advantage.

### **1.6 Scope of this study**

Banking sector of any country is very much important for their economic stability. The scope of this study is to examine the banking sector of Pakistan and building a new type of customer base which will be beneficial for the company in long run and improve economy of the country. This study will help in using relationship marketing factors (trust, communication, and conflict handling) in a useful and a different way for retaining customers for a longer period. This will lead the sector to know the benefits of having loyal customers. This can help the banks to set their targets and train their employees accordingly.

### **1.7 Theoretical Underpinning**

The relationship marketing theory is one of the services and industrial marketing ideas that has piqued academicians' and professionals' interest (Gummesson E. , 2017) .Although two decades ago, relationship marketing came into vogue and is well-known to both marketers and academics, there is a lack of appropriate research in this field of marketing. Trust,

devotion, interaction, assurance fulfillment, competence, and conflict resolution are all utilized as relationship marketing assessment indicators (Ndubisi N. , 2007).Relationship marketing theory proposes that a company should not only focus on gaining new customer rather they should also try to retain old customers. In this study we have taken trust, communication, and conflict handling as indicators of relationship marketing. These variables were chosen because they reflect the typical relationship marketing building blocks and have been proven as essential relationship marketing variables in the past.

The theory of relationship marketing is used in which the focus is on retaining customers. The underpinnings factors of relationship marketing which are trust, commitment, communication, and conflict handling. From three we choose trust, communication, and conflict handling for our study. We can see them in theory, as trust (Morgan, 1994) , (Datta.P., 2018) (Affran.S., 2019) (Salem.S, 2021),conflict handling (Salem.S, 2021) (Affran.S., 2019) and communication (Ndubisi, 2007), (Affran.S., 2019) (Morgan, 1994).Another theory which is the Commitment-Trust Theory which is basically proposed by Morgan and hunt in 1994 that commitment and trust are the most important factors when it comes to relationship marketing.

## **CHAPTER 2: LITERATURE REVIEW**

This chapter covers the literature review regarding relationship marketing factors trust, communication and conflict handling impact on customer loyalty of banking sector of Pakistan.

The theoretical viewpoints of the subject of study in general are discussed. This research study aims for provision of strong evidence regarding the relationship between trust, communication, conflict handling and customer loyalty. In this literature review all the variables are defined according to previous research. The purpose of this study is to develop an empirically viable research scheme which suggests that the factors of relationship marketing have a positive impact on customer loyalty.

### **2.1 Relationship Marketing**

In a paper on service marketing, Berry (1983) first introduced relationship marketing, and after him Jackson (1985) used it in a form of business to business. Relationship marketing applies to all marketing practices aimed towards creating, improving, and maintaining successful relationship exchanges (Mishra, 2008). Mazhari defined relationship marketing as a on going process in which businesses try to understand and plan new principles for their clients in this bilateral and mutual interests (Mazhari, 2012). Relationship marketing is a corporate philosophy, a strategic orientation that focuses on retaining and developing existing clients rather than attracting new clients. (Chakiso.C.B, 2015). (Morgan, 1994) explained relationship marketing as, “All marketing activities for the establishment, creation and maintenance of active relationship exchanges”. Relationship marketing is about a company that is trying to differentiate and offer better services to its important costumers (Mazhari, 2012). Companies may now sustain themselves in the market for the long run by using relationship marketing methods to build long-term relationships with their consumers. It should be emphasized that establishing a good customer relationship is not a simple process, since bad relationship marketing practices can have severe consequences. All relationship marketing definitions imply that relationship marketing is centered on individual buyer-seller

connections, that these relationships are long-term, and that both sides profit from each unique buyer-seller relationship. In simpler words, the relationship marketing idea can be regarded as a philosophy of conducting business effectively or as a separate organizational culture/value that puts the buyer-seller connection at the heart of the firm's strategic or operational thinking process (Palmer.,2005). A business's performance will increase if it implements a relationship marketing strategy. Researchers and practitioners in marketing have agreed with this statement (Yau et al, 2000). It is possible to reduce transaction costs and quality costs by maintaining a mutually satisfying long-term relationship (Grönroos, 2004).

In today's corporate world, the marketing trend is rapidly shifting. Marketing is shifting from transactional to relational marketing, which means that rather than relying on mass marketing methods, organizations will pay more attention to their segment client group or individual customers (Christopher M. P., 2013). This shift gives rise to a new marketing idea known as relationship marketing. It was first proposed by berry in 1983.

Relationship marketing is a very important concept while studying customer loyalty. It means that current customers should be retained. According to the researchers, retaining customer is more profitable than building new customer base. Focusing on making current customers more loyal can increase profits of the company. Now a day's customers not just want standard services and loans from the bank but rather customized service and a sense of belonging. They do not want to be just another name in the system but have an emotional relationship with their bank. This can be achieved by relationship marketing by creating trust, effective communication and effective conflict handling can conclude in increase in customer loyalty for a long term.

According to (Arnett, 2005) competency in relationship marketing is the capacity of an organization to recognize, create, cooperative partnerships with key clients that are defined and controlled through trust, communication, and conflict handling. It can be said that marketing partnerships are aimed at creating good long-term customer relationships to cultivate and encourage customer loyalty that will help both consumers and the company. Relationship marketing and customer loyalty has been researched on and is a vital part for businesses. A company can be profitable by using relationship marketing by creating favorable word of mouth and customer loyalty (Ngoma.M., 2019).

We can apply relationship marketing in four ways. Relationship marketing based on the utilization of existing databases to offer one-way information to clients is known as direct

mailing or telephone marketing (KHOA, 2020). Direct marketing evolved from the direct mailing, but it concentrated on marketing activities that were easy to manage and profitable. This strategy has a lot to do with marketing communications and cross-selling of things that customers have never bought before (KHOA, 2020). Data marketing is the collection and storage of data on previous, current, and potential customers's customers utilizing information technology throughout the enterprise system (KHOA, 2020).The last way in which relationship marketing can be used is customer relationship management. Direct transactions, email, phone conversations, and Internet transactions are all considered personal communication channels in customer relationship management (KHOA, 2020).

Relationship marketing is a new way of gaining customer loyalty and gaining competitive advantage. Most of the employees think about the present and want to sell different products to different clients. This approach is not feasible in current market of competition. Now companies need to sell products and services along with building a relationship with the customer so that they come back again and again for another purchase. When talking about retail banking, relationship marketing is described as the activities carried out by banks to attract, connect with, and maintain more profitable or high net-worth clients (Walsh.S., 2004).This means that when the bank will try to build a relationship with their customers it will be more profitable. This approach also depends on customer to customer when we are talking in context of retail banking. Not all customers can provide the bank with same huge benefit. It is upon the employees to assess regarding which customers need to be given high priority. The employees can then use different factors of relationship marketing such as trust, communication, and customer loyalty for making those customer long term loyal customers.

## **2.2 Trust**

Customers' willingness to interact and engage in the communication and transactional process with the company can be defined as a state or condition of trust. Previous research has indicated that customer loyalty, or the inclination to repurchase things from the same website, is influenced by trust. Other researchers have found that trust has a favorable impact on customer loyalty or the intention to repurchase things from the same store or website, and that trust has a positive impact on customers' intention to engage in future transactional activities with the same organization (Wilson.N., 2020). Trust is the customer's basic needs and has been identified as an important determinant of customer relations with the brand (Chung-

Herrera, 2007). Consumers' sense of security in their relationships with companies, which is founded on the belief that brands are trustworthy and responsible for their interests and welfare. A high level of trust can turn satisfied consumers into loyal ones, implying that the corporation can secure client loyalty by focusing on mediation and indirectly influencing customer satisfaction. Customers will stay loyal to the bank if they feel that the supplier will meet their wants in addition to keeping promises and are prone to switch from one service provider to another in search of trust. According to Hunt in 2002 trust is the foundation for loyalty, and a loss of trust is the leading cause of customer retention and loyalty failure.

Trust is defined as a believe or assurance related to other parties' intention for the relationship (Husnain.M., 2015). Important factor in a business relationships, and identified as a vital construct in developing relationship marketing (Morgan, 1994). We can see in previous research that while considering loyalty the goodwill element of trust is powerful in business to customer context (Husnain.M., 2015) . Most commonly used definitions of trust is a confidence between the parties that the other party is trustworthy (Morgan, 1994). Literature on trust has grown over past few years and there is minimum research done on trust in the banking sector (Heffernan.T., 2008) specially in Pakistan. Trust has been examined in numerous fields for over 30 years and continues to pique the interest of experts in B2B marketing (Akrou, 2016). Trust in a brand is very much important specially in banking sector as the customer is entrusting in you to do what is best for him. Dwyer and Schurr in 1987 explained trust as a one person's belief in other persons statements (Dwyer, 1987). It can be power conflict and decrease in profitability (Dwyer, 1987). It means through keeping promises made with clients and continually struggling hard to raise trust levels for their interests can be increased (Hocutt, 1998). It's critical to build trusted connections with clients because getting a new client can cost anywhere from five to twenty-five times more than keeping an existing one according to Harvard business review.

In context of banking sector when we are taking about trust, it is a very important factor. Customers in trust their personal information to the bank and most importantly their life savings. A customer will keep more money in a particular bank which they think is more trustworthy. In this we can see that the customers trust the bank to keep their money safe, to keep their personal information safe, to give them maximum profit, communicate whatever is beneficial for the client and most importantly the customer trusts bank to keep its promises. For building customer loyalty, it is important that the customers trust you now and for the future. Several academics have stated that customers are more likely to become loyal to a

company if they have a trustworthy relationship with it, for instance (Chaudhuri A. &., 2001) and (Chaudhuri A. &., 2001) and (Fournier, 1997). The belief that each business partner will operate with honesty and reliability during their contacts can be characterized as trust (Morgan, 1994). Researchers who have worked on the relationship of trust and customer loyalty have proven that increase in the trust of customer increases customer loyalty. It has been proven by (Morgan, 1994) , (Chaudhuri A. M., 2001) , (Garbarino, 1999) and (Lim, 1997). Trust increases customer loyalty. The literature has given most importance of trust and loyalty to survive in the financial sector (Bhat, 2018).

A customer cannot tell if the bank is providing them with the best services, but trust is something which motivates them to stay loyal to the bank. Lack of trust and easily make customer switch to another bank and negative customer loyalty. When we talk about trust and customer loyalty e banking system is an important topic. In Pakistan most of the customers does not trust their banks enough to use their website or mobile app for e banking which is a easy solutions to most of the problems. Especially in this COVID-19 pandemic most of the banks are motivating their customer to use online banking so that they should visit the bank less often. If the customer trusts the bank to provide a secure process for e banking, he will use it which directly or indirectly is very much profitable for the bank. But if the customer does not trust the bank to be secure and beneficial for him there would not be customer loyalty rather chances are customer will switch to e banking of another bank whom he trusts. Morgan and Hunt 1994 recreated the importance of trust and customer loyalty (Morgan, 1994).

There are two important components in relationship marketing: promise and trust (Grönroos, 2004). Trust and promise influence how a connection is formed, sustained, and improved. Customers may be attracted to a company by promises, which persuade them to act in a certain way. In a brand's image, these promises may be explicit or implicit. A new consumer might be recruited, and a new connection could be established. If the company wants to earn profits for a long period of time and to keep the client base, the connection must be maintained and improved. In many cases, it's unclear who's the trustee and who's the trustor; more often than not, both partners are in both roles (Grönroos, 2004).

## **2.3 Communication**

Organizations have been pushed to employ new communication techniques to send critical messages to various stakeholders, including customers, as communication technologies have advanced (Gomez, 2020). A firm should maintain good communication with the public or consumers to maintain a positive connection. This means that the corporation should comprehend the message sent to the public through its relationship management program (Putri.D., 2018). Communication in sales is a vital element. In banking sector, communication is done through letters, e-mail, company's websites and other online platforms and even personal exchange.

with people who provide services after sales, before sales and during sales (Husnain.M., 2015). Communication in relationship marketing involves staying in touch with trusted clients, providing timely and reliable updates on improvements in programme and service, and engaging actively if a delivery issue arises. (Ndubisi N. , 2007). According to (Morgan, 1994) communication is an important part of relationship marketing. Now a days communication between the bank and the customer can be before sales, during sales and after sales. Communication in context of relationship can be defined as providing vital information that can be trusted by the customer, giving information when there is a problem and keeping promises (Ndubisi N. , 2005). When it comes to service marketing communication is very much important because it is done through verbally or through electronic platforms such as website, emails, social media etc.The goal of communication is to encourage not only the purchase of the supplied goods or service, but also to maintain post-buy contentment, which encourages repurchase.

Everything starts with a communication with the customer. Sales are done when there is a communication between both parties and communication also occurs after sales. In banking the communication is done through emails, website, letters, and social media. Communication is also done when the customer visits any branch, during the visit and after the visit. These interactions are personal interactions where banker talks to customer one on one without any technology involved. Effective communication can have a positive impact on customer loyalty. In communication, it is very important for the banker to gather important data from the customer and give the customer information and service according to their needs. In a country specially like Pakistan where multiple languages are spoken, banks should have a diverse staff for catering in needs of every type of customer. Often



communication is not considered that important, but it is one of the most major factors as the service marketing starts with a communication. Sales are done when there is a communication between both parties. When we communicate with our customers it builds a relationship which converts into customer loyalty. Communication is a way for the customer to understand about your product or service and for the service provider to understand the needs and wants of the customers. Having an effective communication with the customer, understanding their needs, and providing them customized services result into increase in customer loyalty. For effective communication there should not be any barriers between employees and management. Communication is done pre-sale, while purchase and post sales. Effective communication can make customer avail your services and create customer loyalty specially through customer support service.

Consumer-centric communications capabilities, boosted by social media, are said to lead to customer loyalty (Trainora.K., 2014). Customer loyalty can also be facilitated by good communication quality that is prompt, relevant, and dependable. Customers can be influenced to become loyal when the marketing communication mix is well-integrated and implemented (Zephaniah.C., 2020). This is since communication has been deemed a critical component of all corporate partnerships. Social media channels such as blogs, discussion forums, and social networking sites are also becoming increasingly influential marketing communication channels, even though they are not a replacement for offline digital tools (Hänninen.N., 2017). Even though communication is widely acknowledged as an important component of value-based perspective relationships, little is understood about the role of marketing communications in business relationships (Hänninen.N., 2017). Communications have been found to influence attitude, and attitude influences consumer loyalty. As a result, there is a case to be made for using marketing communication techniques to increase client loyalty (Zephaniah.C., 2020).

## **2.4 Conflict Handling**

Generally, conflict is defined as a harmful and destructive experience by a party, but it is more natural and invasive process in their understanding (Boonsathorn.W, 2007). Customer communication with service providers with their customers contain complaint management as an important aspect. It can have negative effect on credibility and on trust of company if

viewed by client as inappropriate and ineffective and slow handling of conflicts (Ganesan.S, 1994). So proper handling of complaint can be an addition to customer loyalty (Husnain.M., 2015).Conflict handling can define as to be a person's quality to avoid conflict, solve them before they can create any kind of problem and to communicate properly with the customers in such circumstances (Ndubisi N. , 2005).

It is explained as a disagreement between two parties in which it can be realized or clear (Mazhari, 2012).Removing the conflict is very much important for specially a service providing company such as banking sector. Bad word of mouth can affect the company badly in this digital world where information travels fast. Anderson E in 1992 explains conflict as increased in a relationship, it concludes in decreasing the trust and absence of interest in building long term relations (Anderson E. &., 1992).Customer retention is very much important. Total opposition of conflict can effect the relationship and the two parties can divide before being involved in a long-term and ongoing relationship (Dwyer, 1987).

According to Lombard only estimated 5% of all customers who have complain and just 50% of them report a satisfactory problem resolution (Lombard, 2011). .It is very difficult for a person to resolve all the customers complains in a manner that all customers end up being satisfied. According to Lombard if a customer is satisfied, he is only going to tell three other people about it but if a customer is not satisfied, he will tell eleven other people on average (Lombard, 2011). .When we talk about banking sector handling conflict is very much important. Once the customer has a bad experience with you it is more likely that they will change their bank. Now a days especially due to Covid-19, most of the conflict handling is done through website, email, phone calls etc. Customer Support unit plays a vital role in handling the conflict which a customer might have with the banking service. There should be a proper written rules and procedures which a banker should follow for the satisfaction of their customers. The banker should provide exceptional customer service for survival in this new era of competition. Customer is always right approach should be followed. If the banker can satisfy the customer, it is possible that the customer will spread positive word of mouth due to good experience and plan on staying with the bank for a longer period. Which means customer loyalty will increase.

Conflict handling is described by (Dwyer, 1987) as the willingness of the company to mitigate the negative effects of obvious and potential conflicts. Conflict management defines the capacity of the supplier to resolve disputes, keep away from future disputes, settle obvious conflicts before causing issues and the opportunity to communicate freely, explain

when problems arise. Chances that an individual would act in to such a behavior based on the level of previous satisfaction with the relationship, the degree of involvement of the person in the relationship and an examination of the options one has.

Now a days the concept of customer service is very much important. It is done through communication. A bank should have a proper customer support process. Conflicts can never create customer loyalty because after any kind of conflict customer will switch bank if he is displeased with the bank. We need to be careful while handling conflicts because due to this customer can change their bank. Good conflict handling skills or process of the bank can lead to customer loyalty. For retaining customer banks needs to have an effective conflict handling system so that the customers stay loyal with the bank. In case service provider is unable to eliminate the conflict, it can also affect the trust of the customer and have a negative impact on customer loyalty.

## **2.5 Customer Loyalty**

In today's competitive market, an organization's capacity to create and strengthen long-term client connections through providing exceptional customer service is critical to its success. According to previous studies, nurturing loyal consumers can lead to greater sales and customer share at cheaper costs, improving the organization's profitability (Reinartz, 2000). Market share and revenue increase as a company constantly provides higher value and earns customer loyalty, while the cost of acquiring and serving customers decreases (Reichheld, 1993). An individual's likelihood of displaying loyalty, leave, or voice is determined by the degree of previous happiness with the relationship, the quantity of the person's investment in the relationship, and an assessment of the options available (Rusbult, 1988). Loyal customers also enhance the profit margins of the service provider by purchasing more items and services than non-loyal consumers.

Customer loyalty is a customers bond or deep commitment to a product, service, brand, or firm (Oliver, 1999). The thinking of the customers who has a positive and committed behavior toward an organization, commit to repurchase the company's product or service, and recommend the product or service to the people they know through positive word of mouth (Pearson, 1996). It is shows future forecast about the commitment of the client to work with the company (Zeithaml, 1996). Customer loyalty is a desired and necessary outcome for

businesses operating in a competitive climate. According to different researcher, customer loyalty means when a customer buys from one company again and again and recommends that company to other people. Due to increase in globalization and challenging banking sector, the key problems faced by marketers are rising consumer loyalty.

Customer loyalty now a days is very much important as we know that retaining customers is more important than just building new customer base. It is also argued that maintaining loyal customers is the single most significant driver of the long-term financial success of companies, which can contribute to improved revenue and customer share, reduced costs, and higher prices. (Alrubaiee.L., 2010)The marketing scholars emphasised the effect of marketing of relationships as a strategically vital instrument from which customer loyalty can be assured and, as a consequence, greater competitiveness and increased customer satisfaction can be achieved.

Oliver in 1999 explained customer loyalty as: Customer loyalty is the general attachment or deep devotion of a customer to a product, service, brand or firm. (Oliver, 1999). For a variety of reasons, including global rivalry, market saturation, technological progress, and customer awareness, client loyalty has been a key concern in marketing planning (Rasheed, 2015). Ndubuisi & Pfeifer (2005) defined it as that the cost which incurred while serving of a loyal customer for a company is five or six times lesser than while developing a new customer (Ndubisi, 2007).This shows us that how important customer loyalty is. Timely and trust worthy exchange of information is one of the main part of loyalty and it develops a crucial bridge between thinking and behaviour (Gillani, 2014).

Lam (2006) explained in his study that customers are more likely to engage in a supplier's repeat sales or raise their number of purchases from a particular supplier(bank) if they are loyal (Lam.R., 2006).When customer is loyal to its bank it is hard for the other banks to have them. That kind of customer will always choose you and would not easily change their current bank due to profitability or better rates from the other bank. Loyal Customer stays with the bank and wants to avail their services in the future as well. When customers are loyal to their bank, they also get benefit from it. There are a lot of terms which can describe customer loyalty such as relationship marketing, frequency marketing, one to one marketing and customer centric marketing (Duffy, 1998). Customer loyalty is one of the most studied marketing principles. Despite the complexity of existing study, customer loyalty needs more examination because the marketing literature lacks a uniform conceptualization and measurement of the notion (Izogo.E., 2015). In the banking industry, the term is defined as

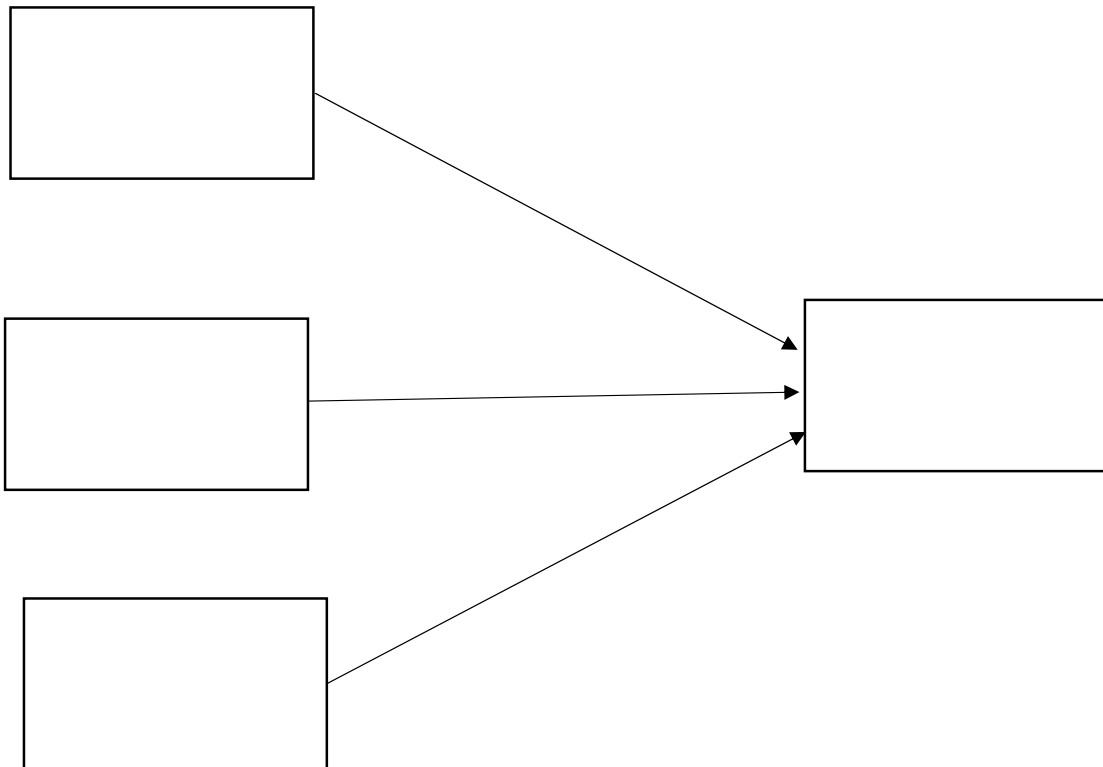
the continued repurchase of a preferred bank, despite of the presence of other banks and/or marketing efforts created by competitor banks to promote customer switching (Izogo.E., 2015). Investigating why some customers stay and others depart is key to understanding customer loyalty.

In the changing environment of businesses, companies need to keep their customers loyal to stay in business for a long period of time. One of the major issues these days a company must face is how to keep their customer loyal? The bank employees are more focused on selling their products in the present that they don't realize that they can rather build loyal customer base and gain more profits through out the years. We can do this by applying relationship marketing in our organization. Marketers establish customer relationship through the creation of procedures in order to achieve long-term client loyalty. We need to take a step back and consider the larger picture of relationship marketing. Because marketing plan implementation would be difficult if marketing management were to work alone without assistance from other departments. The marketing goal is supported by both quality and customer service. Relationship marketing is a comprehensive strategy for maximizing customer-focused marketing services (Christopher M. P., 2002).

### **2.5.1 Antecedents:**

The main variables that have been stated as relationship marketing factors includes trust, commitment, communication, and conflict management. Also, in other research we have seen that these variables are taken as underpinnings of relationship marketing. We can see them in theory, as trust (Morgan, 1994) (Salem.S, 2021) ,conflict handling (Ndubisi N., 2007) (Salem.S, 2021) and communication (Ndubisi N., 2007) and (Morgan, 1994). We used trust, communication, and conflict handling as the independent variables because according to the research these three play an important role while increasing customer loyalty. Other variables which have been used by researchers with customer loyalty are customer satisfaction, service quality and perceived value ( (Rasheed, 2015)( Gillani, 2014) (Adelina.L., 2020).Bonding is also considered as a major dimension. Corporate social responsibility (CRS) is also found to influence the loyalty of the customers in developing long term relationship (Markovic, 2018).Customer Satisfaction

## 2.6 Theoretical Framework



### 2.6.1 Explanation of theoretical framework

The framework includes the variables which are studied in the study. The major independent variables relationship marketing and the sub variables are trust, communication and conflict handling which makes it three independent variables while customer loyalty is the dependent

variable. This framework is important because this shows us how our variable work. This framework describes the relation which needs to be studied in the thesis. To study trust has an impact on customer loyalty is one of the needs of this study. The other one is the impact of communication on customer loyalty. The last one is the impact of conflict handling on customer loyalty. This study is done on banking sector of Pakistan. This framework helps the reader to understand the basics of this study.

## **2.7 Hypotheses:**

H1: Relationship Marketing factor such as Trust has a positive effect on Customer Loyalty in banking sector of Pakistan.

H2: Relationship Marketing factor such as Communication has a positive effect on Customer Loyalty in banking sector of Pakistan.

H3: Relationship Marketing factor such as Conflict Handling has a positive effect on Customer Loyalty in banking sector of Pakistan.

H0: Relationship Marketing factors such as trust, communication and conflict handling has negative effect on customer loyalty in banking sector of Pakistan.

## **CHAPTER 3: METHADODOLOGY**

### **3.1 Research Design**

This analysis adopts survey study design procedures and I have conducted it as quantitative study. The study was conducted in twin cities which are Islamabad and Rawalpindi. This is a field study. The variables used in this study are not controlled or manipulated nor any fake setting was designed. This study has been done in 3 months which is in between March and May 2021. Whereas the close ended questionnaires that has been filled are in between April and May 2021. The questionnaire has been adapted from the previous studies (Trust: Churchill and Surprenant (1982) ,Communication: Morgan and Hunt (1994) ,Conflict handling: Morgan and Hunt (1994) and Customer loyalty: Mols, 1998).

Cross sectional data is collected from bank customers. Unit of analysis in this study are the individual customers of five banks of Pakistan who live in Islamabad and Rawalpindi. Related research on this theory will be used to support accept or reject the stated theory. The method Used here is that once the “accept or reject” hypothesis is determined depending on the correlation analysis of these factors, if the outcomes of the present research are accepted, the appropriate research and the outcome of the research will be mentioned. Additionally, if the research results are opposed, the appropriate research will be explained content.

The accommodated questionnaire can also be applied to other type of data collection which is interviews. The main concept of applying the questionnaire procedure is to keep the reality in the research by the respondent’s real views and opinion with respect to the practices of relationship marketing in the banking sector. Moreover, the questionnaire method is very convenient for the cause of time and financial factors.



### **3.2 Population and sample**

The population for this study is all the customers of the five banks of Pakistan. These five banks include Meezan bank, Habib Bank, Muslim commercial bank, United Bank Limited and National Bank. Both male and female customers took part in it. The sample in this study has been taken from customers of the five banks of Pakistan who are currently living in Islamabad and Rawalpindi. The data regarding customers was collected from the banks. The close ended questionnaire was distributed through google forms which was shared by WhatsApp and Email.

### **3.3 Sampling Characteristics**

The data was collected from customer of five banks of Pakistan which are Habib bank, National bank of Pakistan, Muslim Commercial bank, Meezan Bank and United Bank. These customers currently live in Islamabad and Rawalpindi at the time of the data collection. 302 complete questionnaires were received. Data was collected mostly from Male and people who are in between the age bracket of 18 to 25.

### **3.4 SCALE USED**

I have used 5-point Likert scale Analysis in which the range is from strongly disagree on extreme and strongly agree the other extreme. .1 is Strongly Disagree, 2 is Disagree, 3 is Neutral, 4 is Agree and 5 is Strongly Agree. The questionnaire also included three personal questions regarding age, gender and bank.

#### **3.4.1 Questionnaire Design**

The questionnaire was designed from the previous studies. The questionnaire contains total of 19 questions in which 6 questions are of trust, 4 of communication, 3 of conflict handling and 6 of customer loyalty.

### **3.5 Data Collection**

I have used Primary sources of data for data collection. A questionnaire was formed from previous research paper. Data collection has been done from people who are living in Islamabad and Rawalpindi. These cities are densely populated with diverse people. The questionnaire was filled by the customers of banks of Pakistan. The data was collected from

302 responses which could be used in this study. The data was collected through google forms by distribution of link:

(<https://docs.google.com/forms/d/e/1FAIpQLSeNz4o0ryYk99LBX114VNo2IdTIBr14mS4PBXRO-lyVnEs3jA/viewform?vc=0&c=0&w=1&flr=0> )

Due to COVID-19 pandemic the data was collected through google forms and distributed through email and WhatsApp. There were two parts in the questionnaire in which the first part demographics were asked such as gender, age and regarding which bank they are using currently. The second part was related to independent variables and dependent variables.

### **3.6 Data Analysis Procedures**

After collecting the data, data analysis procedures begin. Statistical test such as correlation and regression were used for analyzing the data and assessing the relationship between trust and customer loyalty, communication and customer loyalty and conflict handling and customer loyalty. All frequency tables and graphical representation of analysis is done with the help of software named SPSS. We have used the following test to investigate the relationship between our three independent and one dependent variable.

1. Correlation
2. Reliability
3. R square
4. Regression analysis
5. Hypothesis

## CHAPTER 4: RESULT AND ANALYSIS

In present study, data collection involves impact of relationship marketing factors on customer loyalty in banking sector of Pakistan. Based on collected data, reliability through Cronbach's Alpha, descriptive statistics, correlation, and regression analysis were applied to analyse the data.

### 4.1 Descriptive Statistics

The data obtained by the researcher has been divided into several classifications to make the statistics easier to understand. The sample size consists of many demographic groups, such as what is the gender of the respondent, what is their age and which bank customer they are? These questions if responded as per the expectations, then those people were included in this study. The descriptive statistics has been presented in following tables. These Tables show mean, maximum, minimum and standard deviation values of the data.

	<b>N</b>	<b>Mean</b>	<b>Min</b>	<b>Max</b>	<b>SD</b>	<b>Skewness</b>	<b>Kurtosis-</b>
<b>Bank</b>	302	2.735	1	5	1.4081	0.127	-1.201
<b>Gender</b>	302	1.490	1	2	0.5007	0.040	-2.012
<b>Age</b>	302	1.844	1	5	1.0209	1.542	2.339

Based on descriptive statistics, the mean values of bank, gender and age are 2.735, 1.490 and 1.844 respectively. No mean value is closer to +ve or -ve extreme. Whereas mean value for bank has been the highest and mean value for gender has been the lowest.

#### 4.1.1 Gender:

Gender	Frequencies	Percentages %
Male	154	51
Female	148	49
<b>Total</b>	302	100

This table shows that our data is gender equal. The data has been taken almost equally from male and female bank customers. We have seen that 154 are our male respondent and 148 are our female respondents. In our research 51% of the data has been taken from male customers and 49% of the data has been taken from female customers.

#### 4.1.2 Bank

Bank	Frequencies	Percentages %
Habib Bank Limited	93	30.80
National Bank Limited	26	8.60
Meezan Bank Limited	95	31.50
Muslim Commercial Bank	44	14.60
United Bank Limited	44	14.60
<b>Total</b>	302	100

In our questionnaire we have choose five most well-known banks of Islamabad. This tables shows that out of 302 of our respondents, most of them are customers of Meezan Bank Limited and Habib Bank Limited. Out of 302 responses, we got 93 responses from Habib bank which is 30.8% of the responses ,26 responses from National bank which are 8.6% of the total responses ,95 responses from Meezan bank which are 31.5% of the total responses

,44 responses from Muslim commercial bank which are 14.6 % of the total responses and 44 responses from United bank which are 14.6% of the total responses.

#### 4.1.3 Age:

Age Bracket	Frequencies	Percentages %
18-25	134	44.4%
26-35	116	38.4%
36-45	32	10.6%
46-55	5	1.7%
Above 55	15	5%
<b>Total</b>	302	100

The above table shows that most of our respondents are between the age of 18 till 25 which are 134 responses and 44.4% of all the responses .116 of our respondents are between the age of 26 till 35 which is 38.4 % of our responses .32 number of our respondents are in between the age of 36 till 45 which is 10.6% of the responses .5 of our data has been collected from people who are between 46 till 55 years of age which is 1.7% of the responses and only 15 of our respondents are from above the age of 55 years which is 5% of our data.

#### 4.2 Reliability Statistics

Reliability of the questionnaire has been tested through Cronbach's Alpha in order to investigate the level it is being consistent with what it is supposed to be measuring. The questionnaire is said to be more reliable if it has lesser variations upon repeated interval measurements. How dependable the questionnaire is, how consistent its questions are and how related it is also to measure the reliability of the instrument. Following is the result of Cronbach's Alpha reliability test of questionnaire used in this research.

	No. of Scales	Cronbach's Alpha
<b>Trust</b>	6	0.915

<b>Communication</b>	4	0.891
<b>Conflict Handling</b>	3	0.857
<b>Customer Loyalty</b>	6	0.947

Cronbach's Alpha is used for measuring reliability of the instruments used for the study. When the value of Cronbach's Alpha is 0.7 or above it means that the instrument is reliable. In the above table we can see that all our values are above 0.7. Trust has 0.915, communication has 0.891, conflict handling has 0.857 and customer loyalty has 0.947.

### 4.3 Person Correlation

	<b>Trust</b>	<b>Communication</b>	<b>Conflict Handling</b>	<b>Customer Loyalty</b>
<b>Trust</b>	1	0.846	0.761	0.844
<b>Communication</b>	0.846	1	0.792	0.793
<b>Conflict Handling</b>	0.761	0.792	1	0.745
<b>Customer Loyalty</b>	0.844	0.793	0.745	1

We have tested the correlation with Pearson two tail correlation. Correlation is tested to check the strength of relationship between the variables. When the strength of the link between two variables is on the upper side, correlation is deemed high. Whereas when the strength of the link between two variables is on the lower side, it is a poor correlation. The range of correlation is +1 till -1. The positive sign shows the positive relationship between the variables and the negative sign shows a negative relationship between the variables.

Pearson r, commonly known as the correlation coefficient, is a statistical method for determining the connection between two or more variables.

We can see positive correlation among the variables and all the variables lie between 0.745 till 0.844. The Correlation shows significant relationship between Customer Loyalty and Trust which is 0.844. The correlation between customer loyalty and communication is 0.793 which is also significant. There is a significant relationship between dependent variable customer loyalty and independent variable conflict handling which is 0.745. The results show that the variables are correlated with each other and also having a positive impact on each other.

#### 4.4 Multicollinearity

<b>Variables</b>	<b>Tolerance</b>	<b>VIF</b>
<b>Trust</b>	0.262	2.816
<b>Communication</b>	0.232	3.309
<b>Conflict Handling</b>	0.344	2.507

VIF 1 or below means that there is no correlation between the variables. Between 1 and 5 it means they are a correlated. Above 5 there is an issue of multicollinearity. According to the above table there is a little bit of correlation among the variables.

#### 4.5 R Square:

	<b>R Square</b>	<b>Adjusted R Square</b>
<b>Customer Loyalty</b>	0.745	0.743

74.3% variation comes from independent variable. This test is applied to test the accuracy of the model used in the study. It checks that the relationship between the variables really exists or not. It checks that the independent variables measure the dependent variable or not.

Determination of the dependence among the dependent variable by the independent variable is checked by the value of R Square and Adjusted R Square. The above table shows that the Adjusted R Square value .743. Which means 74.3 % variation comes from the independent variable. So overall model is accurate for the study with the studied variables.

#### 4.6 Regression Analysis

The link between dependent and independent variables, as well as the degree of that relationship, may be determined using regression.

Below has been the regression equation used for calculating multiple regression analysis:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

In the above equation:

Y= dependent variable (Customer Loyalty)

X1= Independent variable (Trust)

X2=Independent variable (Communication)

X3=independent variable (Conflict Handling)

B=Beta

e= error term

Below are the results of multiple Regression analysis:

	Hypothesis	Beta	Sample Mean	Standard Deviation	T statistics	P value	Hypothesis
<b>H1=Trust has positive effect on Customer Loyalty</b>	H1	0.626	0.551	0.065	9.656	0.000	Accepted
<b>H2=Communication has a positive impact on Customer Loyalty</b>	H2	0.209	0.187	0.068	3.076	0.002	Accepted



<b>H3=Conflict Handling has a positive impact on customer loyalty</b>	H3	0.197	0.177	0.055	3.557	0.000	Accepted
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Hypotheses are accepted as t values are above 1.96 and p values are less than 0.05. H1 values shown that the Beta value is 0.626 which shows that by increasing 1 value in Trust 0.626 unit increase in the value of customer loyalty. H2 Beta value is 0.209 that mean that by increasing 1 unit value in Communication 0.209 unit will increase in the value of customer loyalty. Similarly, Beta value of H3 is 0.197 which means 1 unit increase in Conflict Handling 0.197 units will increase in the value of customer loyalty.

#### **4.7 Interpretation of Hypothesis Results**

##### **H1**

##### **Interpretation:**

The result in the above table shows that the variables Trust, and Customer Loyalty are positively impacting each other which means that the bank employees should try to build trust in their customers related to their bank. The beta coefficient shows that the contribution of trust in building customer loyalty is 62.6 %. In regression analysis we can see a significant positive relationship between trust and customer loyalty.

##### **H2:**

##### **Interpretation:**

The result in above table shows that there is a positive and significant relationship between the two variables. It shows that the bank employees can create customer loyalty by having effective communication with their customers. It means that the banks should focus on building communications skills in their employees if they want to have long term customers. The beta coefficient shows that there is 20.9 % contribution of the communication independent variable in the customer loyalty. Through regression analysis we can see that there is a significant positive relationship between communication and customer loyalty.

### **H3:**

#### **Interpretations:**

The result in the above table shows a positive and significant relation between the variables. It shows that bank employees can increase customer loyalty by handling conflict situations effectively. The beta value shows there is 19.7% contribution of the conflict handling variable on customer loyalty. Through regression analysis, we can see that there is a significant positive relationship between conflict handling and customer loyalty.

<b>Hypothesis</b>	<b>Statement</b>	<b>Accept/Reject</b>
<b>H1</b>	Relationship Marketing factor such as Trust has a positive effect on Customer Loyalty in banking sector of Pakistan.	Accept
<b>H2</b>	Relationship Marketing factor such as Communication has a positive effect on Customer Loyalty in banking sector of Pakistan.	Accept
<b>H3</b>	Relationship Marketing factor such as Conflict Handling has a positive effect on Customer Loyalty in banking sector of Pakistan.	Accept

## **CHAPTER 5: DISCUSSION AND CONCLUSION**

### **5.1 Discussion**

The objective of this study was based on three factors of relationship marketing which can be used for creating customer loyalty in the banking sector of Pakistan. Relationship marketing is becoming increasingly important in today's environment. In today's extremely competitive business environment, businesses must work hard to expand their client base and improve their customer experience, resulting in increased customer loyalty. Banks must keep in touch with their valued consumers. With an increased need for customized and creative products and services, customers have become more knowledgeable, smart, and forceful (Madan.R., 2015). It's critical for banks to maintain strong relationships with their changing clients in order to ensure that they're in the right location at the right time. To maintain, enhance, and establish long-term relationships between organizations and customers, Relationship Marketing must be managed appropriately. Trust, communication, and conflict handling are seen to play essential roles in forming solid relationships that result in the above-mentioned

benefits for both the bank and the consumers. To maintain, enhance, and establish long-term relationships between bank and customers, Relationship Marketing must be managed appropriately.

We used three different types of relationship marketing factors which are trust, communication, and conflict handling. In this study trust, communication and conflict handling are independent variables whereas customer loyalty is a dependent variable. We constructed a questionnaire (filled by bank customers living in Rawalpindi and Islamabad) for gathering the data. To assess the acceptance and rejection of this study's hypotheses, a scale was created that ranged 5% of the significance level. Based on the 5 % significance level, H1, H2 and H3 are accepted or rejected. These factors were found very useful in determining the strength of relationship marketing when it comes to banking sector of Pakistan.

We performed multiple regression analysis which showed us a positive relationship between independent variables trust, communication and conflict handling on dependent variable customer loyalty. It means that when trust is built between bank and customers, customers will be more loyal to the bank. If employees focus on their communication with the customer, customer will be more loyal to the bank. Similarly, if the customers thinks that the bank will handle its conflicts effectively it will be more loyal towards the bank. We can see these types of findings in previous research as well that relationship marketing factors have a positive impact on customer loyalty (Ndubisi,2007) (Gaurav, 2008) (Alrubaiee.L., 2010).

## **5.2 Conclusion**

The results show that there is a positive relationship between trust and customer loyalty which means that a bank employee can build long term customer if the customer trusts the bank. The other independent variable communication also has a positive relationship with customer loyalty which means that if bank employees effectively communicate with their customers, there is a chance that the customer will stay in the same bank for a longer period. Similarly, conflict handling can also increase customer loyalty. A bank employee can try to resolve customer issues as soon as possible and as effectively as possible for building customer loyalty.

In a simple way we can say that if a bank employee creates trust by serving the customer in the best way possible, communicate effectively and frequently with the customers and handle conflicts in an effective way will lead to a long-term loyal customer for the bank. Hence the

banking sector of Pakistan should focus on creating customer loyalty by educating their employees regarding relationship marketing factors such as trust, communication, and conflict handling.

### **5.2.1 Contribution**

Previously in Pakistan there has not been much research done on relationship marketing. Due to globalization and increasing competition among banking sector of Pakistan we needed a research through which we can understand the importance of relationship marketing and how we can implement it in Pakistan. People in Pakistan think and act differently due to culture and religion. They visit banks more rather than use digital platforms or application provided by the bank. This research shows statistics specifically related to Pakistan which can help in understanding the link and importance of applying relationship marketing in our banking sector.

### **5.2.2 Implication**

Relationship marketing has significant impact on customer loyalty which means which every company is looking for increasing customer loyalty they can benefit from this theory. In this competitive market it is beneficial for companies to gain competitive advantage so that they can earn more profits compared to their competitors. This research can be implemented in academic, practically and in policy making as explained below:

#### **1. Academic implications**

This study provides a base for students and companies who are interested in relationship marketing and how it can be implemented. And, how this study was conducted with different relationship marketing factors. The limitations in this study can be taken as an opportunity to study more relationship marketing variables and contribute to the research and findings. This study will be an asset for the academia for doing further research for increasing customer loyalty in different businesses.

#### **2. Practical implications:**

This study can also have a practical impact on the banking sector of Pakistan as they can use this research for understanding the new trend in marketing which is relationship marketing and use this for educating their employees and for creating long term customers. This will help them to understand the main factors of relationship marketing which are building trust within the client, communicating with them effectively and handling difficult situation properly. This study will be insightful for all the banks which are present in Pakistan. This can also be used by companies for creating competitive advantage and boost their profits.

### **3. Policy implication:**

The implication of this study in policy making will be the helpful to professionals to make future policies. In banking sector of Pakistan there is a need of making polices and targets related to relationship marketing factors for better customer retention and loyalty. This can help in training employees better for customer service specially for the sales representatives and after sales service providing employees.

### **5.2.3 Limitations**

Limitations is a barrier experienced by researcher during his research. In this research paper there are few limitations such as limited time, Covid-19 pandemic, limited sample size etc. Limitations and Recommendations are stated as follows:

To research relationship between trust, communication, conflict handling and customer loyalty, more time was required. If additional time had been available, a more thorough and extensive investigation might have been conducted. Time constraint was a major issue due to which there was less time for collection of the questionnaires and this research was only limited to Rawalpindi and Islamabad. Similarly, this study was limited to one sector only due to time restrain. This study has only been done on banking sector. The available research work on this topic is limited as there are only limited research done on relationship marketing in Pakistan. This study was limited to quantitative research due to COVID-19 pandemic due to which the data was mostly taken through google forms and by limited bank customers.

### **5.2.4 Future Recommendations**

The findings of this research show a positive relationship between relationship marketing factors (trust, communication, and conflict handling) and customer loyalty in the banking

sector of Pakistan. Future research may also investigate other relationship marketing factors such as commitment. 302 responses were not enough to investigate relationship marketing and customer loyalty in banking sector of Pakistan. Future researchers may also take bigger sample size and from different cities of Pakistan for better understanding of this topic. Future research may also be done on different industry of Pakistan where there is a need of such information.

and use multidimensional framework to research relationship marketing.

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## **APPENDIX**

### **QUESTIONNAIRES**

#### **Bahria University**

Dear Respondent,

The questionnaire is designed to find out the impact of trust, communication, and conflict management on customer loyalty.

Your honest views will help us to find out this impact. This is not a test and there are no right and wrong answers. Thus, study is research purpose only. Your response will be kept strictly confidential. Only members of the research team will have access to the information you give. Therefore, kindly answer all questions as honesty and accurately as possible.

Thanking you,

Summiya Nasir

### **Section 1:**

Demographics

**You are using:**

1	2	3	4	5
HBL	NBP	MBL	MCB	UBL

**Gender:**

1	2	3
Male	Female	Transgender

**Age:**

1	2	3	4	5
15-25	26-35	36-45	46-55	Above 55

For each item of the statement below, please indicate the extent of your agreement and disagreement by ticking the appropriate number.

1=Strongly Disagree 2=Disagree 3=neither Agree nor Disagree 4=Agree 5=Strongly Agree

**Section:2**

**Trust:**

1. The bank is very concerned with security for my transactions	1	2	3	4	5
2. The bank's promises are reliable	1	2	3	4	5
3. The bank is consistent in providing quality service	1	2	3	4	5
4. Employees of the bank show respect to customers	1	2	3	4	5
5. The bank fulfils its obligations to customers and	1	2	3	4	5
6. I have confidence in the bank's services.	1	2	3	4	5

**Section:3**

**Communication:**

1. The bank provides timely and trustworthy information;	1	2	3	4	5
2. The bank provides information when there is new banking service	1	2	3	4	5
3. The bank makes and fulfils promises;	1	2	3	4	5
4. And information provided by the bank is always accurate.	1	2	3	4	5

**Section:4**

**Conflict handling:**

1. The bank tries to avoid potential conflict;	1	2	3	4	5
2. The bank tries to solve manifest conflicts before they create problems;	1	2	3	4	5

and					
3. The bank has the ability to openly discuss solutions when problems arise.	1	2	3	4	5

### **Section:5**

#### **Customer loyalty:**

1. I say positive things about the bank to other people.	1	2	3	4	5
2. I would recommend the bank to those who seek my advice about such matters	1	2	3	4	5
3. I would encourage friends and relatives to use the bank.	1	2	3	4	5
4. I would post positive messages about the bank on some Internet message board.	1	2	3	4	5
5. I intend to continue to do business with the present bank.	1	2	3	4	5
6. I intend to do more business with the present bank.	1	2	3	4	5

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