An investigation to determine the effectiveness of the link between investment in Relationship Marketing with "Trust and Loyalty".

-A comparative study

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Abstract

The purpose of this research is to investigate the effectiveness of relationship marketing in Irish Retail Banking. The development of relationship marketing continues to grow in academic and practical terms. More specifically this study addresses the issue of whether investment in relationship marketing is conducive to trust and loyalty.

A process of triangulation is used that incorporates qualitative and quantitative methods. The methodology includes an exploratory phase that incorporates focus groups with in-depth interviews. The exploratory data is then validated by the employment of quantitative research by means of a questionnaire.

The results show no link between the level of investment in RM. and the corresponding trust and loyalty of the target segments. Distinct levels of trust and loyalty are identified in relation to respective segments. The study also proposes a new marketing approach that is particularly suited to the retail banking sector.

Relationship marketing is particularly under scrutiny in modern retail banking and as the research asserts, requires extensive revision in this particular sector. The study provides the basis for a rich blend of further research. While the implications of the study are directly applicable to banking, indirectly other sectors can benefit from the key thematic developments.

Declaration

I hereby declare that this research is entirely my own work and that all text and diagrams obtained from other sources have been duly acknowledged and referenced.

Signed: ______________________________

Date: ________________________________

Acknowledgement

I would like to take this opportunity to acknowledge everybody who contributed academically and financially to this study and to those who provided support and patience throughout the entire process. Without you this study would not have been completed. I wish to extend a sincere and heartfelt thank you to you all. You know who you are.

List of Abbreviations

AIB – Allied Irish Bank

ATM – Automated Teller Machine

BAI – Bank Administration Institution

BOI – Bank of Ireland

CSR – Corporate Social Responsibility

CRM – Customer Relationship Marketing

EBF – European Banking Federation

GFC – Global Financial Crisis

FG – Focus Group

IBF – Irish Banking Federation

RM – Relationship Marketing

TM – Transactional Marketing

List of Figures

List of Tables

Table of Contents

Page no.

CHAPTER 1: INTRODUCTION

1.1 Introduction

The purpose of this research is to investigate if investment in relationship marketing (R.M.) is conducive to trust/confidence, loyalty among customers in the retail banking sector. This chapter will provide an overview of the study, a rationale of the research, the research methodology employed and the limitations.

1.2 Rationale

The issue of R.M. in the banking sector is of particular importance in the current economic environment when customer levels of confidence and trust are at an all-time low. Banking malpractices and their repercussions have been at the forefront of all media since the GFC (Global Financial Crisis) of 2008. The effective nationalisation of Ireland's pillar financial institutions and the subsequent bailout agreement reached in order to secure their future has had an unprecedented effect on the market. Consequently, customers are more than ever re-evaluating the relationship they have with their bank.

It is a well-held perception among customers of retail banks that the wealthier the individual customer or segment the higher the level of service they receive. Yet does this necessarily result in increased loyalty, trust and ultimately profitability for the bank in question? The purpose of this study is to analyse and evaluate the varying levels of resources invested in the practice of relationship marketing in the banking sector. It aims to identify the proportionate level of investment in R.M. practices to establish if they are conducive with prospective profits. The study also aims to ascertain an understanding of customer's perceptions of their relationship with their respective banks to evaluate how they vary across each segment and hence identify if there is a correlation between the level of investment in R.M. practices by the bank and the consequential level of confidence/trust (confidence benefits*) engendered in each segment.

*Confidence benefits are considered the most important because they reduce anxiety levels associated with a service offering, increase the perceived trust in the provider, diminish the perception of risk and enhance knowledge of service expectations (Bitner, 1995).

The problem is of importance also as there is a widely known gap in the resources and investment extended to different market segments largely based on income levels. Most banks have an appointed C.R.M. manager to cater solely to a small group of key account holders whilst much less resources are invested to develop and nurture the relationships of lower income level segments such as student account holders. The study aims to identify if this lack/variation of resources invested in R.M. to different segments has a negative or potential detrimental effect on the bank i.e. does this neglect of student account holders allow/encourage them to switch banks and become potential long-term key account holders elsewhere? Similarly should banks invest more in developing relationships with younger/lower income segments with the potential of them becoming future key accounts or undertaking future loans, mortgages etc.

1.3 The Banking Sector

The issue of R.M. in the banking sector is of particular importance in the current economic environment when customer levels of confidence and trust are at an all-time low. Irish banks are part of the European banking system whose statistics are captured in table 1.1 below.

Table 1.1: European Banking Statistics

Bank population	**The overall bank population in the EU-27 is almost 7,000 (of which the EBF represents 5,000 commercial banks), and almost 229,000 branches.**
Employment	Banks in the EU-27 employ 3.1 million people.
Size	The euro area's banking system is the largest in the world, holding consolidated assets three times those of the US system, and almost four times those of the Japanese.

Source: EBF (2010, p. 4)

Banking practices are continuously being investigated and with recent liquidation of a number of major banks as well as others requiring liquidity from their respective governments, customers are more than ever re-evaluating the relationship they have with their bank.

How customers are valued may be an important factor to assess relational strategy and practice in banks. There is an inherent economic dimension such as management of high profit customers. Similarly there is a societal dimension looking at consumers at more ethical/moral/philosophical/interpersonal level. This balance between economic and societal dimensions is not fully addressed in a rigorous manner in the literature.

It can be argued that there is a focus on the economic dimension. For example in terms of relationship quality and profit (Storbacka et al, 1994) some customers assessed as not being sufficiently profitable to be allocated a relationship manager.

While Coughlan et al (2010) advocate the dual role of transaction and relationship marketing orientation in future branch development. Perhaps the tension between transaction and relational marketing echoes the need for balance between economic and societal dimensions.

There is a tendency to practice both transaction and relationship marketing. From time to time one may be more dominant than another. Arguably this could be based on marketing focus, bank governance or environmental context. Furthermore, at a sector level there is tension between economic and societal dimensions. Finally there is some evidence of additional tension between first; economic dimensions and transaction marketing. Secondly tension between relationship marketing and societal dimensions. In effect all these points of tension can either compete or collaborate. Anecdotally evidence might suggest competition, whereas some RM literature may suggest a more collaborative discourse. Either way, what is clear is the need for renewal of marketing practices and policies in retail banking.

A survey by the Bank Administration Institute (2005) found that some 40% of consumers surveyed do not trust their bank and a further 29% are indifferent to the proposition of a deeper relationship. The same study identified that consumers view relationships in terms of confidence and trust (Ferguson & Hlavinka, 2007).

In order to attract and retain customer's firms have realised in today's competitive, global marketplace that they must put the customer at the heart of the business and seek to build long-term, mutually beneficial and profitable relationships with their customers (Donaldson & O'Toole, 2007).

Some of the major banking associations consistently refer to the essentiality of customer relationships. A recent seminar organised by the Irish Banking Federation (IBF) centred on the increasing focus on financial institutions' relationships with their customers (About Banking, 2010, p. 2). Farrell (2010, p.4),"We know that we have a big challenge to rebuild trust and confidence in our sector and we know that it is by our deeds that we will be judged".

> As the representative body for the sector, we have always been acutely aware of our sector's impact on society. We have always been committed to working with all the stakeholders to create and sustain a market for banking services which is competitive, delivers choice and fair value for customers.
>
> (Farrell, 2009, p. 5)

An assertion might be suggested that this customer relationship focus is high on rhetoric but anecdotal evidence would indicate in reality the customer relationship focus is low in reality. The distinction between success and failure in competitive markets may be reduced to two basic issues, first, understanding customer needs and second the ability to deliver added value (Baker, 2006). This is the essence of the marketing concept and the antecedent to creating customer satisfaction and loyalty (Gummesson, 2008). The next section of this chapter outlines the scope of the study and the parameters in which the research is to be conducted.

1.4 Scope of the Study

The research focuses on customer perceptions of the retail banking sector.

A comparative study was considered to investigate the proposed research question in relation to several retail banks. This was later revised to focus solely on AIB for analysis. This would lend greater depth to the findings.

The entire study was conducted within the North West of Ireland.

The primary research is based on the Irish retail banking sector and does not account for international perspectives.

The focus of the study is on relationship marketing but does not refer to internal marketing perceptions.

The GFC has impacted heavily on current perceptions of the retail banking sector. It is duly noted that this is a contextual natter and there will be reference to it throughout. Such detail while informative, is supplementary and not core to the study.

1.5 Research Problem

The research question being addressed in this study is, “Is Investment in Relationship Marketing Conducive to Trust/Confidence and Loyalty in Irish Retail Banking?”

The objective of the study is to investigate if the increasing levels of relationship marketing investment by retail banks correlate to increased levels of trust and loyalty among its customers and if ultimately it relates to proportional profitability.

Primary Question:

Is investment in relationship marketing conducive to trust and loyalty in Irish retail banking?

Secondary Question 1:

Is investment in relationship marketing conducive to trust and confidence in Irish retail banking?

Secondary Question 2:

Is investment in relationship marketing conducive to customer loyalty in Irish retail banking?

In order to provide clarity a list of core definitions is provided in the next section.

1.6 List of Definitions

Relationship Marketing

Grönroos is a leading theorist in relationship marketing. A traditional interpretion refers to the establishment and sustainability of mutually beneficial relationships to provide a profit. More recently Grönroos (2007) consistently mentions value, correct attitude and communication.

> "the relationship marketing philosophy relies on cooperation and a trusting relationship with customers and other stakeholders and network partners instead adversarial approach to customers"
>
> Grönroos (2007, p.43)

Trust

Moorman et al (1993) defined trust as "a willingness to rely on an exchange partner in whom one has confidence".

Loyalty

Oliver (1999, p. 34) defines loyalty as, "a deeply held commitment to buy or repatronise a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour".

Customer Satisfaction

Savidas and Baker-Prewitt (2000) describes customer satisfaction as, "a post consumption experience which compares perceived quality with expected quality".

Retail Banking

Retail banking refers to typical mass-market banking in which individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, mortgages, personal loans, debit/credit cards and certificates of deposit (Investopedia Financial Dictionary, 2011). The limitations of the study will now be discussed.

1.7 Limitations

The study investigates the customer perceptions in respect to one bank and as such may not be entirely representative of perceptions throughout the sector.

Although the primary area of analysis for the study was R.M. it does not include internal marketing perceptions. The research only represents customer perspectives and does not represent those of staff.

The study is based solely on the Irish retail banking sector and may not reflect international perceptions of retail banking

The study is based on an exploratory research topic in an emergent area. Consequently there is limited academic literature specifically relating to the area of research focus.

This research is based entirely in the North West of Ireland and consequently may not be representative of national customer perceptions. The sample was dictated primarily as a result of budgetary restrictions as the research was not subject to any particular grants or funding.

Sampling error inherent in carrying out any sample research as opposed to surveying the entire population may lead to unrepresentative responses and findings.

Finally, the timing of the research is very much in the wake of the financial crisis and subsequent negotiation of a bailout agreement for the Irish banking sector. This may have allowed for the over representation of transitory perceptions and opinions on certain issues.

1.8 Research Methodology

The research approach adopted for this study is a methodological triangulation technique which utilises a combination of qualitative and quantitative methods. Secondary research is carried out throughout the research process.

Secondary Research

The researcher carried out an extensive review of existing literature in the areas of relationship marketing, trust, customer loyalty, customer satisfaction and retail banking. A number of various sources provided the relevant materials including online academic journals, books and newspapers. Examples of academic journals used for the research include: International Journal of Bank Marketing, European Journal of Marketing, Journal of Marketing Research, Journal of Marketing, Journal of Financial Services Marketing, Journal of Services Marketing and the Journal of the Academy of Marketing Science.

Primary Research

The research is undertaken in two key phases. Phase one is exploratory and applies two qualitative research techniques as outlined below. Phase two involves the validation of the phase one findings by applying a quantitative research method.

Phase one:

- Qualitative research using focus groups consisting of retail banking customers and in-depth interviews with key financial service personnel

Phase two:

- Quantitative research consisting of a questionnaire administered to retail banking customers.

1.9 Research Overview

This study consists of five chapters. Each chapter will focus on an individual area of the study as outlined in figure 1.1.

Figure 1.1: Structure of the Study

Introduction

↓

Literature Review

↓

Research Methodology

↓

Results and Findings

↓

Conclusions and Recommendations

Chapter two is a comprehensive review of all the previous literature available on the areas of relationship marketing, consumer trust, customer loyalty, customer satisfaction and retail banking. This section then highlights evident gaps in these areas of literature that warrant further investigation.

Chapter three examines the research methodology utilised to source and extract the necessary data to complete the study.

Chapter four presents the results and findings from the research techniques.

Chapter five draws conclusions from the extensive primary and secondary research methods conducted and recommends areas of importance for further research.

1.10 Summary

Trust and loyalty have long been proven as essential antecedents to the establishment of long-term mutually beneficial relationships. This is particularly true in financial services due to their complex nature and the inherent perceive risk involved. Yet there is a noticeable gap in academic literature that combines both these elements of relationships and investigates if the link between them is closely or loosely related. The third element of this study is to investigate if highly profitable customer segments display increased propensity to trust and remain loyal to their financial service provider. Interestingly, due to the timing of this particular research in relation to external economic factors, customer trust and loyalty is at an unprecedented low level. Thus, the study analyses the current perceptions and levels of trust and loyalty, examining the impact that the aforementioned economic effects has had on the overall relationships between customers and their banks. The potential results should provide a comparative to the current consignment of literature that exemplifies perceptions of the retail banking sector prior to the GFC at a time when financial service relationships were thriving.

CHAPTER 2: RELATIONSHIP MARKETING IN RETAIL BANKING

2.1 Introduction

This section aims to investigate and identify all relevant academic literature relating to the research question. It addresses the primary issue and pertinent elements of relationship marketing. The chapter continues by identifying and analysing literature on the key thematic areas of trust and loyalty with particular focus on retail banking.

2.2 Relationship Marketing

2.2.1 Relationship Marketing

Relationship marketing continues to develop as an academic area of enquiry (Cravens and Piercy, 1994; Cumby and Barnes, 1997; Egan, 2011; Grönroos, 1994; Gummesson, 1994/2002; Martín, Gutiérrez and Camarero, 2004).

Relationship marketing is defined in its simplest terms by (Gummesson, 2008) as an approach to develop long-term, loyal customers and thus increasing profitability. Therefore relationships can translate into better-than-average returns, for example, customer loyalty delivers higher than average sales (Donaldson and O'Toole, 2007).

In order to attract and retain customer's firms have realised in today's competitive, global marketplace that they must put the customer at the heart of the business and seek to build long-term, mutually beneficial and profitable relationships with their customers (Donaldson and O'Toole, 2007). The distinction between success and failure in competitive markets may be reduced to two basic issues, first, understanding customer needs and second the ability to deliver added value (Baker, 2006). This is the essence of the marketing concept and the antecedent to creating customer satisfaction and loyalty (Gummesson, 2008).

Customer relationships are of particular interest to service providers, as it provides evaluative criteria for consumers to evaluate aspects of the service encounter such as trust, commitment and reliability (Henning-Thurau et al., 2002).

Research has well-documented the benefits of relationship marketing activities but recent studies show that customers, as well as firms, perceive benefits from engaging in mutual relationships (Gwinner et al., 1998; Liljander and Roos, 2002). Principally, customers perceive confidence, social and special treatment benefits (Gwinner et al., 1998). Notably across various service types, the same research identified that confidence benefits were consistently deemed most important.

Relationship Marketing as first defined by Berry (1983, p. 25) as, "attracting, maintaining and enhancing customer relationships". In relationship marketing, companies aim to move from focusing on one-off transactions to building long-term mutually beneficial relationships with customers (Berry, 1983; Grönroos, 1994). Relationship marketing is not always an ideal strategy for all customer segments as some may be profitable as transactional customers, even if they are not profitable as relationship customers (Berry, 1995).

Table 2.1 Relationship Marketing Definitions

Author	R.M. Definition
Berry & Parasuraman (1983, p. 25)	"Relationship marketing concerns attracting, maintaining and enhancing customer relationships."
Morgan & Hunt (1994, p. 22)	"Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges."
Grönroos (1990, p. 138)	"Relationship Marketing concerns the establishment, maintenance and enhancement of relationships with customers, at a profit, so that the objectives of both parties are met. This is achieved by a mutual exchange and fulfilment of promises."
Parvatiyar & Sheth (1999, p. 8)	"Relationship marketing is the on-going process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost."
Gummesson (1994, p. 5)	"Relationship marketing is marketing seen as relationships, networks and interaction."

Table 2.1 above highlights some of the most accurate and comprehensive definitions of R.M. from the most prominent academics in this domain. For the purpose of this research the definition that will be adhered to is that of Grönroos (1990) as it incorporates the most comprehensive facets of the paradigm including, mutual benefits and profitability.

Consequently, several strategies may be required at an aggregate, as well as, an individual level (Grönroos, 1995). This is a concept that is becoming increasingly relevant in modern service provision, particularly financial services, as this research will endeavour to illustrate. The diminishing consumer trust levels in the banking sector, ushered in by the global financial crisis (GFC), have served to distance the customer from the firm. The fallout of this has divided customer expectations and perceptions. Thus, creating increased diversity regarding desire for relationships with their financial services provider. Most notably, there seems to be an increased appeal for a more transactional based marketing approach among consumers, who previously had strong relational bonds with their bank. Yet others remain defiant and wish to maintain a relational rapport. The result is a quandary for marketers; maintain the widespread relationship marketing effort to all customers in the aspiration that trust will eventually be restored or alternatively, acknowledge the disregard for such an approach and focus on a new more transactional strategy? “In retail banking, the balance between relatively high costs of relationships with customers and the need to maintain profit growth needs to be finely tuned, if marketing is not to revert back to a transactional paradigm” (Adamson, Chan and Handford, 2003, p. 349). This provokes a research concern that this study strives to address and academic literature has neglected to expose. Is there a substantial demand for a transaction based approach among modern banking customers which would make the above decision considerably more convenient? And if so, to which segments does this preference appeal?

2.2.2 Modern Relationship Marketing

Lascelles (2005, p. xi) asserts, “Today, virtually all of the banks’ lending decisions-particularly on the personal side-are taken by sophisticated software, and most of the old personal involvement between banker and customer has gone, to be replaced by plastic cards and call centres”. He continues (2005, p.233), “the scope for personal banking seems to be narrowing as relationships with the customer become ever more remote”.

Wilson and Janatrania (1994) suggest that there are three key conceptual dimensions to relationship marketing;

1. The economic dimension (investments, value engineering and cost reduction)
2. The strategic dimension (core competencies, strategic fit and time to market)
3. The behavioural dimensions (trust, culture and social bonding).

The economic dimension is based on the economic theory of utility which states that customers spend their income to maximise the satisfaction they get from products or services (Adamson et al., 2003). The strategic and behavioural dimensions derive value from the building of long-term relationships with customers to sustain and improve profitability (Ennew and Binks, 1996).

Various authors have proposed step-wise models identifying the different phases of a relationship. For example, five phases have been described (Dywer et al., 1987): awareness, exploration, expansion, commitment and dissolution. Kotler (1992) also presents a five-level model of relationship marketing comprising basic, reactive, accountability, proactive and partnership. Kotler argues that firms can progress through different stages and assess at each stage whether the incremental cost is justified.

Table 2.2: Five Levels of Relationship Marketing

Relationship Marketing Level	Characteristics of Level
1. Basic	**Does not really involve relationship building, but does feature positive interaction between the seller and customer when a product or service is sold.**
2. Reactive	**As above, but seller also suggests that the customer can contact them personally if they have any problems or queries.**
3. Accountability	**Here the seller actively contacts the customer after sale to check that the product is satisfactory and to receive feedback.**
4. Proactive	**At this level the seller continues to contact the customer and proactively attempts to understand and satisfy their needs.**
5. Partnership	**The ultimate form of relationship marketing, involving actually living with the customer. Usually confined to business-to-business relationships.**

Source: Adapted from Kotler [1992].

Table 2.2 outlines Kotler's (1992) five levels of relationship marketing. It systematically categorises the level of relationship marketing in effect between the service provider and their customer.

2.2.3 Development of R.M.

Within the Relationship Marketing context a rich blend of research has occurred that includes service benefits (Gwinner et al, 1998), trust (Johnson and Grayson , 2005; Joni, 2004; Morgan and Hunt, 1994), value (Jüttner and Wehrli, 1994) networks (Olkkonen et al, 2000), and exchange (Pels, 1999). Table 2.3 shows areas of relationship marketing (RM) research.

As shown in table 2.3, relationship marketing literature spans across a broad range of themes. Trust is central to the success of all relationship marketing efforts and it is not surprising that has sustained interest (Johnson and Grayson, 2005; Joni, 2004; Adamson, Chan and Handford, 2003; Rao and Perry, 2002; Morgan and Hunt, 1994). Throughout the 1990's service benefits, value, networks and exchange remained evident. This is reflective of the expansion of interest into services marketing and IMP research. While these factors may be interpreted as basic, questions might be posed as to how embedded they are in relationship marketing practice. Are service benefits for the customer being fully evaluated and implemented? Is value for the customer at the centre of relational banking strategy and practice? Has networks and exchange become measurable in relationship marketing assessment?

Loyalty is a dominant aspect of relationship marketing literature (Baumann, Elliott and Hamin, 2011; Bove and Johnson, 2009; Gee, Coates and Nicholson, 2008; Jones and Dawes Farquhar, 2007; Ndubisi, 2007; Leverin and Liljander, 2006; Zineldin, 2006; Beerli, Martín and Quintana, 2004). Current contributions expand the loyalty domain that includes the development of models (Mandhachitara and Poolthong, 2011; Baumann et al, 2011). Zineldin (2006) makes a connection between loyalty and customer relationship management. "The fundamental issue of this customer retention approach is that when dealing with a customer, a company must consider the lifetime value (LTV) of a satisfied customer, rather than the profit to be gained from any individual transaction" (Zineldin, 2006, p. 434).

Table 2.3: Areas of R.M. Research

Area	Authors
Service benefits	
	Gwinner et al (1998)
Trust	
	Johnson and Grayson (2005)
	Joni (2004)
	Adamson, Chan and Handford (2003)
	Rao and Perry (2002)
	Morgan and Hunt (1994)
Value	
	Jüttner and Wehrli (1994)
Networks	
	Olkkonen et al (2000)
Exchange	
	Pels (1999)
Loyalty	
	Baumann, Elliott and Hamin (2011)
	Bove and Johnson (2009)
	Gee, Coates and Nicholson (2008)
	Jones and Dawes Farquhar (2007)
	Ndubisi (2007)
	Leverin and Liljander (2006)
	Zineldin (2006)
	Beerli, Martín and Quintana (2004)
Corporate social responsibility	
	Mandhachitara and Poolthong (2011)
	Roche (2008)
Relationship-led cultures	
	Bennett and Durkin (2002)
Organisational reputation	
	Bontis, Booker and Serenko (2007)

Retail banks via its marketing communications consistently demonstrate a tendency to promote switching. Effectively this is in sharp opposition to relationship loyalty. Practice across banks would suggest a move away from relationship marketing to transactions. Beerli, Martín and Quintana (2004, p. 258) maintain when the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal. This could suggest that those who are loyal to a bank may not be authentically loyal but are latently or habitually loyal.

In the climate of global banking crisis, it is useful and appropriate to consider organisational reputation. Bontis, Booker and Serenko (2007) examine the mediating effect of organizational reputation on customer loyalty and service recommendation in the banking industry. Perhaps the lack of perceived loyalty among the public towards banks, that anecdotal evidence would suggest, results from the issue of reputation management, an area which corporate social responsibility can serve to enhance.

2.2.4 Corporate Social Responsibility

Corporate social responsibility has grown in volume of research study (McDonald and Lai, 2011; Hinson et al, 2010; Poolthong and Mandhachitara (2009). This development supports the proposition that bank marketing has to include societal in addition to economic dimensions. The application of CSR in relational banking practice may be in early developmental phase. Similarly there is renewed interest in the area of trust (Dimitriadis et al, 2011; Zhao et al, 2010). If anecdotal evidence shows low levels of trust in retail banks, an assertion can be made that the relational approach has not fully succeeded. This has implications in both theory and practice. The call for rebranding (Lambkin and Muzellec, 2008) can only be effective if evolutionary steps are taken in practice based on theoretical progress. The retail banking sector is in flux, at a turning point between traditional relational practice and the encouragement of anti-relational behaviour.

Relationship marketing research in banking and financial services continues to grow throughout the literature (Bontis, Booker and Serenko, 2007; Ferguson and Hlavinka,2007; Molina, Martín-Consuegra and Esteban, 2007; Beerli, Martín and

Quintana, 2004; Adamson, Chan and Handford, 2003; Bennett and Durkin, 2002).

While many advocate for the continuance of a relational approach others question the reality of RM in the context of a changed climate and contemporary practice. Over a decade ago, Zineldin (2000) refers to 'technologicalship marketing'. Bove and Johnson (2009) questions-does "true" personal or service loyalty last? Yau et al (2000) questions if RM is universally applicable?

2.2.5 The dichotomy of transactional and relationship marketing

In consideration of the dichotomy in the bank marketing literature between transaction and relationship marketing; and the encouragement of switching behaviour; the perceived lack of trust may be the key issue that could separate the success and failure of bank institutions in the future. The European Banking Federation (2011) acknowledges the role of banks in the economy and society. The EBF have a set of guiding principles that refer to: the reputation and standing of the banking sector, social and economic importance and CSR. This duality of roles also requires a duality of responsibility. It can be argued that there is a parallel pressure for banks to deliver fiscal improvements with positive societal impact. Grönroos (2004) refers to the "relationship marketing process" that includes: communication, interaction, dialogue, value. A new era in retail banking may require a new level of communication, interaction, dialogue and value. For example Ballantyne (2000) refers to 'knowledge renewal' in the context of internal relationship marketing. The internal mechanics of a relational-led (Bennett and Durkin, 2002) or cultural approach to RM could enrich future theoretical knowledge. A purely transactional approach may not result in long-term success. Ferguson and Hlavinka (2007, p. 111) observe "it is not a stretch to observe that, of all the companies that assault consumers with offers, promotions, and brand campaigns, banks have enjoyed the least success in building customer relationships". The holistic, integrated and strategic response to RM in Irish retail banking could be subject to further exploration and discovery. Any findings that might result could serve to advance theoretical rigour that might build knowledge on the theory-practice dilemma to RM.

Throughout the literature the benefits of RM are referred to (Das, 2009; Molina et al, 2007). The move from transactions to relationship marketing in financial services is explored (Alexander and Colgate, 2000). Despite this the development of a more transaction based approach is evident in practice. Furthermore research continues to highlight areas such as corporate social responsibility (Roche, 2008) and the lack of implementation of an experience-based model (BAI, 2006). While there is evidence of RM in banking in the literature; in practice, the implementation might be somewhat fragmented. Yau et al (2000) refer to Relationship Marketing Orientation (RMO) based on Callaghan et al (1995) and Yau et al (1998) four components as: bonding, empathy, reciprocity and trust. It is useful to examine if these feature in research topics in banking as outlined in table 2.4.

In the context of research what is most pertinent are the areas of consumer trust and confidence, customer loyalty, customer relationship marketing (CRM), switching costs and relational benefits. To a lesser extent the areas of corporate social responsibility, as discussed previously and service quality, referred to in the following paragraph, are also of relevance. These topics have a more direct impact on the title issues namely: R.M, trust, loyalty and profitability and consequently will be the primary focus of this review. The remaining topics may be referred to in relation to the aforementioned areas.

The research topics are quite diverse and as stated previously range from traditional areas of interest such as customer loyalty, to the more contemporary issue of switching costs. Retail banking research has historically had a service quality dimension. This tradition continues to feature throughout the literature (Egan, 2011; Ladhari, Ladhari and Morales, 2011; Dash et al, 2009; Guo et al, 2008). Consequently the subsequent section acknowledges and highlights relevant features of service quality and its pertinence to the retail banking environment. More recently the relational-quality aspect is in focus (Camarero, 2007). Not surprisingly customer loyalty also features strongly (Baumann et al, 2011; Ganguli and Roy, 2011; Thuy and Hau, 2010) and is discussed subsequently. The area of relational benefits is evident and continues to be explored (Dimitriadis, 2010). As evidenced in practice, switching is referred to in the literature (Clemes et al, 2010; de Matos et al, 2009) and an area of much debate in financial services. Thusly, it is analysed as an issue of significance in this research evaluation.

Table 2.4: Research topics in banking and financial services

Research topic	Authors
Consumer protection	
	Akinbami (2011)
Customer relationship management	
	Raich (2008)
Relationship and service-orientation quality	
	Camarero (2007)
Relationship efforts on customers' attitudes and intentions.	
	Liang and Wang (2007)
Service quality	
	Ladhari et al (2011)
	Ganguli and Roy (2011)
	Dash et al (2009)
Complaint handling	
	Varela-Neira et al (2010)
Corporate social responsibility	
	Mandhachitara and Poolthong (
	McDonald and Lai (2011)
Poolthong and Mandhachitara (2009)	
Customer switching behaviour	
	Clemes, Gan and Zhang (2010)
Customer loyalty	
	Baumann et al (2011)
	Thuy and Hau (2010)
Relational benefits	
	Dimitriadis (2010)
Trust and confidence	
	Zhao et al (2010)
	Gritten (2011)
	Gill (2008)
Switching costs	
	de Matos et al (2009)
Rebranding	
	Lambkin and Muzel

2.2.6 Service Quality

Service quality has been a prominent area of academic research in recent decades and is increasingly being acknowledged as a key determinant of customer satisfaction (Kotler and Keller, 2006; Zeithaml, 2000). Parasuraman and Zeithmal, (1985, p. 85) define service quality as "the degree and direction of discrepancy between customer's service perceptions and expectations" therefore banks should seek to limit expectations of their service while emphasising the aspects of service delivery that ultimately determine customer perceptions. Parasuraman, Zeithmal & Berry, (1985) go on to identify ten determinants of service quality which was, in 1988, revised to five dimensions: tangibles, reliability, responsiveness, assurance and empathy which has been widely used in appraisal of service quality in many industries including the banking sector (Caruana, 2002; Joseph et al., 1999). As banks operate in in a market place that offers largely undifferentiated products, service quality becomes a primary competitive weapon (Barnes and Howlett, 1998). Quality in retail banking is a multi-dimensional factor that comprises the elements of the product or service, its delivery, the reputation of the bank and the branding of retail banking services (Median, 1996). Research by Lopez et al. (2007) has found that customers are willing to pay higher fees in return for higher quality service and convenience.

2.2.7 Peripheral R.M. Topics

The remaining outlined research topics were judged to be of less significance to the research area yet deserve acknowledgement. As previously discussed RM provides a robust basis for investigation (Raich, 2008; Liang and Wang, 2007). Interestingly Roberts and Campbell (2007) explore what is 'new-customer friendly' in retail banking? In the current context Varela-Neira et al (2010) examine complaint handling. With the exception of switching and new customer friendliness, these areas represent a traditional discourse in banking research. The emergence of switching and the need for new customer friendliness may serve to highlight a fundamental issue that needs to be extrapolated in order for improved practice in relational banking. More precisely to meet the duality of the relational challenge; economy and society.

Through this lens several issues are palpable in the literature. These represent the current discourse where practice meets theory. It is not yet established where the balance and direction is achieved. Has theory led practice?, Has practice led theory? Or is there a fusion of both? Regardless of this debate, cognisance must be taken of the requirement for stronger direction for the development and consolidation of the relational approach. The duality of challenge is shown throughout the literature.

What is also prevalent in the literature is the issue of consumer confidence (Gritten, 2011; Gill, 2008). An assertion can be proposed that the relational approach in bank marketing to date has failed; if consumer confidence is a key emergent issue. This further validates the call for a finer level of inquiry, more in-depth discourse and theoretical advancement. Related to consumer confidence is consumer protection. This also features in the literature (Akinbami, 2011). Many examine the consumption process Coughlan et al (2011). In order for a relational approach to thrive; it is now necessary to return to the basics.

2.2.8 Relationship Marketing in Retail Banking

The argument that relationship marketing in retail banking was long-present and organically developed before the practice was deliberately rolled out is not a new one. Similarly it seemed particularly evident and effective in the financial services sector. Berry (1995, p.236) classifies relationship marketing as a new-old concept, asserting that, "the idea of a business earning the customers' favour and loyalty by satisfying their wants and needs, was not unknown to the earliest merchants". This validates the claim that, in certain sectors such as banking, relationship marketing has been in effect for a period pre-dating its inception as a marketing paradigm. Yet there is little literature that neither investigates its early effectiveness nor draws comparisons between earlier organic and recent strategic relationship marketing.

During the last couple of years relationship marketing has been introduced within services marketing since more efficient and long-term marketing can be achieved by focusing on present customers instead of concentrating on attracting new ones. Retail banks have in this respect had a unique position as they have a well-developed system of local offices that enables them to be close to and to establish relationships with their customers.

Holmlund and Kock (1996 p. 287).

Table 2.5: Comparing a High and Low Relationship Focus in Retail Banks

Low R.M. focus	High R.M. focus
Company: • More likely to use traditional distribution channels • No stated desire for RM • Not convinced about one-to-one future • Focus on customer groups rather than the individual • Transaction driven marketing	**Company:** • More likely to use new distribution channels • Stated desire for RM • Believe in one-to-one future • Develop high relationship products • Believe better relationships lead to competitive advantage • Customer-driven and event-led marketing
Customers: • Emphasis on the value to be achieved from customers today through the sale of an additional product • Contact with company instigated by the customer • Use contact to conduct transactions and sell additional products • Collection of customer information often carried out remotely	**Customers:** • Emphasis on current and potential value of customers, with lifetime value focus • Relationship achieved through integrating technology and the human face • Focus on easy, regular contacts with customers • Use contact to regularly update systems • Anticipate needs through events-based marketing
Technology: • Primary role of information is to record transactions • Account driven rather than customer driven systems • Front-line staff only have access to simple profile of customers with little attitudinal data • Some are starting to think about customer emphasis in their systems • Systems may not have ability to identify 'life events' • Information used to mail customers with literature • Direct mail often handled remotely from frontline staff with little co-ordination	**Technology:** • Information is powerful and vital to strategy • Highly integrated systems and processes • Computer screens shared with customers • Full access to customer information when dealing with enquiries • Focus on rich attitudinal/buying behaviour data used to identify 'life events' • Databases used for contact management purposes • All dealings with customer logged allowing continuity between each transaction • Customer contacts used as market research opportunity
Staff: • Rewards for new accounts • Most decision-making authority does not rest with front-line staff • Pay structures may lack incentives or be transaction based	**Staff:** • Emphasis is on excellent communication with customers to 'connect' and spot opportunities • Empowered, self-managed staff who can make quick decisions for customers • Reward customer retention, not just new accounts

Source: Dibb and Meadows (2001, p. 191)

Dibb and Meadows (2001) outline in figure 2.5, the distinguishing characteristics of retail banks that classify them as either transactional or relationship focused. They continue by claiming that retail banks in particular, should strive towards one-to-one relationship marketing which incorporates a holistic view of a customer's needs. Conversely, the segmentation approach, which takes a single product view of the customer, provides insufficient scope or indication of the propensity for cross-selling and deepening product penetration, which is of little or no value to retail banks.

The intangibility and risk which customers often associate with high-involvement services such as banking, healthcare provision and insurance, highlight the importance of continuity of service. The kind of continuity which relationship marketing engenders can help customers to secure the customised service delivery and proactive service attitude they seek (Berry, 1995).

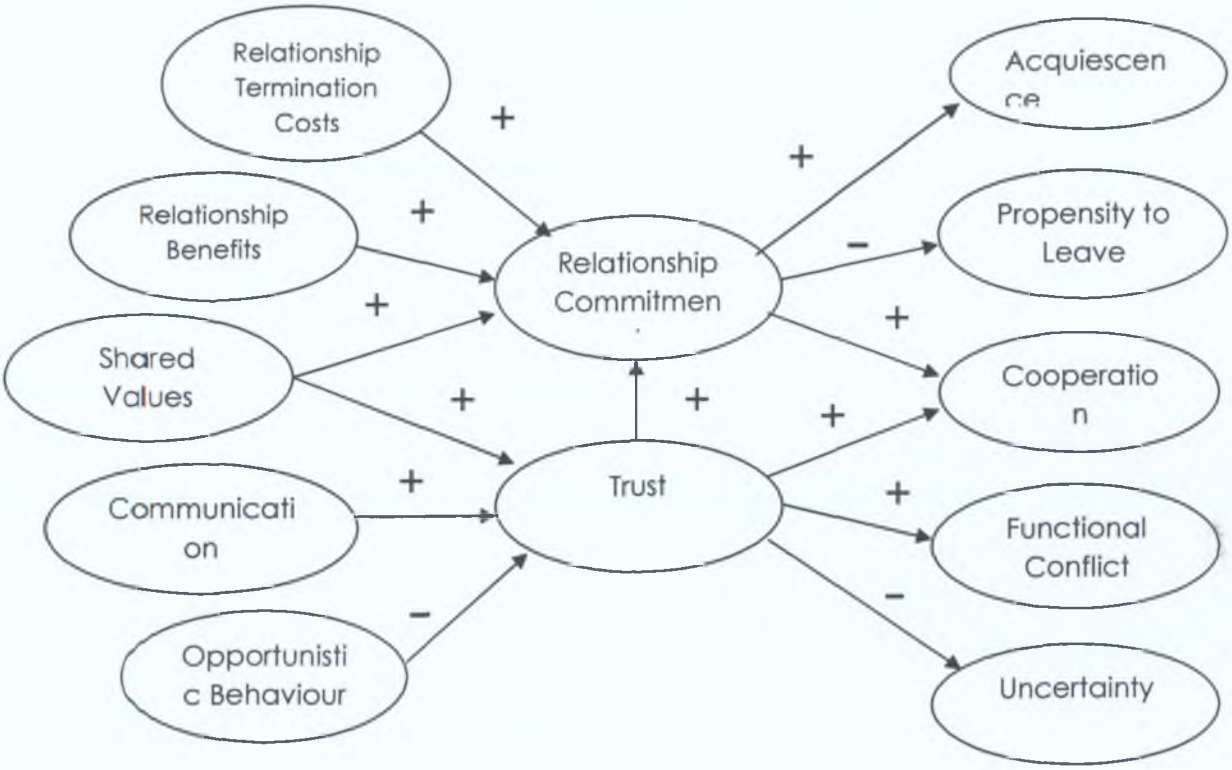
Berry and Gresham (1986) emphasise the importance and relevance of R.M. in the banking sector by conveying its appropriateness in instances where the customer requires personal service or selling. This is the case in financial services where the customer generally relies on the expertise of the service provider and their product knowledge when decision-making.

Morgan and Hunt (1994, pp. 22-24) identified five principle precursors of banking relationship commitment and trust;

1. Relationship termination costs
2. Relational benefits
3. Shared values
4. Communication
5. Opportunistic behaviour

They go on to develop a commitment and trust model of relationships, the KMV model (see figure 2.1), which isolates commitment and trust as the key success factors of relationship marketing strategies. This model determines the level of customer commitment and trust by measuring the strategy outcomes; acquiescence, propensity to leave, functional conflict, uncertainty and cooperation. Acquiescence is the degree to which a partner accepts another's policies or requests (Steers, 1977). Propensity to leave is the likelihood of switching behaviour in the near future. Functional conflict refers to disagreements in situations when disputes are resolved amicably (Dwyer et al., 1987). Uncertainty refers to the capacity of a partner to comprehend the consequences of all decision-making and cooperation refers to the working together of two parties towards mutual goals (Adamson et al., 2003).

Figure 2.1 The KMV Model of Relationship Marketing



Source: Morgan and Hunt (1994 p. 24)

Figure 2.1 above illustrates the KMV model of relationship marketing as described above.

Thus it is irrefutable that R.M. continues to play in integral part in the success of retail banking. Indeed so pivotal to the banking sector is R.M that it was evident to be in effect, by all definitions of the paradigm, decades before it was implemented as a marketing approach in the 1990's. This is a testament to the nature of financial services in the sense that it yields an intrinsic and organic compulsion to nurture and develop relationships more so than other sectors. The historic success of these relationships was undoubtedly linked to austere perception that the sector once projected as a societal institution. This provided a solid platform for engendering trust which, as the literature affirms is essential to developing and maintaining relationships.

2.3 Trust

2.3.1 Trust

Moorman et al (1993) defined trust as “a willingness to rely on an exchange partner in whom one has confidence”. A betrayal of this trust can lead to customer defection (Ndubisi et al, 2001). Other authors have defined trust in terms of shared values, mutual goals, opportunistic behaviour, making and keeping promises, uncertainty and actions with positive outcomes (Bitner, 1995; Anderson and Narus, 1984; Dwyer et al, 1987; Morgan et al, 1994).

Trust is a feeling of security, based primarily on the belief that one party’s behaviour is guided by favourable intentions towards the other, and secondly on the competence of a business to keep its promises (Delgado-Ballester and Munuera-Aleman, 2001). Rotter (1967) defines trust as a generalised expectancy that held by an individual that the word of another can be relied upon. While Moorman et al. (1992; Hawes, 1994) go on to identify trust as critical variable in marketing relationships. Analysis of the values that underpin R.M. began in the late 1990’s and this research has shown that confidence/trust is a primary reason customers maintain relationships (Gwinner et al, 1998). Trust is widely regarded as being an essential element for exchanges moving away from a transactional-base to a relationship-base (Murphy et al, 2007).

Similarly, Stern (2006) contests that the bedrock of any relationship is trust, however this is largely ignored in the banking sector according to Ferguson and Hlavinka (2007) who observe that banks have enjoyed the least success in building customer relationships. A survey by the Bank Administration Institute (2005) found that some 40% of consumers surveyed do not trust their bank and a further 29% are indifferent to the proposition of a deeper relationship. The same study identified that consumers view relationships in terms of confidence and trust (Ferguson and Hlavinka, 2007).

Because of the emotional nature of customer loyalty, trust in the service provider's reliability and integrity is very important (Bejou et al, 1998; Pedersen and Nysveen, 2001). As marketing increasingly focuses on developing long-term relationships, trust has assumed a central role in the development of marketing-theory (Doney and Canon, 1997).

Gwinner et al. (1998) identifies three benefits, as perceived by consumers, of engaging in long-term relational exchanges with a service provider; confidence, social and special treatment benefits. Of the three, confidence benefits are considered the most important because they reduce anxiety, increase trust, decrease the perception of risk and enhance familiarity of the service (Berry, 1995; Bitner, 1995; Henning-thurau et al., 2002). In turn, these confidence benefits positively influence customer loyalty, word of mouth and customer satisfaction (Kinard and Capella, 2006).

The effect of trust on the continuing relationship is greater depending on the sector in question. This is particularly evident in the services sector (Grayson and Ambler, 1999). In addition, the duration of the relationship also fulfils a fundamental role in the formation of trust. The greater the duration of the relationship, the greater the propensity for trust to increase accordingly (Smith and Swinyard, 1982).

Young (2006) expresses that trust is conceptualised as a dynamic affect that develops and changes continuously based on a combination of emotions and assessments.

Kenning (2008) differentiates the influence of general and specific trust on buying behaviour. He defines general trust as a personal trait which is mostly influenced in childhood and can influence the meaning of trust for buying behaviour. Empirical evidence shows that, in some cases, general trust can influence perceptions and behaviour (Morrow et al, 2004, p. 60).

Conversely, specific trust can be influenced by marketing and is essential to building long-term, lasting relationships between a company and its customer

(Kenning, 2008). Consequently, most marketing studies focus on this type of trust as it is specific to one retailer and consists of a cognitive and an affective/emotional element (Morrow et al, 2004), (see figure 2.2). Cognitive trust results from customers' conscious experience with a specific company/retailer and is used to calculate trustworthiness. Whereas, affective trust arises from one's emotional experiences but also refers to a certain company/retailer and therefore is specific (Kramer, 1999; Morrow et al, 2004). Williamson (1993) echoes this argument in his assertion that "real" trust is a combination of both cognitive and emotional trust (see figure 2.3). He distinguishes that "trust" is simply a calculation of benefits and cost while "real trust" involves additional relationally orientated attributes. Therefore emotions play a role in business relationships. Kenning (2008) opines that both specific and general trust positively impact on buying behaviour yet there is no significant correlation between both. In cognisance of key role of trust in R.M. a hierarchy of trust is generated based on findings of Morrow et al. (2004), Williamson (1993) and Kenning (2008).

Figure 2.2: Hierarchy Model of Trust

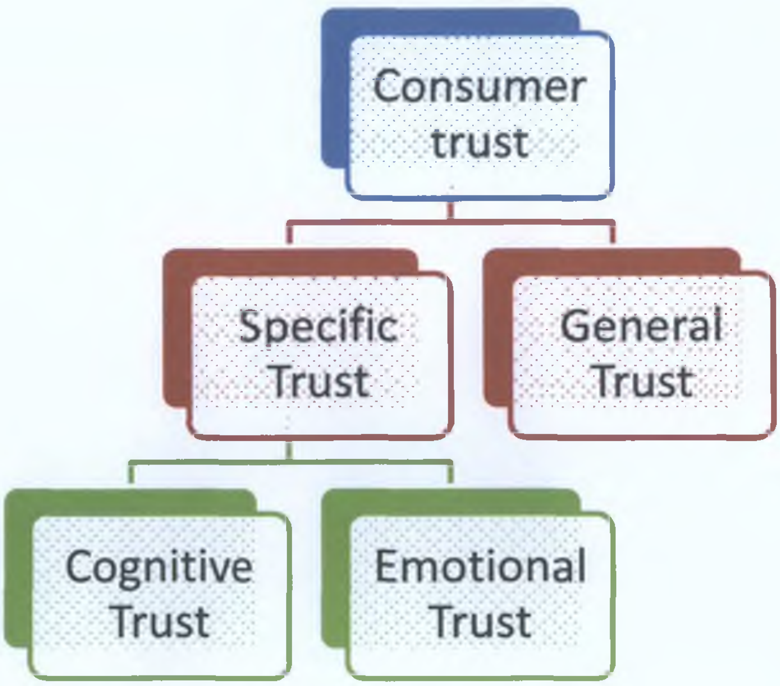


Figure 2.2 highlights the tiered definition of trust. Firstly it represents the two types of consumer trust; general and specific trust as proposed by Kenning (2008). It then indicates that specific trust, to which most literature refers, is the derivative of both cognitive and emotional elements as asserted by Morrow et al. (2004).

Figure 2.3: Components of "Real" Trust

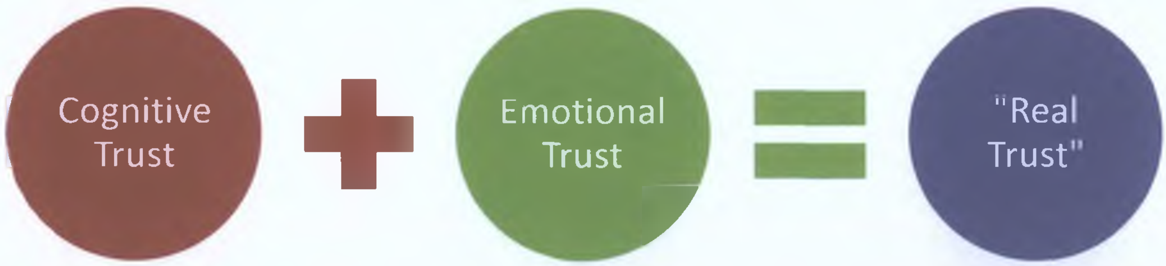


Figure 2.3 illustrates Williamson's (1993) assertion that the concept of "real" trust is the result of a combination of both cognitive and emotional trust.

For the purpose of this research we combine the concepts of trust and confidence and classify the terms as interchangeable as Morgan and Hunt (1994) define trust as a willingness to rely on an exchange partner in whom one has confidence. Their conceptualisation of R.M. theorises that successful relationships require commitment and trust.

The results of research by Molina et al, (2007) into customer satisfaction in the Spanish retail banking sector found that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank. These confidence benefits describe a detailed combination of psychological benefits in relation to; trust in the marketer, reduction in perceived operation risks and a decrease in anxiety.

Noteboom, (2000) identifies three forms of trust in business relationships; firstly trust in competence, or in the capacity of a partner to carry out a task. Secondly, trust in external conditions – that is endeavours will not be endangered by unforeseen circumstances. And thirdly, trust that there is no latent opportunism in exchanges and that no party will be exploited.

Ndubisi, (2007) identifies trust as an important underpinning of R.M. and is particularly important in building quality relationships as individuals seek predictable and obligatory behaviour on the part of their relational partner such that a relatively high degree of certainty is attached to future rewards.

There has been little investigation into the diminished trust levels among retail banking consumers in the wake of the recent GFC. This research strives to assess the extent of this loss of trust and to project if and when that trust can be regained.

2.3.2 Corporate Image and Trust

Corporate image is one of the most influential factors in the degree of consumer trust. It is one of the key elements that allows for the establishment of a sincere relationship of trust between satisfaction and the organic loyalty of the consumer (Flavian, Guilaliu and Torres, 2005). Consequently, it worth acknowledging the impact that the GFC has had on corporate images in the financial services sector and its knock –on effect on consumer trust. Corporate image is defined by LeBlanc and Nguyen (1996, p. 45) as, "the result of an aggregate process by which consumers compare and contrast various attributes of companies". Essentially, it concerns the means by which firms are promoting the coordinated and efficient projection of an image that reflects the intentions of the business, especially with regard to the degree of influence on consumer trust. Abratt and Mofokeng (2001) convey its significance in the financial sector and that has become a source of competitive advantage. This is due to the fact that a positive image can attract new customers as well as exerting a positive influence on the trust of other interested groups (Flavian et al., 2005). Corporate image is composed of five dimensions i.e. access to services, services offered, personal contact, security and reputation (LeBlanc and Nguyen, 1996). Verhoef et al. (2002) illustrates how the influence that satisfaction has on trust is dependent on the duration of the relationship. In addition, the duration of the relationship also fulfils a fundamental role in the formation of trust .The greater the duration of the relationship the greater the propensity for trust to increase accordingly (Smith and Swinyard, 1982).

The aforementioned literature conclusively establishes the positive relationship between corporate image and consumer trust. There is a lack of research to analyse the effect the GFC has had on the image of the banking sector. The research aims to identify said effect and to establish whether this has affected customer perceptions at branch level. There also is a gap in the academic literature, which the study aspires to address, that identifies variations in the relationship between corporate image and trust across customer segments.

2.3.3 Trust and retail banking

The trust that customers show towards their bank relates strongly to inertia and customer loyalty (Lewis and Soureli, 2006). Banks still operate in a high contact business and the nature of buyer seller interactions and establishment of long-term relationships based on confidence and trust directly affect customer retention (Ennew and McKechnie, 1998).

In services marketing, particularly banking Berry and Parasuraman, (1991) find that customer-company relationships require trust. They contend that effectiveness of services marketing depends on the management of trust because the customer must buy the service before experiencing it. Berry, (1993) goes on to assert that trust is the basis for loyalty. Ndubisi (2007) affirms this assertion stating that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. Therefore, banks should strive to win customers' trust. Indeed, Ndubisi (2004) claims that giving and keeping promises to customers, showing concern for the security of their transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations and acting to build customers' confidence in the bank and its services is the most effective way of achieving customers' trust.

Research carried out by the BAI (Banking Administration Institute) (2005) customers view their relationships with their bank in terms of trust and confidence, while banks view relationships in terms of the number of products a customer has. This highlights the contrasting understandings of the concept of business relationships (Ferguson and Hlavinka, 2007).

Peppers and Rogers (2005, p. 27) highlight, the fact is that maximising your return on a customer and maximising the customer's trust are quite similar tasks, because what they represent are two different views of the customer value proposition- your perspective and the customer's. The more a customer trusts you to act in his or her interest, the more overall value he will get from you, both in the current transaction and in future transactions as well.

Peppers and Rogers (2005, p. 28) effectively encapsulate the perceived mismanagement that contributed to the current lack of consumer trust in the retail banking sector. They surmise that, "history has shown that when a company's obsession with current period results penetrates into its culture, customer interests usually come a distant second, and trust recedes beyond the horizon".

Green (2001) identified four business characteristics that are essential for developing a trusting relationship with the customer, credibility, reliability, intimacy and self-orientation. Credibility refers to the firm's corporate image and being accurate in its interactions with the customer. Reliability refers to the company's ability to do what it is supposed to. Intimacy then alludes to the company's dedication to secure private information about customers. Finally, a company that is perceived as being "self-orientated" is less likely to be trusted by consumers as they are viewed as greedy, sneaky and not customer-orientated.

The research endeavours to compare current trust levels with those identified prior to the GFC by Ferguson and Hlavinka (2007). Academic literature is not abundant with research demonstrating current perceptions towards the banking sector in the fallout the economic downturn. The same is true regarding corporate perceptions of the importance of trust. Are corporations aware of the effect the current economic climate has on their corporate image and its knock-on effect on trust levels as reaffirmed by McCarthy (2011), 'But what these two pillars* (AIB and Bank of Ireland) need more than anything is the reconstruction of confidence in their leadership in the minds of staff, depositors, customers, government and their involuntary benefactors, the Irish public'.

* "Pillars" refers to the title designated on both banks by the government in the new Irish banking market.

He continues, 'AIB and Bank of Ireland were indeed more than just financial companies. They were important national institutions, repositories of unspoken public trust down the generations. That they have joined the long list of no-longer trusted, along with Fianna Fáil and the Catholic Church is a matter of profound regret.'

The importance of trust to the success of relationship marketing is an unquestionable truism. Yet its significance is exacerbated in the complex environment of financial services. Consequently, in relation to retail banking the communication and assurance of trust is perhaps the most critical antecedent to generating customer loyalty.

2.4 Customer Loyalty

2.4.1 Customer Loyalty

Customer loyalty is arguably best defined as, "a deeply held commitment to buy or repatronise a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver, 1999, p. 34). Gremler and Browne (1996, p. 172) offer a similar definition, "the degree to which a customer exhibits repeat purchasing behaviour from a service provider, processes a positive attitudinal disposition toward the provider and considers using only this provider when a need for the service arises".

The traditional product-orientated bank is becoming increasingly customer-orientated in accordance with the basic principles of relational marketing, which focuses on customer loyalty as its main goal (Beerli, Martin and Quintana, 2004).

Customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviours (repeat purchasing, purchasing more and different products and services from the same company, recommending the company to others) (Prus & Randall, 1995).

Dick and Basu (1994) reaffirm this assertion by describing customer loyalty as having both an attitudinal and a behavioural dimension. Most early literature on customer loyalty focused on the behavioural element (Jacoby, 1971; Jacoby and Chestnut 1978) and is generally the basis for gauging customer loyalty in financial services (Liljander and Strandvik, 1995; Bloemer et al, 2002). Behavioural loyalty concerns aspects of repeat purchase behaviour such as amount of purchases, frequency of purchase and amount of brand switching (Zins, 2001). In contrast, attitudinal loyalty incorporates customer attitudes, preferences and disposition towards brands and provides greater depth to loyal behaviour (Javagli and Moberg, 1997; Pedersen and Nysveen, 2001). The heightened credence to attitudinal loyalty follows criticisms that behavioural measures lack a conceptual basis and fail to give a comprehensive insight into the underlying reasons for customer loyalty (Yanamandram and White, 2006). Therefore, loyalty is a concept surpasses simple purchase repetition behaviour as it is a variable which basically consists of one dimension related to behaviour and another to attitude, where commitment is the essential feature (Day, 1969; Jacoby and Kyner, 1973).

It is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards a firm, in comparison to competitors. However, in some cases behavioural loyalty does not necessarily reflect attitudinal loyalty, since there might exist other factors that prevent a customer from defecting (Aldlaigan and Buttle, 2005; Lijilander and Roos, 2002; Reinartz and Kumar, 2002). Lewis and Soureli (2006) propose inertia, which refers to repeat purchases generated from non-attitudinal factors such as convenience and habit (Griffin, 1995; Lee and Cunningham, 2001) as one such factor. They describe it as a country-specific antecedent that positively affects loyalty towards banks. Inertia refers to the consumer buying the same brand, not because of true loyalty, but because it is not worth the time and trouble to search for an alternative (Beerli et al., 2007). Their loyalty is "spurious and characterised by low involvement with the brand. Traylor (1981) cautions that, relatively uninvolved consumers are less likely to be brand loyal and more inclined to switch to alternatives.

Solomon (1992) combines the two concepts behavioural and attitudinal loyalty to distinguish two types of customer loyalty; loyalty based on inertia and true brand loyalty (the latter is described in detail in relation to figure 2.4). Stewart (1998) claims that inertia is a major reason for long-term relationships, particularly in the financial services sector. Barnes and Howlett (1998) offer a reason for the prominence of inertia in the banking sector. They argue that, given that many financial services are homogeneous offerings, customers are unlikely to be impressed by core product attributes when all companies are providing similar offerings. The study aims to investigate the existence and thusly, the extent to which this perception of homogeneity prevails among Irish banking customers.

Dick and Basu (1994) established a model that was subsequently developed upon by Baloglu (2002) which categorised customer's loyalty based on four conditions relating to behavioural and attitudinal loyalty; low, spurious, latent and true loyalty.

Figure 2.4: Categories of Customer Loyalty

Behaviour \ Attitude	Low	High
High	**Spurious Loyalty**	**True Loyalty**
Low	**Low Loyalty**	**Latent Loyalty**

Source: Baloglu (2002, p.88)

Low loyalty customers have low levels of both attitudinal and behavioural loyalty (Dick and Basu, 1994; Baloglu, 2002). Customers deemed latently loyal show low behavioural loyalty or repeat patronage levels but hold a strong attitudinal loyalty towards the company. This is generally typified by issues such as insufficient finances for repeat/frequent purchase or accessibility (Yoon and Kim, 2000). Those identified as spuriously loyal are behaviourally loyal with frequent purchases but are distinguishable by a high propensity to switch to competitors and thus lack attitudinal loyalty (Bolaglu, 2002). This spurious loyalty can be a result of habitual buying, convenience or lack of alternatives (Bloemer and De Ruyter, 1998). Finally, truly loyal customers are categorised by high attitudinal and high behavioural loyalty. They are the most profitable due to frequency of purchase and strong affiliation to the company rendering them unlikely to switch to competitors. True loyals have a lower search motivation for competitive alternatives (Dick and Basu, 1994; Macintosh, 2002) and provide positive word of mouth concerning the entity (Reinartz and Kumar, 2002). Hence true loyal customers are more tolerant of minor mistakes or inconsistencies when they occur (Blackman, 1985; Henning-Thurau and Klee, 1997).

Gustafsson et al.(2005) note three drivers of customer loyalty; calculative commitment, affective commitment and overall customer satisfaction. Calculative commitment is the rational and economic decision making, reviewing costs and benefits. Commitment to the brand or service is due to a lack of choice for similar products or services or high switching costs (Anderson and Weitz, 1992). Affective commitment is an emotional response based on trust. Muthuraman et al. (2006) and McMahon-Beattie (2005) comment on the need for customer trust in building sustainable and loyal relationships with a company.

The majority of research studies have focused on brand loyalty, while loyalty in the services area has remained underexposed (Lee and Cunningham, 2001). Consequently this research aims to distinguish and hence identify if there are differing perceptions towards both these i.e. at brand and branch level.

Customer satisfaction and loyalty are highly correlated (Hallowell, 1996; Silvestro and Cross, 2000). Customer satisfaction with a bank relationship is a good basis for loyalty (Bloemer et al., 1998). Thus it is important for this research to focus on the area of customer satisfaction.

2.4.2 Customer Satisfaction

Fornell (1992) explains customer satisfaction as an overall evaluation based on the total purchase and consumption experience focused on the perceived product or service performance with pre purchase expectations over time. Whereas, Oliver (1997) identifies satisfaction as a fulfilment response that evaluates the focal product or service for one-time consumption or on-going consumption. Savidas and Baker-Prewitt (2000) describe customer satisfaction more concisely as, "a post consumption experience which compares perceived quality with expected quality".

While some believe satisfaction is an antecedent of perceived quality (Parasuraman et al., 1988; Bitner, 1990) other protest the opposite, that quality is an antecedent of satisfaction (Cronin and Taylor, 1992; Fornell, 1992; Anderson and Sullivan, 1993). Beerli et al. (2004) assert that, based on findings specifically referring to retail banking, satisfaction is an antecedent of perceived quality and not vice versa. They hypothesise that a high level of perceived quality does not necessarily induce satisfaction, if the quality does not meet the needs of the customer. Either way there is no doubt that customer satisfaction is directly linked to customer loyalty.

Increased customer satisfaction has been found to be positively related to customer retention (Mittal and Kamakura , 2001; Jones and Earl Sasser, 1995) especially in markets that are highly competitive (Trubik and Smith, 2000; Rust and Zahorik, 1993). According to Lee and Hwan (2005) customers perceive that customer satisfaction directly influences their purchase intentions, while management perceive customer satisfaction to increase profitability in retail banking.

It is worth noting for the purpose of this research that high levels of dissatisfaction or mere satisfaction would tend to suggest that switching behaviour should be commonplace in the financial services sector. Evidently, due to high exit costs, customers may not actually switch but instead be discouraged from further purchases or renewals (Jones and Farquhar, 2007).

Venkateswaran (2003) highlights this issue by expressing the need for caution when utilising customer satisfaction as a means of gauging customer loyalty and retention, Reicheld et al (2000) found that 60-80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection. Hence, it is important to acknowledge that Customer satisfaction is not customer loyalty (Prus and Randall, 1995). Similarly, Oliva et al., (1992) claim, loyalty can degrade to dissatisfaction in the face of repeated instances of unsatisfactory episodes. Quite simply, "satisfied customers are not necessarily always loyal customers. Customers can be satisfied, repeating orders, and also likely to buy from the competition in the future" (Zineldin, 2006 p. 435). In response to these findings customer delight is generally sought as a more stable indicator of customer loyalty than satisfaction (Reicheld et al 2000). Satisfaction generally refers to merely perceptions meeting one's expectations while, according to Berman (2005) customer delight requires that customers require a positive surprise that is beyond their expectations. Delight as opposed to satisfaction is a more emotional response. This builds upon Oliver's (1994) argument that mere satisfaction must be cultivated and improved to transform it into customer loyalty. Strauss and Neuhaus (1997) support this contention further claiming that it is only when customers are very satisfied that they are less likely to switch or defect.

2.4.3 Customer Loyalty Models

Baumann, Elliott and Hamin (2011) identify three influential "behavioural predispositions" to customer loyalty namely; risk taking, variety seeking and resistance to change. They propose these, as opposed to what they deem as, "the usual array of demographic and situational variables and individual risks. Consumer risk-taking refers to the level of uncertainty and perceived risks involved in the consumer's buying decision (Gounaris and Stathakopoulos, 2004). Baumann et al. (2011) deduce that higher levels of risk taking are inversely related to loyalty and consequently speculate that, considering the large sums of money tied up in retail banking relationships, that risk aversion (the antonym of risk taking) could be an influential factor in bank loyalty. In contrast, their findings contradict this assertion. They found that risk-taking was not a predictor of loyalty in financial services. This is a result of the general oligopolistic nature of most banking sectors which encourages customers to perceive each bank as being largely homogeneous and each offering similar security. Conversely, both variety seeking and resistance to change were found to significantly related to and hence, predictors of customer loyalty. Variety seeking is one of the essential consumer characteristics driving consumers to break with routinisation of buying behaviour (Choi et al., 2006; Foxall, 1993; Goukens et al, 2007; Kahn and Isen, 1993). It will potentially lead to increases in customer satisfaction and decreases in customer loyalty. Pritchard et al. (1999) describes resistance to change as a customer's willingness to stay with an organisation regardless of pleasant or unpleasant experience. Once again this too was found to be positively related to loyalty in accordance with (Pritchard et al., 1999; Taylor et al., 2004).

Oliver (1999) identifies four stages of customer loyalty; cognitive, affective, conative and behavioural which Evanschitzky and Wunderlich (2006) assert must be experienced and advanced in sequence rather than simultaneously. The former three stages; cognitive, affective and conative are attitudinal phases while the latter is behavioural or actional loyalty (Oliver, 1999; Evanschitzsky et al., 2006). In each loyalty stage, the loyalty development relates to different factors (Oliver 1997 and 1999).

Cognitive loyalty is the first phase and refers to the customers' previous knowledge or recent information based on experiences (Oliver, 1999). This loyalty is derived from comparisons between their preferred service and alternatives based on past experience or information.

Affective loyalty is a confounded sense of affiliation which includes an emotional element, in which the customer derives a pleasurable fulfilment and favourable attitude towards the brand (Oliver, 1999).

True loyalty is not guaranteed at this stage due to the potential attractiveness of competitor offerings, therefore firms seek to advance customers to the conative loyalty stage. (Evanschitzsky, 2006). This refers to a deeper loyalty that entails a strong, specific commitment to the brand and a greater likelihood to repurchase (Oliver 1999).

The final stage is behavioural loyalty, as described above, and represents the stage at which true loyalty can be achieved.

Blut, Evanschitzsky, Vogel and Alhert (2007) further validate the consistency of these stages and proceed to identify three moderators in the links between each of the stages as shown in figure 2.5.

Figure 2.5: Moderators and Links in Stages of Loyalty

Source: Blut et al. (2007 p.728).

Social benefits are found to moderate the link between cognitive and affective stages, the attractiveness of alternatives was found to be inversely proportional to the strength of the link between affective and conative loyalty, and thirdly the link between conative and actional loyalty was positively linked to perceived switching costs.

Other similar research into identifying the predictors of customer loyalty employed customer satisfaction, affective loyalty and service quality as prerequisites (Bloemer and De Ruyter, 1998; Bloemer et al, 1998; Caruana, 2002; Zins, 2001).

2.4.4 Loyalty and the Banking Industry

Customer loyalty is particularly important in the banking industry as most banking segments are mature and competition is strong (Bloemer et al., 2002). Reasons for this importance included pofitability, volume of sales and cross-selling, the costs associated with opening and closing accounts and positive word of mouth (Median, 1996).

Tesfom and Birch (2011) found that due to having established long-term relationships with their bank, older customers are more likely to perceive relational benefits than younger customers. Hence they are more loyal even if dissatisfied with the service. Similarly, Colgate and Lang (2001) ascertained that customers who seriously considered moving banks tended to be younger than those who didn't.

Since a large part of banks' revenues are received from interest margins, customers' volume of business has a major impact on profitability (Leverin and Liljander, 2006). They proceed to assert that if relationship costs are minimised and revenue is maximised over time, long-term customers should generate greater profitability than short-term customers. Storbacka (1997) similarly, claims that volume of banking customers should be maximised. This can be achieved by directly targeting R.M. activities towards the most profitable customers to maintain satisfaction and loyalty. Yet the retail banking sector is synonymous with habitual loyalty and inertia (Yanamandram and White, 2010) as well as high switching costs (Yanamandram and White, 2006).

2.4.5 Switching Costs

Banking is a major sector in the economy where switching costs are prevalent, due to information asymmetry (Kim et al., 2003).

Several authors such as (Lewis and Soureli, 2006; Andreasen and Lindestad, 1998; Dawes and Swailes, 1999; Harrison, 2000; Lee and Cunningham, 2001; Jones et al, 2002) also identify switching costs as a prominent, non-attitudinal factor that can be significantly influential in in determining customer loyalty. Switching costs are described as monetary costs, time and the psychological effort generated from doing business with a new service provider (Ruyter et al, 1998). Research carried out by Beerli et al. (2004) validated switching costs as an antecedent to customer loyalty in the banking sector. The result of high switching costs in services for customers means they will probably remain loyal in terms of repeat purchase behaviour because of the risk and expense of changing providers (Wernerfely, 1991; Selnes 1993). This loyalty is furthered by the accompanying decrease in the appeal of other competitors (Ruyter et al., 1996) and can in some cases be typified by calculative commitment. Calculative commitment can be understood as "a cognitive evaluation of the instrumental worth of a continued relationship with the organisation" (Wetzels et al., 1998, p. 409), and thus involves calculating the profits or benefits associated with continuing the relationship and the costs associated with leaving (Gounaris, 2005; Morgan and Hunt, 1994). In other words, calculatively committed customers continue a relationship, provided the costs associated with leaving the partner are higher than the expected benefits of switching. Examples of switching costs in retail banking offered by Sheth and Parvatiyar (1995) include the duration of the relationship, extent and depth of the relationship with staff and management and the perception that it is difficult to transfer accounts to another provider. This could be deemed as false loyalty as Fornell (1992) suggests a number of disadvantages of loyalty derived from high switching costs. Firstly, it can be difficult to acquire new customers if they are aware of switching costs and the secondly, if external forces have the potential to eliminate such barriers. Such has been the case in the Irish banking sector with the introduction of "switching codes" by the IBF in 2004. The introduction of these codes effectively put the onus on the banking institutions to provide the relevant information and carry out the necessary transfers on behalf of the customer who has opted to switch banks. The result is a much more convenient process of switching financial service providers for the customers.

Inertia is described as a condition where a customer repeat purchases the same brand passively without much thought, in a relatively non-conscious process (Huang and Yu, 1999). This non-conscious form of retention is distinguished from loyalty by the degree of consciousness involved in the decision to continue purchase from the same service provider (Huang and Yu, 1999). Inertia is also described as the absence of goal-directed behaviour (Zeelenberg and Pieters, 2004); is characterised as a habitual attachment because less effort is required (Solomon, 1994); is largely unemotional, indifferent and convenience-driven (Gounaris and Stathakopoulos, 2004; Lee and Cunningham, 2001; White and Yanamandram, 2004); and is not worth the time and trouble to go through a decision process (Assael, 1998). Therefore, inert customers lack motivation to consider alternatives (Colgate and Lang, 2001), and prefer the status quo (Ye, 2005). In the current study, inertia is conceptualised as a non-conscious form of retention, consisting of passive service patronage without true loyalty and an unwillingness to expend effort.

The financial service sector is characterised by highly inert and/or calculatively committed customers, because the types of services offered are heterogeneous and highly complex, and are characterised by long-term investments (Akerlund, 2005). These attributes mean customers have difficulty gaining enough knowledge about the services in order to compare different service provider solutions to defect to another service provider (Akerlund, 2005).

Yanamandram and White (2010) differentiate between the concepts of inertia and calculative commitment in terms of corporate banking relationships but finds minor variation between both in relation to the retail banking sector. They hypothesises that this is perhaps due to the increased complexity of the corporate banking market. In light of this, this research will combine both concepts as inertia. That is to say that this research will not differentiate between calculatively committed or inert customers, instead they will be categorised solely as the latter.

Zeelenberg and Pieters (2004, p. 453) argue that a customer's inertia "could be due to simple cost/benefit reasoning in which the costs outweigh the benefits" – a statement that captures the general meaning of calculative commitment. Evanschitzky et al. (2006) propose that a customer's intention to remain in a relationship that is influenced by switching costs occurs because of an emotional attachment (continuance commitment), which develops out of inertia.

Yanamandram and White (2010, p. 572) identify five economic and psychological costs incurred by the process of switching service providers; benefit-loss costs, uncertainty costs, evaluation costs, learning costs and sunk costs.

1. Benefit-loss costs refer to the possible loss of economic benefits as a result of switching.
2. Uncertainty costs refer to the level of uncertainty and perceived risk in switching to an unfamiliar service provider.
3. Evaluation costs concern the time and effort costs associated with searching and identifying a suitable alternative to the current provider.
4. Learning costs capture the time and effort costs that result from learning and adapting new techniques and procedures necessary to utilise a new service.
5. Sunk costs represent the non-redeemable time and effort afforded to establishing and maintaining a new relationship after having terminated the previous relationship.

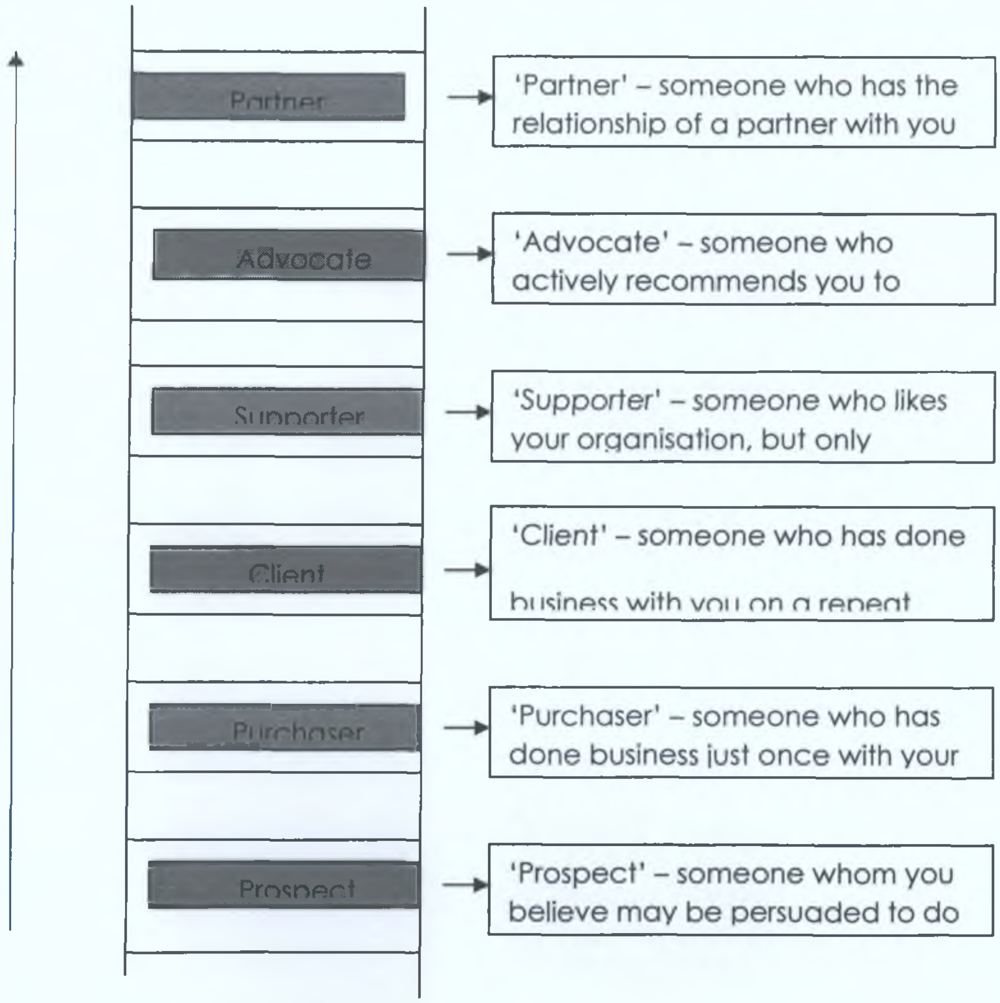
These capture the principle costs involved in switching service providers and are particularly pertinent to the provision of financial services. They encapsulate the inherent drawbacks and risks of switching service providers and as such serve to explain the low switching rates that typify retail banking.

In order to enhance customer satisfaction and thus create genuinely, as opposed to habitually loyal customers, Jones and Farquhar (2007) attest that the key is effectively managing service encounters.

2.4.6 Service Encounters and Loyalty

The level of competition in the financial services providers has led to price-dominated strategies that attract new customers but do not appear to enhance loyalty in the existing customer base (Farquhar and Panther, 2007). Jones and Farquhar (2007) contend that if banks are aiming to build customer loyalty through delivering customer satisfaction, they need to ensure that at all points of contact customers have satisfactory encounters whether they are of a personal or remote nature. The importance of individual service encounters is supported by Bitner (1995) who states that each encounter represents an opportunity to communicate the firm's effectiveness, to engender trust and to increase customer loyalty. Finally, Jones and Farquhar (2007) declare that the aforementioned competitiveness will mean customer loyalty is destined to play a greater role in the future success of established financial service providers. Characteristics and issues specific to the service in question affect consumer behaviour and loyalty in banking (Lewis and Soureli, 2006). The type of service and the interaction with the customers coupled with levels of customisation and the method of service delivery are all integral to forming customer loyalty in banking (Dawes and Swailes, 1999).

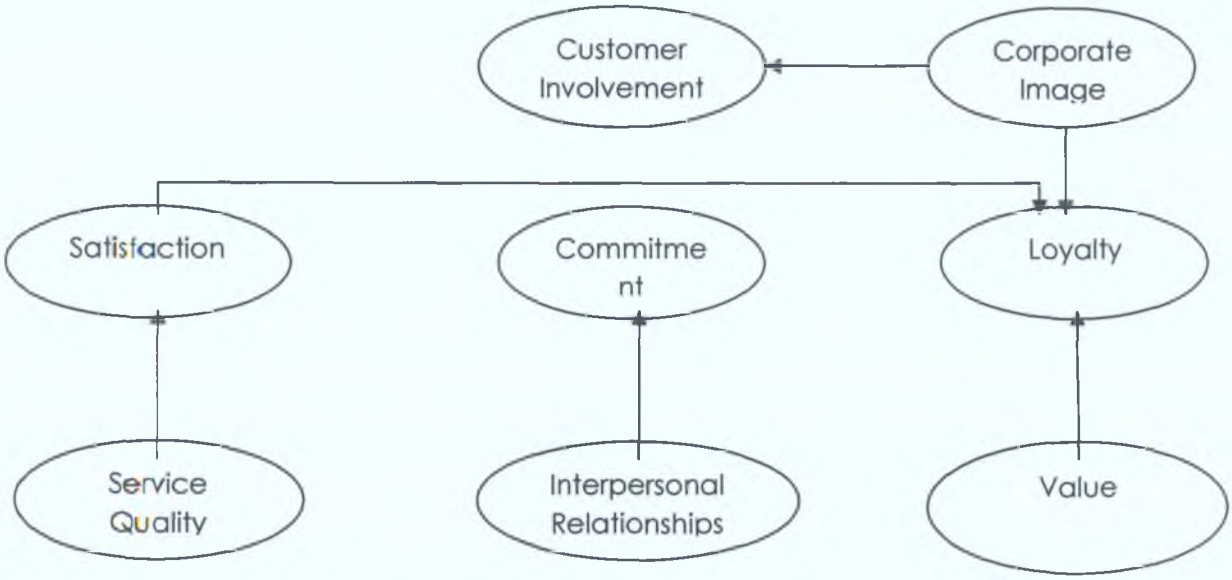
Figure 2.6: The Relationship Marketing Ladder of Loyalty



Source: Peck et al (1999, p. 45)

Figure 2.6 illustrates the relationship marketing ladder of loyalty (Peck, Payne, Christopher and Clark, 1999, p. 45). It represents the phases of transition through which a customer passes before developing a truly loyal relationship with the service provider.

Figure 2.7: Antecedents to service loyalty



Source: Lewis and Soureli (2006, p. 28)

As shown in figure 2.7 Lewis and Soureli (2006) highlight the antecedents to service loyalty. It offers a more complex illustration of the relationship between satisfaction and loyalty in banking relationships. It includes factors such as relationship commitment and service quality as intermediating effects between satisfaction and loyalty as well as identifying corporate image and perceived value as antecedents to service loyalty. It has been highlighted previously that loyalty and increased sales volume are particularly important to profitability in banking and is further discussed in the following section.

2.4.7 Loyalty and Profitability

The development of a loyal customer base has been found to be significantly linked to profitability and growth (Lombardi, 2005; Chow and Reed, 1997; Heskett et al, 1994). Customer loyalty has been widely regarded as a necessary precursor to individual customer profitability (Garland 2005).

Empirically validated research by Reicheld and Sasser (1990) has shown that it costs considerably less to retain current customers than to acquire new customers.These findings are in direct agreement with the argument of Dibb and Meadow (2001) that "the hard economic truth is that it is financially more lucrative to retain existing customers than to attract new business". Anderson and Narus (2004) believe customer retention is a more effective business strategy than continuously trying to acquire new customers in order to replace the defecting customers. Gee et al. (2008) claims that this seems logical given that the well versed marketing maxim notes, "It costs five times more to acquire a new customer than to retain an existing one" (Pfeifer, 2005). These claims have prompted Singh and Sirdeshmukh (2000) to dub customer loyalty "the marketplace currency of the twenty-first century". Loyal customers also contribute to increased revenues (Reicheld, 2003), make further purchases and generate positive word of mouth (Sividas and Baker-Prewitt, 2000; Gremler and Brown, 1996; Reicheld and Sasser, 1990), result in predictable sales and profit streams (Aaker, 1992) and are a more powerful influence on the behaviours of others (Rowley and Dawes, 2000; Gremler and Brown, 1999). Ndubisi (2004) encapsulates this positive effect by suggesting that, "loyal customers are valuable communicators of favourable word of mouth about organisations or products to which they feel loyal. As evangelists, they can attract new customers for the organisation and even increase their own consumption collectively to the benefit of its sales, revenue and profit. Loyalists can also serve as useful sources of new product ideas."

Hence customer loyalty is essential if a company is to retain its current customers (Gee, Coates and Nicholson, 2008). This is based on the early claims of Jacoby and Chestnut (1978) that loyalty is related to the proportion of expenditure devoted to a specific brand or store.

As previously stated, many studies advocate the positive link between customer loyalty and company profitability (Anderson et al, 1994; Hallowell, 1996; Reicheld, 1996; Silvestro and Cross, 2000). Conversely, Storbacka (1994) clarifies that not all loyal customers are profitable. According to Reinartz and Kumar (2002), the overall link between loyalty and profitability in many industries is questionable for two reasons;

1) A relatively large percentage of long-term customers are only marginally profitable; and
2) A relatively large percentage of short-term customers are highly profitable.

Similarly, research carried out by Leverin and Ljiander, (2006) found that the most profitable customer segment in their focal bank is a relatively small group in relation to their customer base but consequently of vital importance. Therefore, the bank has paid considerable attention to their needs and wishes compared with those of other customer segments. Consequently it was assumed by the bank that this particularly profitable segment would experience relationship improvements and that these improvements would result in higher loyalty. This reflects the finding of Ndubisi (2005) that high income customers, who were of higher net worth due to increased sales volumes, tended to be more loyal as a result of the increased attention they received from their bank. However this was not the case. They contend that this is due to profitable customers' awareness of their value to the bank and consequently have higher expectations of service and a narrower zone of tolerance (Berry and Parasuraman, 1991; Zeithaml et al 1993). Evidently most literature to date is divided and therefore inconclusive in establishing if indeed increased investment in high-net worth customers generates increased loyalty. This study firstly investigates perceived discriminate investment in R.M. in relation to income levels and secondly if loyalty is deeper and more prominent among the higher income level customers.

Similarly, Ndubisi (2005) found that women tended to be more loyal to their financial services provider than men, as did older generation as opposed to their younger counterparts. Again these findings are challenged in this study in relation to the Irish retail banking market.

More recent research claims that the relationship between loyalty and profits is far weaker than previous advocates (Reicheld et al. 2002; Hallowell 1996; Reicheld 1993) would suggest (Reinartz and Kumar 2002). Their empirical research found no conclusive support for the posited outcomes of customer loyalty (Gee et al 2008).

Garland (2005) notes that it is neither always practical nor profitable to treat all customers with superior service, nor is it to try to exceed all customers' expectations. If a company tries treat all customers with excellent service then the highly profitable segment end up subsidising the service for marginally profitable customers (Zeithaml et al 2001).

2.4.8 Loyalty and the Global Financial Crisis

Research conducted by Bennett and Kottasz (2012) found a substantial deterioration in the favourability of public attitudes towards the banking industry that occurred following the financial crisis. A subsequent finding from the same study showed varying levels of criticism across different customer segments. Most notably it reveals that attribution of blame to the banks was lower among high-income segments and those more knowledgable of the industry. Gritten (2011) attests that "for those who had the rug pulled swiftly from under their feet, it will take the financial services institutions a long time to rebuild meaningful relationships with customers" (p. 99). Einweller et al (2010) states that those who experience financial loss as a may possess strong attitudes towards the bank's role in the crisis. Similarly, customer loyalty will be affected as perceptions of who is to blame for a crisis are known to exert powerful influences on attitudes (Grunwald and Hempelmann, 2010). This assertion is confounded by Hatzakis (2009) who claims that a sector's image will suffer if the sector is deemed responsible for a crisis.

2.5 Summary

This chapter has identified and discussed the most relevant literature concerning the key themes of this study. The areas of relationship marketing, customer trust and confidence and customer loyalty are analysed in detail with specific reference to retail banking.

The emergent issues that have prevailed are firstly, the dynamism and change in perceptions towards the sector in the wake of the GFC. There is a need to further analyse the effect this has had on the effectiveness of R.M. and its ability to engender trust and to propagate customer loyalty. Due to timeliness of this issue there is a scarcity of academic literature that addresses or quantifies the extent of its influence. The prominence of customer inertia in the retail banking sector is also well illustrated in literature, yet the increasing austerity and astuteness of the banking customer in line with the economic downturn may serve to reverse this trend towards habitual loyalty. Finally, academic sources have long professed to the synonymy and success of the R.M. approach in financial services. Yet emergent literature testifies to a recent transactional focus in the provision of retail banking services. This arguably leads to the classification of the modern approach as a hybrid strategy comprising a balance of both transactional and relational features. This is also a developing topic that has received limited attention but warrants further analysis.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The aim of this chapter is to detail the methodology used in this study with discussion of the overall research design and instrument development. The methodology and data collection techniques in collaboration with the use of both primary and secondary techniques are identified and justified as appropriate to most effectively address the research question. The nature of the study was given careful consideration and it is deemed appropriate that the primary focus of the research should be on qualitative techniques. This would provide the framework for a subsequent quantitative technique that would serve to triangulate the overall findings.

3.2 Research Design

To investigate the research question it is imperative to adopt the most appropriate and comprehensive methodological design possible. Thusly, the research design was based on triangulation namely, a literature review, qualitative (focus groups, in-depth interviews) and quantitative (questionnaires) respectively. Simpson (2008) highlights that mixed methods research is considered an emerging, innovative research strategy that is used across disciplines and combines qualitative and quantitative data collection. Creswell (2009) notes that problems addressed by social and health science researchers are complex, and the use of either quantitative or qualitative techniques by themselves may be inadequate to address this complexity The two methods inform one another to provide a more layered, multipronged approach to research (Hess-Biber, 2008). Wolcot (1998, p.5) suggests that, "triangulated techniques are helpful for cross-checking or for ferreting out varying perspectives on complex issues and events". Similarly, Denscombe (2003) claims that the use of a mixed method approach allows the researcher to see the thing from different perspectives and to understand the topic in a more rounded and complete fashion than would be the case had the data been drawn from just one method. This he adds, "enhances the validity of the research.The techniques adopted are predominantly qualitative in their nature

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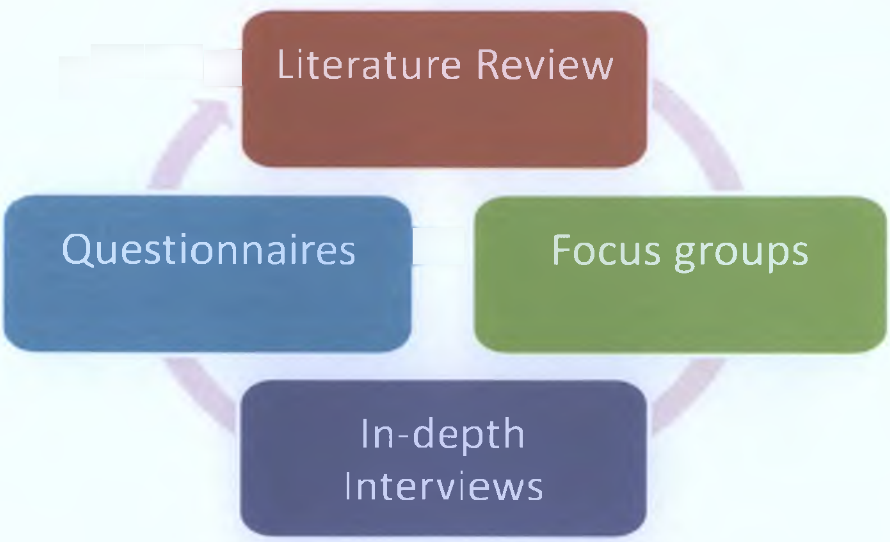
Figure 3.1: Research Methods



3.3. Secondary Research

An extensive evaluation of peer review material was completed. This involved reference to all relevant online journals and databases, academic articles, books and reports and newspapers.

3.4. Primary Research

The primary research techniques used are illustrated in figure 3.2. They present the methods in the order in which they were conducted from left to right starting with focus groups and in-depth interviews constituting the qualitative phase of the research. The findings therein provided the basis for the questionnaire, the final quantitative research technique

Figure 3.2: Primary Research Methods

Four focus groups (FGs) were conducted between March and May 2011 representing a broad spectrum of retail banking customer segments. The findings therein provided key insight into customer perceptions and the prevalent issues that concerns them as customers. These served as a basis upon which the format of the subsequent in-depth interviews would preside. In order to further validate the qualitative information ascertained by these techniques, a questionnaire was drafted and administered among AIB customers.

Table 3.1: Methodologies used in Retail Bank R.M. Research

Research tool	Related authors
Survey research	Abratt and Russel (1999) Adamson et al. (2003) Armstrong and Seng (2000) Barnes and Howlett (1998) Barnes et al (2004) Bejou and Palmer (1998) Bennett and Durkin (2002) Colgate and Stewart (1998) Colgate et al (1996) Farquhar (2004) Gilbert and Choi (2003) Gremler et al. (2001) Harness and Harness (2004) Julian and Ramaseshan (1994) Leverin and Liljander (2006) Ndubisi (2006) Patterson and Smith (2001) Paulin et al. (2000) Sin et al. (2005) So and Speece (2000) Starkey et al. (2002) Wray et al. (1994) Yau et al. (2000) Zineldin (2005)
Interviews	Ahmad and Buttle (2002a) Ahmad and Buttle (2002b) Curry and Kkolou (2004) Emmelhainz and Kavan (1999) Kapoulas et al. (2002) Lindgreen and Antioco (2005) Ndubisi and Wah (2005) O'Leary et al. (2004)
Depth interviews	Åkerlund (2005) Dawes and Swailes (1999) Durkin and Howcroft (2003) Farquhar (2003) Lam and Buton (2006) Pries and Stone (2004) Ryals and Payne (2001) Stewart (1998)
Focus groups	Emmelhainz and Kavan (1999) O'Leary et al. (2004)

3.5. Qualitative Research

In light of the qualitative nature of the required data, the preliminary stages of the research were exploratory. In relation to this, two key qualitative research methods were selected to extract the desired information from the populous namely: focus groups and in-depth interviews.

3.6. Focus Groups

3.6.1 Focus Group Formation

From the outset, despite the fact that the preliminary research required was qualitative, it also necessitated a comprehensive set of perceptions representing several customer segments. Therefore a total of four FGs were conducted, labelled A-D, each consisting of varying retail banking customer segments. To ensure the diversity of the respondents, several sampling methods were utilised when recruiting potential respondents.

It was decided that a semi-structured format would be optimal for the research. This would allow for the free flow of ideas by contributors but also balance it with adhering to a set sequence of questions therefore eliminating the possibility of omitting any topics.

3.6.2 Structure Formation

Once a semi-structured format was chosen a list of relevant debate topics was compiled. The topics provisionally selected very decidedly universal and avoided any unnecessary complexity of technicality so as not to exclude any participants. (As the FGs progressed the structure was revised somewhat to include more technical questions pertinent to the research as outlined later in this section). A series of questions and data mining techniques were listed and submitted to the research supervisor for testing purposes. A number of recommendations were put forward and subsequently included in the proposed list. The formatted questions were input into Microsoft Powerpoint slideshow and displayed via overhead projector throughout the FGs. This served as reminder of the key issue being debated and as a reference point for the direction the discussion should ideally follow. To facilitate the flow of the FGs further, the decision was taken to record the proceedings to which authorisation was approved by all participants. This removed the need for noting all responses or remarks during the session and allowing the research to refer to the responses at a later stage. It also lends enhanced validity to the analysis of results by eliminating the potential for omitting certain remarks or statements.

3.6.3 Focus Group A

As the first FG intended to direct the subsequent research the participants were again diverse and represented a number of retail banking institutions and demographics. To achieve this, a non-probable convenience sample was adopted. Those invited to partake were members of a part-time Bachelor of Business group of whom ten agreed to participate. FG A was carried out in a designated discussion room in I.T. Sligo and the respondents represented many varying demographics such age, income levels, nationalities as well as customers of different banking institutions.

The setting for FG A was purposely selected for its convenience of location and inherent familiarity among the participants which provided a relaxed and informal atmosphere and as such, facilitated the willing contribution of responses. To further enhance the free-flow of ideas and opinions the seating arrangement was circular with the moderator at the apex. Light refreshments were provided prior to the assembly. The session followed a loose structure which served to prevent discussion deviating significantly from the relevant topics as well as ensuring that all areas were addressed. For the benefit of the research and later reference the FG was recorded with the authorisation of the respondents.

A number of conclusions were drawn following the completion of the FG A. The principle derivation from the proceeding concerned the definition of the parameters of research question. It was decided that an analysis of all or even several of the financial service providers in the Irish market would perhaps prove too broad and lack sufficient depth. Similarly, much of the perceptions expressed were mirrored regardless of the institution in question. Thus, it would follow that the responses of a comparative study would prove largely homogenous. Hence, it was concluded that the research should focus on one bank, AIB, which would enhance the depth to the study.

3.6.4 Focus Group B

Given the direction for further research introduced by the preliminary FG, the sampling technique for FG B was a more purposive method which recruited contributors that were current customers of AIB. In this instance the researcher included respondents whom represented vastly different income levels so as to gain an insight into perceptions of R.M. across these contrasting segments. Those partaking were deliberately selected by the researcher from personal knowledge of their financial backgrounds as it was deemed the only means by which a representative sample could be knowingly secured in an ethical and non-intrusive manner. Also, they were current customers of AIB.

Once again, with convenience and a certain degree of informality a priority, the session was undertaken in a municipal building's minor function room with refreshments served before and throughout proceedings. The seating arrangements and the recording of the discussion were repeated for the same purpose as the precedent and similarly for the subsequent FGs.

A number of the key findings from FG A were reiterated by those partaking in FG B. Therefore a number of alterations were made to the format of the subsequent FGs so as to include further discussions on these recurring themes that became increasingly pertinent to the research topic. This revised structure aimed to probe deeper into the newly highlighted issues so that they may provide sufficient validity and relevance for inclusion in the findings of the study.

This revised discussion was of a distinctly technical nature and hence, warranted respondents with a certain amount of knowledge in respect of these areas. In response, a purposive sample of participants with a background in banking, business or marketing was required.

3.6.5 Focus Groups C and D

FGs C and D consisted of members of I.T. Sligo lecturing and administrative staff either from the department of business or who had worked in the banking industry. This endeavoured to introduce a more critical and insightful analysis of the marketing techniques of AIB that up to this point was somewhat lacking, in the researchers opinion. Of the respondents, FG C consisted of current customers of AIB whilst FG D was made up of past customers who had defected to another service provider or for whom AIB is not their principle financial institution. This selective criterion was implemented in an attempt to introduce the most representative response base as possible. For the same reasons as previously stated both these FGs were conducted in a designated room in I.T. Sligo with similar arrangements.

The exploratory nature of the FGs and the qualitative responses they presented provided rich results as well as key unforeseen issues that necessitated further investigation. Thusly, they provided and excellent basis for the subsequent research methodology.

Table 3.2 below, documents the statistical information of the FGs including the date and location in which the session took place, its duration and the number of participants.

Table 3.2: Details of the Focus Groups

Focus Group Title	Date	Duration	No. of Participants	Location
Focus Group A	15th March 2011	51 minutes	10	I.T Sligo
Focus Group B	2nd May 2011	47 minutes	8	Ballyshannon Municipal Building
Focus Group C	12th May 2011	91 minutes	6	I.T. Sligo
Focus Group D	16th May 2011	76 minutes	6	I.T.Sligo

The research continues with a series of in-depth interviews that attempts to gain a counter argument and perceptions of the FG findings from representatives of the retail banking sector.

3.7 In-Depth Interviews

At this point in the research, it was felt that a number of in-depth interviews with key banking officials from both AIB and the Irish Banking Federation (IBF) would lend credibility to the findings, provide technical and experienced insight into the issues that needed to be addressed. In the interest of comprehensiveness and in an attempt to introduce a professional perspective, it was decided that the interviewees should represent marketing bodies from the AIB and at least one other independent institution, the IBF.

Provisionally the researcher had intended on conducting a total of three in-depth interviews. Despite contacting numerous branch managers, all declined participation when exposed to the content of the questionnaire. Similarly, when AIB Head Office was contacted requesting recommendations for participation, they too were initially eager to comply, but subsequently declined also when a copy of the questionnaire was forwarded in advance. The outcome of this extensive and persistent search resulted in two willing participants.

3.7.1 In-depth Interview Structure

In order to acquire the relevant information two separate interview questionnaires were drafted. The first was specifically intended to for AIB representatives and the second for an IBF representative.

A semi-structured in-depth interview was adopted. This was reasoned to be most effective to allow the interview to follow a particular direction that would address all the relevant topics. This approach also permits the introduction of other unforeseen issues that may prove pertinent to the study by giving flexibility and control to the interviewee in the discussion. The format and content of both questionnaires were dominated by the findings of the preceding FGs.

3.7.2 Interview Questionnaire formation

The questions were divided into sub-categories relating to R.M, customer relationships and FG findings and concluding questions respectively. The provisional questionnaire was submitted for testing to the research supervisor. Following this consultation a number of key discrepancies were identified that resulted in the rewording of several questions and the inclusion of others that were omitted from the original draft. It was at this stage also that the decision was made to draft two separate questionnaires tailored specifically to each respondent. The content was largely the same with the exception that in the case of interview B the questions focussed on AIB as opposed to the IBF in the alternate. In consideration of the qualitative nature of this part of the research the questions were predominantly open-ended so as not to restrict the responses. The wording of the questions presented some complications in the design phase also. The perceptions expressed in the FGs were in some cases, quite direct and provocative, undoubtedly due to the timeliness of the sessions. In order to get an alternate perspective to these assertions the views were composed and expressed in a more indirect and subtle manner.

3.7.3 Interview Medium

For cost-effectiveness and practicality, the interviews were carried out via telephone and recorded for future reference. It was also clearly expressed that participation in the interview was voluntary and that the participant could dictate the level of their own anonymity. This would facilitate and potentially remove any reservations the interviewee may have regarding the contribution of the most confidential and elusive information.

3.7.4 Interview Respondents

As the research focused on AIB, at least one in-depth interview with a marketing manager at a national level would be necessary to provide a corporate response and alternative perspective to the questions put forward. The sampling technique adopted was a snowballing technique whereby provisionally a non-probability judgement technique yielded several referrals until securing an interview with the manager of AIB's Strategy, Customer Management and Insight Unit. The interview was conducted via telephone on 21st July 2011 and, due to unforeseen circumstances, was postponed and later completed on the 29th July 2011.

Pending a response from other AIB participants it seemed appropriate to get a comprehensive perspective from a professional body, involved with all institutions in the Irish retail banking sector. A non-probability sampling technique was again adopted by directly contacting the IBF in an attempt to secure an interview with a representative. On 18th July 2011 an interview with the IBF's Manager of Retail Banking was carried out. Once again the interview was conducted via telephone to allow for flexibility on its scheduling so as not to encroach on the work schedule of the interviewees. This permitted the participants to select a time that was convenient to them at short notice. The details of the in-depth interviews are outlined in table 3.3.

Note: In respect of the wishes of the in-depth interview participants, their identities are not published. In response to this issue and for the purpose of this section the AIB representative will be referred to as "the AIB representative" or "Interviewee A". Similarly, the IBF representative will be referred to as "the IBF representative" or "Interviewee B".

Table 3.3: Details of In-Depth Interviews

Interview Title	Position of Participant	Date of Interview	Duration of Interview
Interview A	IBF's Manager of Retail Banking	18th July 2011	37 minutes
Interview B	Manager of AIB's Strategy, Customer Management and Insight Unit	Part 1: 21st July 2011, Part 2: 29th July	Part 1: 27 minutes, Part2: 33 minutes

The in-depth interviews contributed considerably to the comprehensiveness of the research. They afforded a dual perspective to the process. Upon completion, the findings highlighted some perspectives on customer behaviour that warranted further analyses. The combination of these issues and the need for authentication of the FG results ensued in the employment of a quantitative research method as outlined below.

3.8 Quantitative Techniques

The qualitative research to this point yielded many interesting results in relation to customer perceptions as well as banking interpretations and perspectives. To ensure that these customer perceptions in particular, were representative of a majority of AIB's customer base and to gain a quantitative reflection based on segments, the research warranted a quantitative evaluation technique.

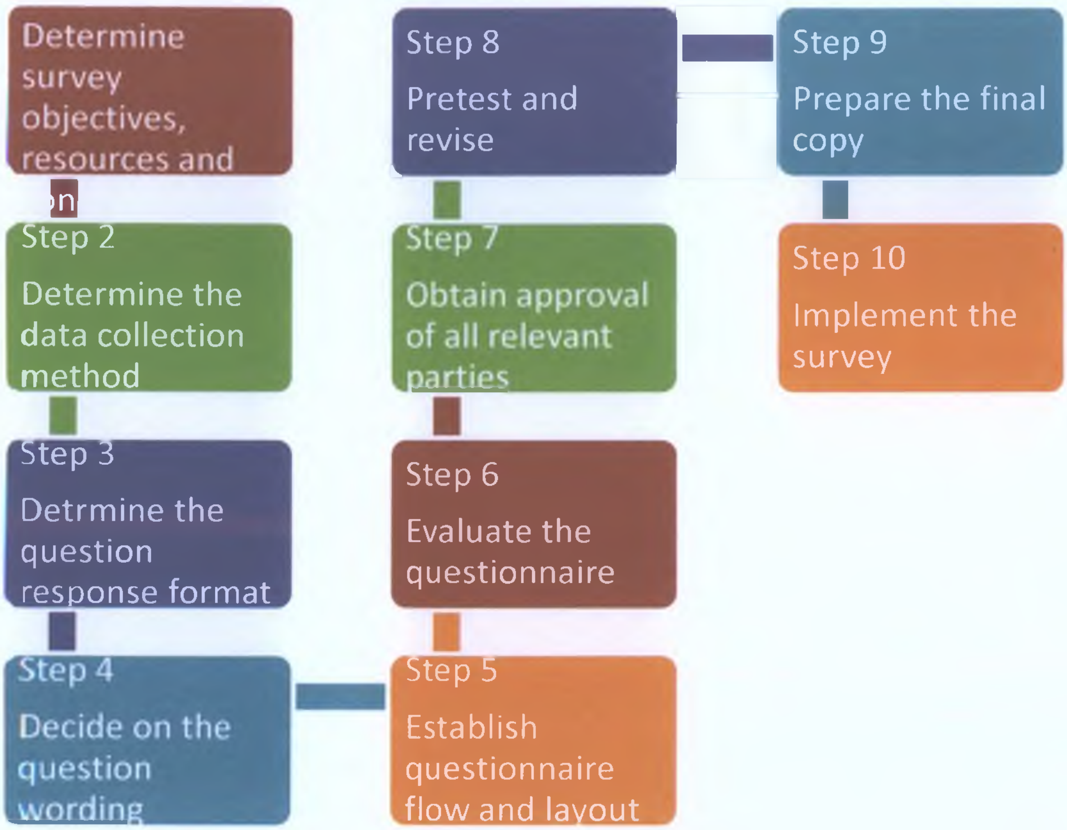
In order to lend this further credibility and representativeness to the study, a questionnaire was drafted to be administered to AIB customers. This would provide a more comprehensive indication of customer perceptions in the relevant areas of discussion. The decisions taken in relation to the sampling techniques, development of the questionnaire and the tabulation of their results are detailed in the following section.

3.9 Questionnaire

The use of a questionnaire technique was selected as the most appropriate to extract the relevant information in the most effective and efficient means. Its serves as a cost-effective means of examining the views of a large sample of respondents whilst, not compromising on validity, if drafted and carried out properly.

"Questionnaire design is of utmost importance as poorly designed and structured questionnaires will probably yield vague and unreliable data" (Rogan, 2007, p.116). The questionnaire was designed in correlation with the ten step questionnaire design process identified by McDaniel and Gates (2007, p.336) in figure 3.3.

Figure 3.3: Ten Step Questionnaire Design Process



Source: McDaniel and Gates (2007, p.336).

➢ **Step 1: Determine survey objectives, resources and constraints**

The primary objective of the survey was to confound and validate customer perceptions and opinions introduced in the FGs in a representative means. It also strived to generate or isolate any conflicting perceptions across the customer base in terms of unique demographic or segment criteria.

➢ **Step 2: Determine the data collection method**

The provisional sampling technique intended for the questionnaire was a non-probable convenience sample. The questionnaire would be administered, by the researcher, to customers as they entered and exited various branch locations throughout the North West. This would be an effective means of acquiring a representative sample and allow eliminate the inconvenience of approaching non-AIB customers.

➢ **Step 3: Determine the question response format**

In light of the fact that much of the data sought was of a quantitative nature, most of the questions were in dichotomous or multiple-choice format. This would facilitate the efficient and conclusive analysis of the findings. Some of the information pursued was exploratory and hence, required an open-ended structure so as not to limit the responses or influence them in any way.

➢ **Step 4: Decide on the question wording**

The wording of the questions for this particular questionnaire were designed and articulated with McDaniel and Gates' (2007) guidelines in mind, which stipulate that the wording must be clear and non-biased and the respondent must be able to answer the question and willing to do so also. In consideration that the questionnaire was intended for such a broad customer base representing many demographic variations the wording was meticulously chosen. It was intended to be, in no way, exclusive or discriminatory yet strived to address and gain perceptions on many complex banking and economic issues. With these intentions in mind, the questions were specific and direct so as to eliminate any ambiguity and consequently straightforward.

➢ **Step 5: Establish questionnaire flow and layout**

The comprehensive nature of the questionnaire meant that it was extensive. To prevent any confusion on the part of the respondent they were divided into four categories with the relevant questions pertaining to their respective headings. The headings were; 1) Affiliation, which developed an understanding of the customer general perceptions of AIB and the origin of their relationship. 2) Relationship Marketing which analysed the effectiveness of R.M. on each individual. 3) Economic Crisis which assessed the strength of customer relationships and how they may have been in relation to the GFC. And finally, 4) Personal Details which aimed to ethically indicate the customer segment to which the respondent belonged. The order of the sections was deliberately intended to put the respondent at ease in the early stage of response as the questions at the beginning were concise and simplistic so as not to discourage the participant at an early stage. The more complex, open-ended questions that required consideration were placed in the centre of the questionnaire with a designated number of lines to indicate the recommended response length.

- **Step 6: Evaluate the questionnaire**

This particular stage in the process was carried out continuously throughout the design phase with numerous alterations made to the layout, question wording, removal and inclusion of irrelevant and omitted questions as well as the order of questions and sections.

- **Step 7: Obtain approval of all parties**

The principle objective of this step in the process is to collaborate with any personnel involved in the research so that they may afford any recommendations or input that may be omitted from the current document. This was carried out in conjunction the supervisor who offered a professional and objective opinion on the questionnaire design to that point. A number of key revisions were identified and suggested in order to maximise the effectiveness of the proposed questionnaire and to ensure that all necessary topics were covered. It was also suggested at this stage to include a cover letter, in the interest of ethics, to inform prospective participants of the purpose of the survey and the importance of their compliance. It also conveyed the anonymity of the responses so as to remove any doubts to those ends.

➢ **Step 8: Pre-test and revise**

Once the proposed revisions were implemented, this prototype document must undergo pre-approval on a select group of respondents in order to identify any potential errors or irregularities that may cause confusion or uncertainty during the implementation phase. Indeed some minor errors were highlighted and rectified before continuing with the process.

➢ **Step 9: Prepare the final questionnaire copy**

All previously recommendations were ensured to be in use at this particular stage and further review was carried out to ensure any instructions were included where necessary such as, ranking particular service elements in order of preference. Also the draft was meticulously reviewed to ensure that all segments were represented so as to allow for their identification in the analysis stage. Finally, a further note was included to inform the respondents that the response to one particular was optional, as it may be deemed too personal and unethical by some participants.

➢ **Step 10: Implement the survey**

As documented in the following section, this particular phase presented an obstacle for the research. It was intended that the questionnaire would be administered on a convenience sample as they visited their local branch. However, in respect of the position of AIB on the issue, a contingent approach was required.

3.9.1 Sampling

As alluded to earlier the provisional sampling method was a convenience sample which purposefully selected prospective respondents as they entered or exited their AIB branch. Not only would this prove cost and time effective but it would allow the respondent to be selective of respondents and recruit a potentially equal representation from various age groups and each gender. However, authorisation for the proposed method was vetoed by not only the branches in question but also AIB Head Office who once again were discontent with the content of the surveys and the sensitive timing of the proposed research. A contingent sampling technique was thus adopted. A convenience sampling method was used which substituted the AIB branch location for various other areas of high population volumes such as shopping centres, colleges, high streets etc. Unfortunately this technique proved less effective and more time-consuming than perhaps its predecessor. The details of this technique including location, date, sample size and response rate are outlined in table 3.3.

3.9.2 Administration

In order to maintain consistency and to ensure full comprehension of the questions, the researcher administered most of the questionnaires while documenting responses. This was a more efficient means of completion of questionnaires on behalf of the respondents, whilst also offering them an opportunity to request assistance if unclear. In some instances where the timing was of inconvenience, the questionnaires were administered for self-completion and collected at a later time. Prior to participation, the researcher read the cover letter to each individual, which informed them of their role in the process and the value of their input. It also clarified the purpose of the research, the role of participant and thanked them in advance for compliance.

Table 3.4: Details of Questionnaire Administration

Location of Administration	Date of Administration	Sample Size	No. of Respondents	Response Rate
Sligo I.T.	4th August 2011	150	34	22.66%
Ballyshannon	10th August 2011	120	38	31.66%
Letterkenny	18th August 2011	100	19	19%
Donegal Town	29th August 2011	80	11	13.75%
Total		**450**	**102**	**22.66%**

Table 3.4 illustrates statistics relating to the administration of the questionnaires. It details the dates and locations in which the research was conducted and also highlights the sample size and response rate by documenting the number of participants.

General Statistics of respondents

The following series of tables (table 3.5, 3.6, 3.7 and 3.8) and figure 3.5 outline the principle statistics of the questionnaire respondents such as gender, age, occupational status and income level.

Table 3.5: Gender of Respondents

Male respondents	**46%**
Female respondents	**54%**

Figure 3.4: Gender of Respondents

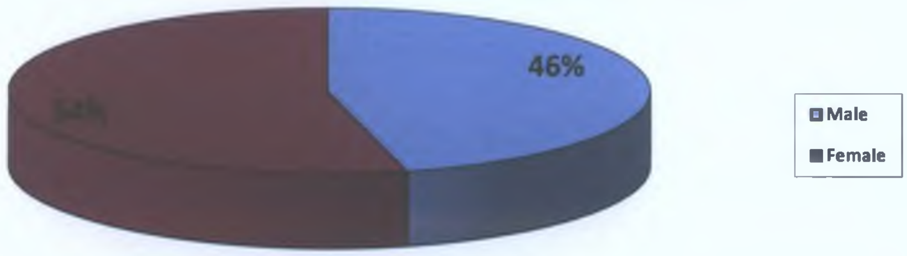


Table 3.6: Age Group of Respondents

18-29 years	30-39 years	40-49 years	50-59 years	60-69 years	70+ years
42%	21%	12%	17%	5%	3%

Table 3.7: Occupational Status of Respondents

Employed	Unemployed	Self-Employed	Student	Retired	Unfit for work
62%	10%	3%	19%	6%	0%

Table 3.8: Income Level of Respondents (Annual, in euros)

<20,000	20,001-35,000	35,001-50,000	50,001-65,000	65,001-80,000	80,001+	No Response
24%	15%	18%	7%	5%	2%	29%

3.9.3 Analysis

The completed questionnaires were collected at the time, or in the case of those self-completed, at a later date. The data gathered was input into the Microsoft excel software program. It was then analysed and presented findings in a statistical format comparing and opposing results based on various criteria.

3.10 Triangulation

A solution to the perceived subjectivity of qualitative research data is the practice of triangulation. It is the application and utility of several research methodologies on the same issue to achieve a more comprehensive and representative response. This approach overcomes the intrinsic biases and potential inaccuracies of using just one methodology by employing others. The results of each are then cross-checked in order to isolate and eliminate any discrepancies that are rendered invalid. Ultimately, the reliability of the research is increased. This research incorporated two of the types of triangulation as identified by Patton (1990) namely, data triangulation and methodological triangulation.

Data triangulation refers to examining the consistency of data from within the same method. This was achieved by analysing the responses from various customer segments over a period of months when conducting both the FGs and also the questionnaire. This technique was also applied when carrying out the in-depth interviews which sourced responses from both AIB and IBF as an independent body.

Methodological triangulation is the validation of findings generated by utilising different data collection methods. The study achieved this by incorporating three different data collection methods to ensure consistency of its findings.

3.11 Methodological Limitations

Due to timing of the particular research among other issues such as extent of the entire populous represented, the sensitivity and complexity of some of the data that was required a number of limitations to the study were presented.

3.11.1 Focus group limitations

- Due to the extensive retail banking customer base it is acknowledged that the sampling method and number of participants may have lacked sufficient representativeness.
- The researcher notes the possibility of research bias, particularly when they are actively involved as moderator.
- The focus group format was altered following the former two exploratory sessions. This may have allowed for an unbalanced representativeness of the latter groups on newly introduced topics.
- The majority of participants were based in the North West of Ireland and as such their views may not be entirely representative of the entire country. The sample was dictated primarily as a result of budgetary restrictions as the research was not subject to any particular grants or funding.
- Despite every effort to ensure full participation by all respondents, some were more vocal and contributed more than others. Consequently they may have been over represented.

- The technical nature of some of the elements discussed may have inadvertently excluded less knowledgeable contributors from expressing their views on those and subsequent issues.

- There is an intrinsic group mentality present in FGs which may have coerced unanimity and conformance of opinion on certain issues that may not reflect actual perceptions.

- Finally, the timing of the FGs was very much in the wake of the financial crisis and subsequent negotiation of a bailout agreement for the Irish banking sector. This may have allowed for the over representation of transitory perceptions and opinions on certain issues.

3.11.2 Interview limitations

- The primary limitation was the probing and direct nature of the questions contained within the interview questionnaire. This undoubtedly served to discourage the participation of quite a few potential interviewees.

- The timing of this research also contributed to this end. Those approached to participate, particularly AIB representatives, were further discouraged due to the current economic and political climate that only served to diminish customer perspectives of the sector.

- The technical nature of the questions discouraged the participation of two branch managers who felt under-qualified to contribute and hence, referred my application to head office. These referrals went unnoticed and unanswered despite several reminders. Similarly, the fact that the research focused on AIB, the list of possible participants was again further reduced.

- Despite drafting two separate questionnaires for each respondent, the diversity and range of some of the topics offered them an opportunity to elude certain probing questions that they deemed beyond their area of expertise.

- The validity of some of the responses was hampered by the respondents claiming that they were merely expressing opinion and that it may not represent the organisational view.

- There are inherent disadvantages of conducting interviews via telephone that may have permitted misunderstandings and ambiguity of responses.

- A copy of the interview questionnaire was forwarded, in both instances, well in advance of the scheduled interviews. This may have allowed for the development of vague and diplomatic responses to questions of a sensitive nature.

3.11.3 Questionnaire limitations

- The most constrictive limitation that arose during this part of the research was the lack of cooperation from AIB. They refrained from giving authorisation to carry out the convenience sampling method outside a number of selected branches throughout the North West. This limited the number, and perhaps the representativeness, of the remaining questionnaires that were administered.

- Though every attempt was made to be representative of the population, some segments were represented more than others. Once such case was the representation of the inhabitants of small to medium sized towns in the North West whom provided the majority of the sample. This was the result of having to administer the questionnaire in areas of relatively high population density. This may have led to the under-representation of rural or city populations.

- The timing again may have proved an issue as it may have captured transitory perceptions from customers.

- Despite clear communication of the background and purpose of the research, some respondents persisted to perceive the researcher as a representative of AIB and consequently may have biased their answers.

- Sampling error inherent in carrying out any sample research as opposed to surveying the entire population may have led to unrepresentative responses and findings.

- Due to the comprehensiveness of the data required many of the questions were designed in a dichotomous format. This strived to make completion of the survey more efficient but may have limited the diversity of responses.

- Finally, an ethical issue arose regarding the analysis of income as a means identifying customer segments. A key criterion banks use when segmenting customers is the income level of the individual. However, the researcher was challenged with extracting this information in a non-intrusive manner. This was made increasingly difficult when the questionnaire was administered face-to-face.

3.12 Research Ethics

Ethical standards comprising of openness, honesty, objectivity, confidentiality, acknowledgement and storage of data are considered essential throughout all stages of the study. All data collected is reported honestly without bias throughout design, analysis, interpretation, peer reviewing, personal decisions, expert testimonials and any other part of the research where objectivity is required. Any confidential information ascertained is only used for the intended purpose and materials from all other sources are acknowledged at all times.

3.13 Summary

The research methodology was largely qualitative in its nature which was collected via focus groups with banking customers and in-depth interviews with representatives from the banking sector. These qualitative findings were validated using the data triangulation method of assessing several respondent segments over an extended period of time. They were then further corroborated using the methodological triangulation technique by incorporating quantitative research into the study. This was conducting by administering a customer questionnaire among a sample of AIB customers. Such triangulation greatly enhanced the reliability and consistency of the research.

CHAPTER 4: FINDINGS

4.1 Introduction

This chapter presents the principle findings from the research methodology carried out. The key themes are discussed in each methodological section and brought together in a discussion at the end of the chapter.

4.2 Focus Group Findings

The findings from the first stage of the qualitative research are outlined and discussed in this section. They represent the opinions of the FG participants and are primarily exploratory in nature. As previously stated the results are presented under key research themes.

4.2.1 General Perceptions of Retail Banking

Findings from the focus groups conducted regarding perceptions of the banking sector were distinctly negative with all respondents conveying sentiments of an unfavourable nature. The perceptions expressed were predominantly of distrust and exemplified by FG D R 1 and 2 (focus group D respondents 1 and 2) respectively, *"I will never trust a bank again", "That trust can never be regained".* Other prominent feelings were contempt and disbelief surrounding the actions and attitudes of Irish retail banks in the aftermath of the economic crisis of recent years and the subsequent bailout by the Irish governments. Many of the respondents felt that there was a distinct air of arrogance and audacity surrounding the sector and that banks showed little humility and acknowledgment of wrongdoing that ultimately accelerated the financial crisis that engulfed the Irish economy. This is evident from responses such as *"Despite the fact that we, the taxpayer are bailing out the banks, I have recently through no fault of my own, have been declined a loan that I would undoubtedly have been approved for several years ago...the reason I have been declined is malpractice by the banks, not me".* Distrust was also evidenced by the testimony in FG C R3 that, *"I recently have developed the policy of rigorously checking all my statements for errors on the part of the banks".*

The perception of impudence is again displayed in focus group D by the testimony of R1 who refers to an A.I.B conference he attended that seemed to relay the responsibility for the crisis on the customer rather than the banks themselves. *"At a conference I attended last year ex-chairman of AIB, Dermot Gleeson said it's all our (the customers) fault not theirs (banks)."*

The same respondent expressed a concern for the pressure that perceived banking negligence and previous frivolous and relaxed lending criteria has put on those particularly vulnerable as a result of the economic downturn. This concern was, on the day of the focus group, brought to mass attention as newspaper headlines highlighted a link between suicides and bank repossessions. It is also worth noting that due to the timeliness of the newspaper publications, it may have introduced an element of bias to that particular focus group and confounded negative sentiments. This feeling was also expressed in FG A by R4 *"they are still harassing customers"*. The other principle feeling that arose was one of perceived impudence by the entire banking sector. The majority of the respondents felt that there was neither an acknowledgment nor gratitude on behalf of the banks regarding the bailout decisions. Instead respondents were of the perception the banks were defiant and felt that it was society's obligation to *"foot the bill for their indiscretions"*. FG A R4 *"they haven't changed their attitude since they were bailed out…there is no ethics whatsoever"*.

4.2.2 Perceptions of AIB

The participants were then asked to equate their perceptions of A.I.B. to their overall perspective of the banking sector. (Note: in order to introduce a more comprehensive perspective on the particular area, the participants of F.G.A consisted of both A.I.B. and non A.I.B. customers, similarly two of the participants in F.G.D were past A.I.B. customers who had recently switched retail banks).

This particular topic introduced a variety of different responses that were largely concerned with attributing onus and responsibility either on or away from the focal bank regarding the economic crisis. The predominant expression of respondents was that A.I.B. was as equally accountable as all other banking institutions for the aforementioned crisis. *"They all got greedy and nobody is exempt from responsibility"* as contributed by R3 FG3 typified the general consensus. However, of those that felt that A.I.B. was largely responsible, all were A.I.B. customers. R2 FG D, a current A.I.B customer asserted that *"A.I.B. was more responsible than anyone. They were striving too hard to imitate the success of Anglo-Irish by adopting similar lending policies"*.

Of the 26 respondents only two felt that A.I.B. was forced to follow the lead of other institutions in order to maintain competitiveness. *"I feel that A.I.B. were merely following suit of the key investigators of the economic turmoil"*.

This particular topic did however introduce one major issue of note. It seemed that most customers were at least concerned if not outraged at the role A.I.B. played in the overall collapse of the banking sector and they saw Bank of Ireland's contribution being much less significant. However this attribution of guilt and the consequent loss of trust and confidence in A.I.B. in comparison to its competitors didn't result in the defection of any of the participants. The discontent merely manifested itself in a few, self-confessed, probable idle intentions to switch banks. It was only when this attribution of guilt was confounded with a distain for subsequent actions by the bank after the bailout that one participant admitted defection. FG D R1 *"I switched after I went from lack of trust to anger with A.I.B. in light of their reaction to the economic crisis"*.

4.2.3 Perceptions of Relationship Marketing

Perhaps the most notable revelations to arise from the F.G.s pertained to sections of R.M. perceptions. Arguably, aside from ascertaining perceptions of R.M. practice the research proposed a rather serendipitous finding that perhaps requires further investigation. It is well held that marketing theory underwent a paradigm shift from transactional to relationship marketing. However it could be argued that the retail banking sector has regressed to the contrary. It is evident by the testimonies of those partaking in the research that banks historically practiced much more effective R.M. than is in effect in modern banking. Thusly modern banking itself has become more transactional in its nature as perceived by its customers. They unanimously feel that the relational and personal element is ever diminishing as a result of banking policy to, standardise service encounters, centralise decision making, and encourage the use of online banking. Consequently we arrive at the conclusion that relationship marketing was the precursor to a more transactional marketing approach in modern banking. One can also draw an ironic conclusion from these findings which contests that banks organically and somewhat inadvertently practiced more effective R.M. before it became common policy and was rolled out across the sector.

4.2.4 "Reactional Marketing"- A New Approach.

The researcher proposes that modern banking strategy draws on both relationship and transactional marketing falling between both concepts and therefore perhaps creating a new paradigm in marketing policy. It would appear that this strategy is a hybrid of effective elements of relationship marketing such as providing an individualised and personal service and similarly utilises aspects of transactional marketing such as minimising expenditure on non-profitable or low net worth customers to maximise profitability. Thusly this new approach would indeed warrant a new term or tenet to capture its essence. The researcher proposes the term "reactional" marketing as it essentially combines the titles of both marketing approaches representing its basis. It also implies the reactional element on behalf of the service provider. The bank reacts to balance of both the transactional and relational approach demanded by respective segments and employs a tailored service accordingly. The practicality of this approach is twofold. Firstly it minimises the cost of investing in a relationship marketing strategy towards a segment that is largely indifferent or unresponsive to such endeavours. This allows for a more transactional based and consequently, more cost effective approach. Secondly it would increase customer satisfaction by offering a tailored service based on segment demands that better suits their needs. An example of this approach is best provided by applying a comparison of contrasting approaches demanded by different segments as identified in the subsequent research. The following example is based on figures extracted from the quantitative research. The study later shows an increased demand for a more transactional based approach among 30-39 year olds and those earning between €50, 000 and €65,000. Contrastingly, the demand for a relationship marketing approach is highest among 60-69 year olds and those in the highest income segment. Thus the "reactional" marketing dictates that the predominantly relational based approach is best suited to the latter segments while a more transactional based approach should be focused on the former segments. Consequently this approach would be more cost effective for the bank and more practical for the customer. The result is increased profits through reduced costs of R.M. investment and increased customer satisfaction.

Whilst investigating customer perceptions of R.M. this phase of the research also attempted to develop an understanding of customer perceptions of R.M. policy and its effectiveness. It attempted to ascertain whether customers like the idea of establishing a relationship with A.I.B., whether doing so will have any perceived benefits and whether this opinion has changed in recent year.

It also attempted to establish customers understanding of R.M. efforts, awareness of R.M. strategies and finally if they perceived there to be a difference of R.M. between customer segments. This paragraph will address the former set of questions. The research found that the number of respondents who desired a relationship with A.I.B was evenly balanced against those who were indifferent or were opposed to the idea. Also of those who wanted a relationship with A.I.B. specified that this sentiment related to their local branch in particular as opposed to A.I.B. corporation/brand in general. R4 FG C *"I like the idea of a relationship with A.I.B., as long as it is with my own small, local branch".* Conversely there was equally as many respondents who were content to maintain a transaction only relationship. R3 FG D *"I hate my banking, but I have to put my money somewhere. I just want to get in, do my transactions and get out".*

In relation to this sentiment to have a relationship all but one respondent believed that they used to want a relationship with A.I.B. and that there were inherent customer benefits from such a relationship but that the desire to have a relationship has diminished proportional to trust in light of recent events in the banking sector. *"There has been a loss of the personal touch", "I don't perceive* *there to be any benefits or relational efforts to the customer", "you used to get approval on a loan because the manager knew you and your family but now that's gone"*. FG B R5 *"We all used to have a preconceived idea that the longer you had your account, the better they got to know you and the better you were treated but that all went out the window years ago"*.

Whilst all of the respondents had some understanding of the concept of R.M. and that it was a strategy used by banks few could identify more than one or two techniques used by A.I.B. FG C R3, a former employee, contested *"Relationships with small branches brings perks for the customer which strengthens the customer's affiliation with the bank branch"*. The respondent in FG D argued that banks themselves are unsure of the real meaning of R.M., R1 *"I don't think banks understand the term"*. While R3 contests *"I think they understand the term but don't want to implement it"*. However once again the issue of distancing themselves from the customer arose with an emphatic disregard for online services, *"I don't like the push towards online banking, I like interaction and knowing staff"*, FG C R4. FG C R1 *"I don't like online banking and I don't want to use phone banking"*. Hence one can deduce that although there wasn't a direct need displayed in favour of relationship marketing, there was indeed a desire for maintaining personal interaction in retail banking.

The most resounding awareness and expectation of R.M. policy pertained to the treatment of high net worth clientele. There was a unanimous perception that more affluent customers inevitably received much more favourable treatment and superior customer service and attention that was emphasised by a number of personal testimonies. FG B R5, *"When my business began to take off, I was appointed a personal account manager"*. FG B R4 *"I used to bank for my wealthy brother and yes, I received far better treatment when processing his transactions, the manager came out to shake my hand"*. FG B R1 *"undoubtedly you receive a better service depending on your earnings"*. One participant advocated that A.I.B. in particular, had a perception of being more greedy and chasing high net worth customers more aggressively than Bank of Ireland for example.

Several respondents were more cynical and dubious regarding the increased attention and resources accredited to high net worth customers. One in particular, a former relationship manager of A.I.B. testified FG B R1 *"from personal experience, valuable customers of high net worth are appointed a relationship manager but all they do is try to talk them into buying or investing more of their money for greater commission and profitability"*. This sentiment was echoed in FG C by R3, also a former A.I.B. employee. *"Financial advisory agents aren't impartial. They try to push sales of their own products and exploit more vulnerable and trusting customers"*.

4.2.5 Loyalty

In developing an understanding of loyalty and affiliation the responses put forward in the focus groups that were carried also highlighted a number of interesting truths. On the topic of loyalty, the research set out to identify the origin of banking relationships as well as duration. It then attempted to ascertain the basis and key drivers of that loyalty and affiliation and whether it has been negatively influenced by recent economic transpirations. The final and perhaps principle finding of this section is to ascertain strength of affiliation and loyalty and desire to switch.

The research showed that the origin of many customer relationships is familial influence. Most respondents simply opened up an account with their current bank as it was the same institution that their parents banked with. Almost all of the respondents still operate that same account but approximately half of respondents carry out some other form of financial transactions with a different bank. F.G.B R.3, R.1 *"I choose to bank with A.I.B. because of my parents"*. Consequently the duration of these accounts were life-long for all respondents of FG B, C and D however some more recently advocated the benefit of switching providers for certain services. FG C *R1 "I don't know what the benefit is to me by staying with one bank. You're better off shopping around"*. On a similar point R.1 FG B raised an intriguing argument that *"you get a better service if you have service offerings from many providers as each will consequently try much harder to acquire all of your business"*.

Perhaps the most controversial of the findings on the section investigating loyalty was established when trying to identify the key drivers of customer loyalty in retail banking. It prevailed that there was one principle basis for loyalty in the Irish retail banking sector that was put forward in FG A and was unanimously concurred throughout the subsequent focus groups. It seems that complacency and customer inertia provided the basis for all respondent's loyalty. The predominant feeling among respondents was that there is little or insignificant differentiation between the institutions operating in the Irish retail banking sector therefore the respondents felt that switching providers yielded little benefits as the sector was largely homogenous. FG B R2, R3, *"I don't know the difference between banks"*. FG B R1, FG A R1 *"they (banks) are all the same"*. FG A R5 *"I have often considered changing banks but have never gone through with it, it's not worth the hassle"*. R1 in FG D argues that this complacency is an innate Irish cultural trait but that the lack of trust in the sector is creating a change to this disposition , *"Culturally Irish people are inert and don't want the inconvenience of change but increasingly in the last two years people are abandoning that characteristic"*.

Therefore this proposed cultural shift coupled with diminishing trust levels has ushered in a major drop in the strength of bonds and loyalty that customers have with their banks and as a result customers are more and more susceptible to the idea of switching to alternatives. This sentiment was again well reflected in the opinions expressed in the focus groups. FG D R1 *"I switched after I went from a lack of trust to bring angry with A.I.B. in light of their reaction to the economic crisis"*. FG C R1 *"It's not the same banks that I don't trust, it's the system which is geared towards sales targets"*.

In relation to the drivers of loyalty it was unanimous again in the latter two focus groups that the prospect of having complete trust and confidence in a bank was not as attractive as the potential for lower rates in a more unstable institution. FG D R1, *"currently cheaper rates and value for money is more appealing than trust and confidence"*. While in response to this statement R2 asserted that *"I can't even imagine having trust in A.I.B. in a hypothetical situation"*.

4.2.6 Trust and Confidence

There was a unanimous expression of diminished trust levels in all FGs. Every participant when asked individually conveyed some degree of reduced trust levels due mainly to the GFC. The researcher contests at this point also that there may be a correlation between diminishing trust and confidence and the ever increasingly austerity and astuteness of the average customer. This loss of trust is not solely the result of the fallout from the economic downturn and financial crisis in the sector. It is undeniable and self-evident from the responses in the focus groups that customers are more and more familiar with banking terminologies and practice. Consequently, they are assuming greater control of their own financial transactions and undertakings, and as a result don't need to place as much trust and credence in banks to do those activities on their behalf.

The researcher would also like to incorporate the customer's perception of respect and the value the banking sector places in the general public as a sub category of trust and confidence. The concept of respect was introduced during the first and last of the focus groups and became a key term that should be differentiated from those of trust and confidence. It became apparent that there was a perceived lack of respect by the banking sector in relation to the bailout that outraged respondents and perhaps will prove to be a greater threat to customer loyalty than the loss of trust and confidence in the sector. The predominant response to the issue of lack of trust was largely one of apathy and unlikely to inspire defection. It was the display of ingratitude and lack of humility that customers perceive to be experiencing since bailouts terms were negotiated that seems to be a major threat to customer loyalty. Irrespective of who is culpable, the general public (specifically the tax payer) seem to feel they are due some form of gratitude or reparations for the financial restrictions they have incurred in order to fund the bailout of the banks but it seems it is in no way forthcoming according to the focus group participants. FG A R4 *"they haven't changed their attitude since they were bailed out whatsoever...there are no ethics there...they have to be held accountable...same thing is going on, still harassing customers".*

4.2.7 The Future of Retail Banking

The theme of perceived future of banking emerged in various topics throughout the focus groups and was also addressed specifically at the end of the discussions. Once again the outlook was best described as bleak both from the perspectives of the customer as well as the banks themselves. As mentioned earlier it was strongly felt that the entire sector was dealt a black eye from which it will never recover FG D R1 *"Trust can never be regained"*. This would mean that there will be no basis for relationship marketing which is heavily dependent on this criterion and ultimately will have to be abandoned for another banking strategy. Indeed some respondents believed that the trust the banking sector irrefutably abused caused a backlash that filtered into other institutions so severe was its effect. FG D R2 *"the lack of trust in banking has filtered into other institutions such as healthcare, education, the legal profession and so on"*. This new approach has long been required as R3 from FG D maintained *"banks require a very different approach than fast moving consumer goods companies such as L'Oreal. Theirs (marketing strategy) is just ineffective"*.

Regarding the future it became apparent that indeed this receding use of relationship marketing was being replaced by an increase in transactional strategies. Whilst well received by a few, most were unnerved and dubious about a move towards transaction marketing as it introduces standardised practices that are commission driven and profit focused as opposed to customer focused. FG C R2 *"banks used to be concerned for the customer, you were told quite frankly by the manager that the mortgage you applied for was too much for your own good. Now it's just sell, sell, sell, commission, commission, commission"*. FG D R1 *"Banks have eliminated the personal touch in a move away from relationship marketing to transactional marketing they can't afford to do this. They need the personal interaction, otherwise the future is even bleaker"*.

The respondents were then all asked to where and with whom they see themselves carrying out the majority of their financial transactions 10 years in the future. Out of 26 respondents only 2 believed they would still be banking with A.I.B. in its current incarnation/state. A majority proportion of the rest believed they would still be banking with A.I.B. which they anticipate will be acquired by a European conglomerate. FG B R1 *"I will probably still have an account with A.I.B. but they will have been acquired by an American or European bank such as Santander by then".* The remaining responses varied from Post Office and Credit Union to an entirely new state-owned or E.C.B. private bank.

4.2.8 A Perceived Discriminate Approach

A key section of the focus groups aimed to establish customer perceptions of the R.M. approach to different segments. Supplementary to the idea of investigating customer's perceptions of the R.M. investment and effectiveness in relation to their respective segments, the research tried to decipher whether customers expected or perceived that R.M. has a discriminatory approach to various segments. Simply put, it strived to assess whether customers perceived other segments to receive less or more R.M. effort than they themselves received. Once again the findings were unanimously affirmative. All respondents felt that the level of investment in R.M. and quality of customer care and service was directly proportional to the wealth of the segment/individual. Also worth noting is the perception expressed by several respondents that believe this policy is particularly apparent in A.I.B. as opposed to elsewhere. FG D R1 *"A.I.B. is the one (bank) who goes after high net worth customers and neglects the average customer whereas Bank of Ireland is more grounded and focused on Mr. and Mrs. Joe Soap".* FG B R3 *"definitely, the more money goes into your account, the more phone calls you receive".*

The resounding response to this query prompted the researcher to question whether the respondent would firstly expect and secondly be demanding of such perceived increase in customer service and relationship marketing benefits if they were hypothetically in a very affluent financial position. The response again was unanimously affirmative with all the respondents stating that they would expect much better and personalised treatment from their bank as this position as a valued customer would allow them more leverage, bargaining power. FG D R1 *"If you owe the bank €1000 it's your problem, if you owe them €10,000,000 it's their problem".* FG A R2 *"You would then have the advantage. They don't want to lose you".* Thus one can conclude that there is an inherent resignation among lower and middle income segments that they will consequently receive less attention than their higher income counterparts and therefore have a higher zone of tolerance regarding the level of service they receive. Their also may be something to be derived for the banks from this finding.

4.2.9 Principle Findings

This section presents the key findings from the first phase of the qualitative research. The findings from the focus groups verified a number of dominant themes that warrant further investigation. Arguably the most interesting is the issue of the apparent regression to transactional marketing in the retail banking sector. A sector that epitomised pragmatic practice of relationship marketing, well before it was intentionally implemented in any other sector, has since apparently reverted back to a more transactional based approach. Meanwhile other sectors have aspired to the contrary. What is equally engrossing is that the general public are increasingly content with this change in approach no doubt exacerbated by recent events in the banking sector.

This leads on to another prominent sentiment that persistently prevailed from the research. Trust and confidence is at an all-time low among retail banking customers. Despite any variations in R.M. approach this perception is non-discriminate. This lack of trust is universal and many respondents feel that it is a reputation so badly tarnished that it will never recover.

Finally it has become apparent that the entire retail banking sector may have misjudged the key drivers of customer loyalty. Participants unanimously affirmed that the principle reason for which they remain loyal to one bank is not the result of any relationship marketing effort by the banks themselves. Instead it is due to complacency of the customer who is unable to differentiate between competitors and consequently see limited reward in switching.

4.3 In-Depth Interviews

The follow section outlines the findings from the in-depth interviews conducted as the second phase of the qualitative research. These interviews were carried out to incorporate a rebuttal from financial service officials, thus providing a comprehensive perspective to the overall findings and as such follow similar themes to those discussed in the FG findings. The results are presented in a similar pattern addressing findings from Interview A firstly followed by Interview B.

4.3.1 Interview A: IBF Representative

As a representative of the IBF it was felt that the interviewee would offer a comprehensive perception of the research issues in relation to all institutions within the Irish banking sector.

Perceptions of RM

The first issues discussed related to perceptions of R.M. The interviewee was asked if he agrees with the assertion that past R.M. technique, prior to its inception as a marketing approach, was more effective than that which is currently in operation. The interviewee concurred with the sentiment. He states that the organically derived R.M. of the 1960's-1980's was arguably more effective than that which was deliberately implemented as a marketing strategy in the 1990s.

The interviewee also affirmed that there has recently been a move away from the relational approach in exchange for a more transactional one but emphasised that this strategic diversion is mutually beneficial. He illustrates that it is indeed best practice for the banks as it cuts costs and increases efficiency on their part but that it also creates convenience and efficiency for the customer. The issue lies with the inaccurate perception that these changes, specifically the promotion of remote encounters, are implemented solely for the convenience of the banks. *"There has been a promotion of remote encounters for the more mundane banking services but it hasn't sunk into the customer mind-set that these have* *been largely rolled out for their benefit".* Therefore more needs to be done regarding creating customer awareness of the issue and benefits.

The interviewee makes two differentiations regarding a discriminatory approach to RM as perceived by customers. Firstly he makes the distinction that the desire for a relationship is more generally directly proportional to age or life stage i.e. the older the client the greater the desire for a relationship. He justifies this assertion based on the traditional perception of the sector in which it was an important institution and bank officials and managers were held in high esteem. Consequently older generations have higher expectations of RM.

Similarly, more affluent segments have higher expectations as it stands to reason that generally their needs are more sophisticated and complex. Hence, they require a more technical input from banking officials/relationship managers.

Trust and Confidence

The interviewee affirms the findings of focus groups that trust and confidence among retail banking customers has diminished significantly. However he expresses the importance of the presence of trust in order for the sector to persist. *"Yes techniques of RM will have to change in the future. They will revert back to focusing on trust and confidence. Banks cannot succeed forever without having trust and confidence among its customers".* A unique perspective is offered from the respondent however, stating that diminished trust is experienced by both parties i.e. the banks as well as customers. He contends that, *"Mostly it's the customers that have been let down but also the banks have been let down by certain segments".*

In relation to whether that trust can be regained, the interviewee felt confident that it_will, allowing the sector to recover but admits it will be an arduous rehabilitation. *"I believe that the sector can re-invigorate and re-establish trust and confidence but it will undoubtedly require a lot of time and effort".*

Loyalty

"Having personally worked on the switching codes I am acutely aware of customer inertia in the sector. In the last 5 years a record high of 90,000 accounts were switched but considering there are over 4 million active accounts in the market, this amounts to just over 2%, which is still very low". He attributes this inertia to *"a culture of loyalty and fear of change"* but contests with the perception of homogeneity in the sector. *"It is facetious to say that there is no point in switching, that is a superficial perception. I agree that the Irish market may appear less competitive and to a certain extent it is, but that is because the market itself is smaller than most of its European counterparts."*

The Future of Retail Banking

The IBF representative identifies 3 key elements necessary to ensure to future success of the Irish retail banking sector; communication, customer retention and timing.

i. Communication – *"Trust is imperative to the success of retail banking"* – Communicating a number of important elements.

a. Communicate and express the sentiment that *"the sector has learned a lesson and accepts culpability".*

b. Repositioning of individual banks is also pivotal to future success. He acknowledges that it *"is a huge piece of work"* and will be impossible to leave the old tarnished images behind but banks must communicate/emphasise an image of being well regulated with impeccable corporate governance and risk management.

The interviewee outlines how communicating firstly, a message of admission to partial responsibility and that the necessary lessons have been taken from the experience to ensure it will be avoided in the future. Secondly, he asserts that it is imperative to communicate a new and austere image, removed from the mistakes of the past. These objectives will serve to restore trust and confidence among customers by reassuring them that such negligent lending practices will not be repeated and the security of customer finances is a priority.

ii. Customer Retention is now more important than ever. Even in the past banks offered little in terms of encouraging customers to stay with them but that must change. The interviewee articulates that the closure of certain institutions in the sector and the withdrawal of others have made the banking market limited in competition. Consequently each service provider must focus on retaining the current portfolio of customers and restore trust and satisfaction as attempts at acquisition will prove futile.

iii. Timing – Expressed repeatedly as perhaps the key issue in any potential recovery strategy. It was stressed emphatically that any immediate strategy would be construed as a shallow attempt to win back the favour of the public and using taxpayers money to do so would only serve to further discredit public perception of banking institutions. Consequently the interviewee prescribes an inert or cooling off period of at least 5 years before any genuine and potentially successful repositioning strategy is implemented.

By focusing on current customers and communicating a renewed and heavily regulated corporate image, the banking sector will gradually facilitate the restoration of trust and confidence. Only once this has been achieved will the public be receptive to any explicit marketing practices by financial service providers.

Finally, when presented with the FG projections of with whom they will be banking in the future, the interviewee agreed that is entirely plausible that there may be a dominant international presence in the market. But he remained more resolute and confident that there will still be an Irish contingent in the retail banking sector ten years in the future.

4.3.2 Interview B: AIB Representative

The second interview gained in-depth information specifically referring to AIB and its customer base as provided by their strategy, management and customer insight unit manager.

Perceptions of R.M.

The perceptions of relationship marketing expressed in the previous in-depth interview are very much reflected in those offered by the second representative from AIB. He affirmed firstly, the notion that there is a pervasive transactional influence in AIBs marketing approach but again states that it is primarily for the benefit and convenience of the customer and not a cost-cutting measure on the part of AIB. He proceeded to confirm that the current approach does indeed constitute a hybrid of both transactional and relationship marketing elements as discussed in the previous section. Secondly, the AIB official also sustains the argument that historical R.M. practices were more effective than those deliberately implemented in recent decades.

Future of RB

The interviewee's projection for the future of the Irish retail banking sector very much reflects that of the previous respondent. Firstly he concurs that trust and confidence can be re-established but only after much time and effort is extended into doing so. *"Yes banks can (re-establish trust and confidence) and they must if the sector is going to recover but it won't happen easily or in the near future"*.

He confirms the prediction that it will take at least 5 years before any semblance of the pre-economic crisis perception are prevalent in the sector. He also states categorically that the key element in any potential recovery will be *"the banks doing right by the economy and be seen by the customer as part-supporting the economy in order for it to recover"*.

Another reflected assertion is that which emphasises a renewed emphasis on customer retention. Essential to the future of AIB and other institutions is a focus on customer retention and creating life time value as opposed to customer acquisition. He claims that AIB boasts a 51% market share with 1.8milion customers in a market of just over 3.5million. Therefore it would be much more advisable in the current market to maintain this majority by focusing marketing efforts on current customers. It must strive to re-establish customer loyalty through augmenting customer satisfaction, as opposed to neglecting and potentially losing them in an attempt to acquire new ones in a market that is largely inert and characterised by the complacency of its customers.

The interviewee also doesn't, in any way, rule out the possibility of a major foreign influence in the market in the future as put forward by the focus groups. In fact asserts that the current situation in the sector offers potentially the best opportunity for foreign players to enter what is generally a very restricted market. *"It is plausible (i.e. foreign institution entry) as realistically the only way into the market and to succeed is to acquire majority shares in AIB or another institution if and when the government decides to sell on their stake/thus maintaining the established institution and their customer base".*

Loyalty

The interviewee categorically professed that in his own experience any inertia that was present in the sector was without doubt removed with the introduction of the switching codes between the years of 2004-07. He acknowledges that indeed there was an obvious complacency among retail banking customers in the sector up until 10 years ago however since then it has undoubtedly phased out. He states that particularly between the years of 2004-07, due largely to the switching codes, the market became increasingly competitive thanks also to the introduction of other institutions such as Bank of Scotland, Ireland and Ulster Bank.

The opinions of the interviewee also supported those expressed in the previous interview in relation to varying degrees of loyalty and desire for a relationship across different segments. He concurs that, in general the diminishing trust and confidence levels have resulted in an overall decline in the desire for a relationship with banks. However, this general decline is less prevalent among certain segments such as high net worth customers and the *"grey market"*. He also makes the distinction between the rural and urban customer segments as providing a further juxtaposed opinion set on this issue. He asserts that *"because of the lack of trust, some customers don't want a relationship at all. This is more resonant in urban areas as opposed to rural"*. Also he states that *"younger generations are more savvy and capable of using technology but not necessarily less likely to want a relationship. The difference is they have their research done"*. This clearly conveys a perception that switching is linked to an awareness and astuteness of the sector and that it is particularly evident among younger segments. The interviewee continues by clarifying, perhaps arguably, that remote encounters allow for the development of relationships and as such provide the basis for most relationships between banks and the younger markets.

The third and final distinction in loyalty across segments concerns higher net worth customers which the interviewee definitively claims show increased loyalty, trust and profitability as a result of increased RM effort and investment in the guise of a designated one to one relationship manager. *"Their needs are more complex but also more profitable (for the bank) so they require a one to one relationship manager whereas the simple needs a lower value customer can be dealt with remotely"*.

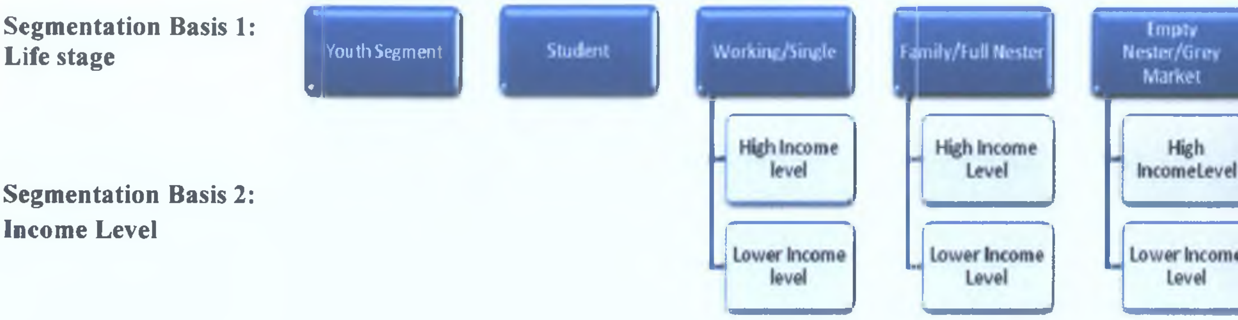
Trust and Confidence

The interviewee confirms the empirical evidence that trust and confidence levels among customers in the retail banking sector are at an all-time low but is also confident about a recovery. As mentioned earlier he feels that those trust and confidence levels can be redeemed but will require extensive effort, time and transparency.

Investment in RM

An in-depth insight into segmentation practice and criteria was offered by the respondent. Figure 1.1 highlights the basic segmentation strategy utilised by the focal bank.

Figure 4.1: Segmentation Process in AIB



As illustrated in figure 4.1, the fundamental segmentation basis is the standard life stage model which differentiates customers on the basis on a combination of demographic issues such as age, career stage, family orientation etc. These segments are then further sub-divided on the basis of income or potential income and more specifically their propensity to avail of bank services such as loans, mortgages, business loans, venture capital etc.

Figure 4.2: The Expanded Customer Pyramid

Adapted from: Zeithaml and Bitner (2000 p.471)

Figure 4.2 displays the expanded customer pyramid which categorises customer segments based on levels of profitability. The interviewee refers to this model when identifying the high net-worth customers represented by the "platinum tier". He proceeds to explain that the platinum tier represents the 20% of the customer who provide 80% of AIBs profits as outlined below. The arrow on the left of the figure illustrates the basic level of R.M. investment that is applied to all customer segments. The arrow on the right of the diagram highlights the added level of R.M. investment extended to the high net-worth customers as discussed further in figure 4.3.

This investment program for RM as described by the interviewee is referred to as the AIBs *"customer treatment strategy concept"* and is based on the 80/20 principle. The profitable *"20%"* are identified using various *"customer systems"* that contains financial and product information on all customers as well as personal demographic data.

Figure 4.3: Relationship Investment Chart

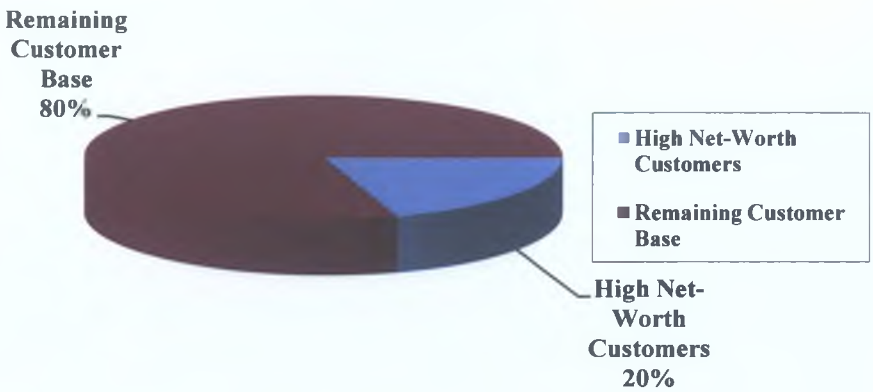


Figure 4.3 represents the entire customer base of AIB. All those represented in the figure receive a basic level of R.M. as testified by the AIB marketing representative. Furthermore the high net-worth customer segment represented by the blue quadrant, receive a further level of R.M. investment. The amount of increased investment is not quantified but the interviewee clarifies that the level of investment is not 80% of total R.M. investment. Hence if this segment represents 80% of revenue then we can deduce that the level of R.M. investment is not proportional to profitability.

The investment program as stipulated by interviewee B displays a simplistic approach that claims to offer all customers a basic level of RM investment and practice that is consistent throughout all customer segments. This only diverges with reference to the 80/20 principle as stated previously. The interviewee contends that the 80/20 principle holds true for the institution in question consequently the 20% of their customer base who provide 80% of profitability represent the only cut-off point in investment at which RM investment is in anyway increased as exhibited in figures 4.2 and 4.3 above.

He explains that these 20% of high net worth receive added RM effort by means of an appointed one to one relationship manager whose role concerns meeting the needs and managing the requirements and portfolio of services which their respective customers have.

This differs from the RM experienced by the remaining 80% whose relationships are manages by a CRM unit of 45-50 staff dedicated to provide support to the RM program end to end across all segments. He states that *"AIB has a number of customer systems that contain financial and product information on the services that each customer has as well as customer information such as addresses, demographics and propensity for cross selling and so on"*. Crucially to the research question the respondent couldn't quantify but is confident that the majority of investment in RM is invested in managing the CRM unit and therefore is fairly evenly distributed throughout all segments.

Consequently he could rigorously deny that those 20% of customers who provide 80% profitability do not receive 80% of RM investment but considerately more than 20%. Hence we can merely deduce that while RM investment is not evenly distributed among all customer segments it is not directly proportional to customer profitability.

When asked if RM was effective in practice and created profitable long term customers the respondent affirms the claim definitively but adds the exception that *"results of research carried out prior to 2008 show the effectiveness on customer loyalty and profitability"*.

"Benchmarks of early CRM as it was rolled out proved it was effective based on profitability as it exceeded initial targets".

Also notably from said research he identifies that those who were appointed a one to one relationship manager were indeed more loyal than those customers who were managed through a relationship management team approach. Once again however he was unfortunately unable to provide any specific statistics to support the research finding and that these figures are representative of returns prior to 2008. What this does prove although is further evidence that loyalty as well as profitability increases as a direct result of an increase in RM investment. On this particular area interviewee B concludes by conveying the opinion which, once again is not reflective of AIB, that there is indeed a link between relationship marketing and trust and confidence.

The banking institution representative however did request the inclusion of the following caveat in the research findings. *"CRM has indeed been in effect for the past 15 years however, in the past 3 years the investment in this programme has been rolled back and replaced by investing in crisis management and supporting customer metrics and analytics still exist but have taken a back seat in lieu of supporting those in crisis".*

Classification of Banking Debate

One particular issue that arose during this stage of the research and is subsequently presented as a recommendation for future research concerns the classification of retail banks. Public perception has long debated the issue as to whether banks are public utilities or commercial enterprises. Increasingly, the prevailing sentiment is veering towards the latter. The only facet that remains and can possibly redeem consumer trust and confidence regarding this issue is their recent nationalisation. This may serve to reverse the detrimental perception towards the former, so that banks can be interpreted as a hybrid of both. This government interest was highlighted by the apparent unquestionable nature of the bailout of the banks. It was generally ill-received at first but ironically may introduce a sense of stability and confidence to the sector which is essential for future success and recovery of retail banking.

4.4 Questionnaire Findings

The following section details the findings from the quantitative stage of the research. As set out in the methodology chapter, in the interests of validation using methodological triangulation, a questionnaire was drafted and administered among AIB customers. The purpose is to verify the reliability of the data.

A total of 102 questionnaires were completed by customers of AIB representing a cross section of their customer base. The questions address key elements relating to the study namely; loyalty, trust and profitability. As identified in the limitations section, certain ethical issues contravened in the assessment of the profitability of individual customers, which rendered this aspect of the research particularly difficult.

4.4.1 General Statistics of respondents:

Table 4.1: Gender of Respondents

Male respondents	46%
Female respondents	54%

Figure 4.4: Gender of Respondents

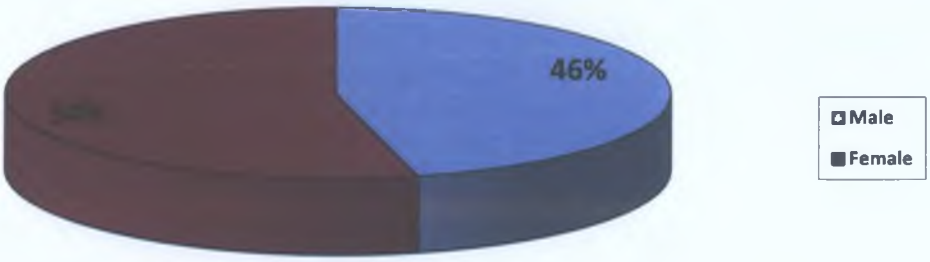


Table 4.2: Age Group of Respondents

18-29 years	30-39 years	40-49 years	50-59 years	60-69 years	70+ years
42%	21%	12%	17%	5%	3%

Table 4.3: Occupational Status

Employed	Unemployed	Self-Employed	Student	Retired	Unfit for work
62%	10%	3%	19%	6%	0%

Table 4.4: Income Level (Annual, in euros)

<20,000	20,001-35,000	35,001-50,000	50,001-65,000	65,001-80,000	80,001+	No Response
24%	15%	18%	7%	5%	2%	29%

Table 4.5: Duration of custom with AIB

Less than 5 years	Between 6 and 10 years	Between 11 and 20 years	Over 21 years	No Response
16.5%	26.5%	27.5%	26.5%	3%

4.4.2 Perceptions of the retail banking sector

A Change in Approach

This section of the research strived to assess AIB's customer perceptions of the entire banking sector and in doing so validate the reliability of certain findings derived from the previous exploratory phases of the study. The in-depth interviews had previously authenticated FG sentiments that there has been a major change in the way banks operate and interact with their customers. The bank representative interviewees claimed that this change was for the better and the benefit of the customers. In contrast the FG respondents predominately advocated the contrary. 54% of questionnaire respondents felt that there has been a change in the manner in which banks operate currently, (while 38% saw no change and 8% were undecided). Of the 54% who claimed to have seen a change, 31% deemed the current system to be more effective as opposed to 69% who had a negative outlook on the perceived alteration in banking service provision.

Perceptions of Bailout of the banking sector

This section of the questionnaire addresses the respondents' views of the GFC and the subsequent bailout of the Irish banking sector in an attempt to decipher the extent to which it has impacted upon their overall perceptions. The questions extrapolate customer views on the role of AIB in the economic crisis, opinion on the bailout terms and whether it has affected perceptions, relationships and trust levels in the sector.

One particular topic that was a prominent influence on customer perception during the FGs, and subsequently included in the study, was attitudes towards the bailout of the Irish banking system. It had a major effect on the overall perception of the banking sector and perceptions of corporate image. As discussed in chapter 2 there is a positive link between corporate image and trust, therefore the analysis of the aforementioned issue was considered necessary to establish its effect on consumer trust. The pervasive sentiment towards the bailout that relates directly to this research is the distinction of culpability. The majority of those critical of the decision isolated senior management as solely responsible (thus vindicating AIB staff at branch level). The importance of this is that the public seem to acknowledge that AIB in general isn't entirely responsible which undoubtedly has a less denigrating effect on its corporate image.

A majority of 62.5% of those questioned felt they were now more knowledgeable of the banking sector as a result of the GFC and bailout agreement. Of those

87.5% (55% of total) stated that this new awareness shed a more negative perspective on the banking system with 25% (13.75% of total) claiming that it has directly resulted of a loss trust in the sector. The remaining 12.5% were non-responses.

4.4.3 Perceptions of AIB

Perceptions of the bailout of AIB

The questionnaire then applied similar queries with reference to AIB to analyse if this general perception of the banking sector was in any way different to perceptions of AIB specifically. 49% of those asked asserted that the bailout had affected their view of AIB, while 30.5% claimed it hadn't, 19.5% were unsure of any effect and a 1% non-response. Of the 49%, 22% offered no response as to how it had been affected while the remaining 78% (37.25% of total) stipulated that it had a negative impact on their view of AIB. 20% of those (10% of total) experienced a loss of trust explicitly as a result of the bailout of the banks. One particular finding that is implied from these results is that trust and confidence levels are lower in relation to the banking sector in general as opposed to those of AIB. The distinction one must make here is that whilst trust levels in the overall banking sector have diminished significantly, the findings show that the expressed loss of trust in AIB specifically, is less pronounced. This is of substantial relevance to the purpose of the research.

Word Association

In continuation of a word association test utilised during the FGs, a similar test was used in the questionnaire that presented the respondent with a picture of the AIB logo and asked for first thoughts. This attempted to validate the unanimity of negative responses to the FG group test. The findings of the questionnaire were distinctly different. The responses were evenly skewed among positive, negative and indifferent. This perhaps highlights the limitation of consensus bias in FGs.

Service Quality

Of the 102 AIB customers sampled only 26.5% advocated that AIB offered a superior service to other banks in the market. 44% maintained they did not provide a better service and 29.5% were undecided on the issue. This highlights a prominent habitual, as opposed to a genuine loyalty (as discussed further in section 4 of the chapter). This finding is augmented by 25.5% of participants stating an intention to switch service providers in the future. 49% intended to stay with AIB and the remaining 25.5% were undecided. The results of these findings are combined in figure 4.5 to give a visual representation of the findings.

Figure 4.5: Comparative of Service Rating vs Switching Intention

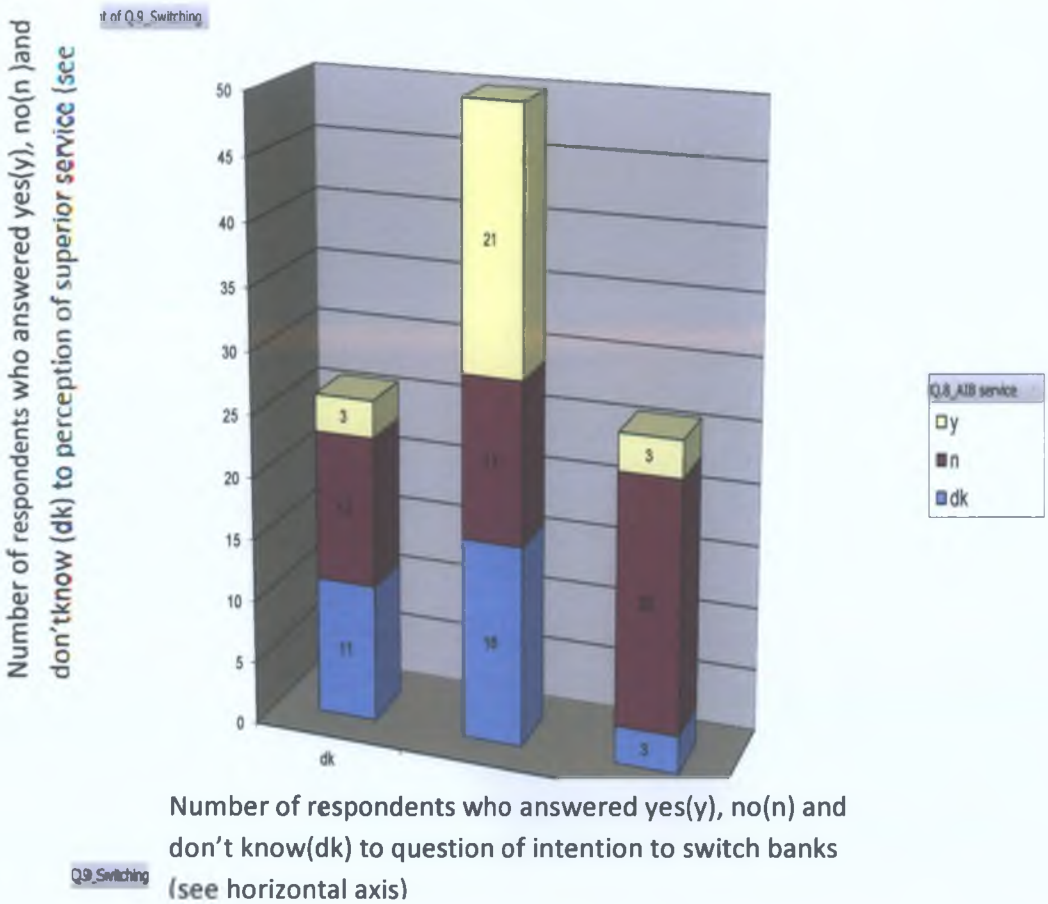


Figure 4.5 compares the results of the perceptions of AIB service quality and stated intentions to switch service providers. The vertical columns display the responses to customers' intention to switch banks. The coloured segments within each column represent customer perceptions of the quality of AIB service. The cream coloured section represents those who perceive AIB to offer a superior to its competitors, the purple section represents those who do not think the service is superior and the blue section is indicative of those who are unsure of the level of service quality. The highest figure of 21 respondents on the centre column indicates those who believe AIB offers a superior service and do not intend to switch service providers. The figure of 20 participants on the right column shows

those who do not perceive AIB to offer a superior service and intend to switch banks. Most notable from the figure is the combined number of 25 respondents who do not perceive AIBs service quality to be superior to any other financial service provider yet they do not or are unsure as to whether they will switch retail banks.

Customer Expectations

In relation to assessing customer expectations a variety of opinions were expressed, the majority of which can be classified in to three categories;

Good service/helpful and friendly staff (24.5%)

Secure Finances (12.75%)

Equitable treatment (9%)

The participants were asked to identify the service elements they expect to receive when visiting their local branch. The above categories represent the most commonly sought service expectations as described by respondents. These findings are very much ratified by the results of question 18 on the questionnaire which asked respondents to rank a list of five service elements in order of personal relevance in financial service provision. "A strong reputation as a competent and trustworthy bank" was the most common first preference option whilst "friendly and helpful staff" was the most popular second and third choice preference. The remaining elements of "low interest on borrowings", "high interest on savings" and "convenience of branch location" were evenly distributed across the scale. The conclusion of this finding is that trust is still the most desired prerequisite to retail banking. It supersedes any product, financial or convenience offerings despite the growing interest in a more transactional based approach to banking.

The prevalence of the pursuit of equitable treatment was testified in a preceding question that simply asked if the customer perceived themselves as a valued customer of AIB. A majority of 44% of respondents felt they were not a valued customer, 42% judged themselves to be valued and 14% were unsure of their perceived value. These statistics highlight a worrying trend that suggests that almost half of respondents feel they are undervalued by their service provider. Thus this is an inauspicious indictment of the effectiveness of their R.M. efforts.

Attribution of Culpability

The respondents were then asked if the considered AIB to have, in any way, contributed to the financial crisis. A resounding 85% affirmed some extent of responsibility on AIB, 7% attested to their exoneration, 5% were unsure of their role in it and 3% refrained from response. The general sentiment was one of widespread accountability throughout the sector and that AIB was equally answerable as its competitors.

4.4.4 Perceptions of R.M.

Relationship Evaluation

This particular area formed a considerable section of the survey. To start to establish if each individual felt they had a good relationship with their respective branches. 65% of respondents stated that they had a good relationship, 18.5% claimed they hadn't and the remaining 16.5% were irresolute. They were then asked to evaluate the quality of their respective relationships on a likert scale ranging from "very good" to "very poor". The results are as shown in table 4.6

Table 4.6: Relationship Quality Perceptions

Very good	Good	Average	Poor	Very Poor	Non Response
14%	35%	32%	3%	2%	14%

As can be seen in Table 4.6 the majority of respondents were at least content with their relationship with their branch with 67% appraising it as "good" or "average" and a mere 5% deeming it "poor" or "very poor".

Demand for Relationship Marketing

A prominent feature of the previous research found that there may not be the assumed desire for a relationship between the bank and its customers as generally held. The diminishing trust and confidence levels as well as other issues such as the development of internet banking ushered in a reduced demand for a relational element among customers. To authenticate this assertion, survey respondents were asked if they liked the idea of having a relationship with their bank. Although a majority of 71.5% stated they like the idea, most academic literature would profess this figure to be higher considering the inherent benefits to the customer of engaging in a relationship (Berry and Gresham, 1986: Ndubisi, 2004). Furthermore, the same research would attest it should be higher for financial services given the intrinsic complexity and perceived risk of the service provided. Unfortunately, similar recent figures couldn't be acquired for comparison but the researcher would claim that indeed this is a figure that is increasingly on the wane. This constitutes one of the key findings of the research and would firmly indicate a need for a new approach to banking as the current strategy strives to provide an ineffective relational approach to all. Research carried out by the BAI (2009, p. 36) validates this assertion by stating, "banks will need to re-focus on the core customer relationship and on the institution's core strengths to meet a different set of consumer needs than was required in the pre-crash environment".

In relation to the perceived benefits of R.M., 41% of customers observed benefits of engaging in a relationship with their bank, 26.5% sensed there were none to be derived and 32.5% were unsure if a relationship was beneficial to them. Of those that identified inherent benefits they were then asked to provide examples. The consensus was almost unanimously agreed on "more efficient service" or "increased potential for loan approval".

An analysis of the varying levels of demand for relationships across the various segments is addressed later in this section under part 5. Trust, sub-heading, "Transactional vs Relationship Marketing", pages 112-120.

Discriminatory Approach to R.M. Across Segments

The respondents were probed to establish if they expected varying levels of service quality and R.M. effort across customer segments. They were asked if they perceived higher income customers to receive preferential treatment. The results show 59% would anticipate an increased level of service, 20.5% would expect a similar level and a further 20.5% were indecisive on the issue. This projection of 59% is considerably lower than previous research would indicate. The FG findings show a unanimous belief that the level of R.M. investment was directly proportional to the income level of the segment. Indeed that perception was confirmed by the interviewees representing financial bodies, clarifying that high-net worth clientele receive an elevated service in the guise of a designated one-to-one relationship manager. Examples of better service afforded by the respondents were dominated by "better treatment and increased attention".

Finally in relation to R.M. perceptions, it was enquired of the participants if they felt respected by AIB. This particular issue differentiates itself from the concept of being a valued customer and highlighted during the FGs. Some respondents felt that the issue of respect was a separate concern and related specifically to the bailout of the banks. The prominent observation was that the banking sector portrayed a sense of arrogance and entitlement during and after the bailout negotiations and that there was an unquestionable onus on the public to fund their recovery. Consequently customers feel that this arrangement should reciprocate some form of gratitude that isn't apparent in the service they receive. Thus, this could constitute a perceived lack of respect. Pursuing this assertion, 59% of respondents feel that they are respected by AIB, 25.5% sense they are not while 17.5% had no opinion on the matter. One can conclude that in comparison with perceptions of value to AIB it is indeed a separate issue but of less concern to AIB.

The outstanding response regarding perceptions of R.M. is the current tendency towards a more transactional based approach. This has perhaps been pre-empted by the banks based on their perceived regressional marketing approach identified in the FG findings. The debate then follows, has the increase in a transactional approach i.e. remote service provision and centralised decision making etc. been increasingly promoted in response to the diminished trust levels or has its effectiveness simply created a greater demand for it? The underlying issue is that the once dominant R.M. approach has passed its maturity and is in decline to be replaced by a, as yet undefined strategy. Whether the complimentary high loyalty levels synonymous with R.M. decline in turn, is an issue for much debate.

4.4.5 Loyalty

Origin of Relationship

In light of the prominence of inertia as a source of loyalty, as evidenced by qualitative research, it became a principle feature of the questionnaire accordingly. The origin of the customer's relationship served as an indicator of habitual loyalty in the FGs and so, is included in the survey. The participants were provided with multiple choice options and the results are shown below in table 4.7

Table 4.7: Origin of Relationship

Family of friends recommendation	Marketing or advertising	Rates or service offered	Other	Don't know
54%	4%	8%	21%	13%

As illustrated by the table above, which serve to validate the previous findings, habitual loyalty and low switching volumes are a prominent feature in the Irish retail banking sector. The majority of respondents open accounts on the recommendation of peers and simply maintain that relationship through to adulthood. By cross-referencing those who opened accounts on the recommendation of family and friends with their respective age and duration of their relationship, one third opened their account prior to their teenage years. Considering all participants were at least 18 years old, this implies a high level of inertia. It also empirically reaffirms the marketing principle that positive word-of-mouth is the most effective form of marketing. The low switching rates are implied by the relative ineffectiveness that marketing or advertising and rates or service offered have on the customer. This again validates a resignation affirmed by the in-depth interviewees stating that all banks adopt a defensive, as opposed to an offensive marketing strategy, that focuses on customer retention. This decision is based on the acknowledgement that inertia is widespread among customers rendering any marketing efforts largely futile.

Expressed Loyalty

The participants then were asked if they would describe themselves as loyal customers. 62% stated that they were loyal to AIB, 28% classified themselves as not being loyal and 10% were unresolved. 48% of all participants had an active account with another financial institution and 52% carried out all their banking services with AIB. These figures would indicate that although there is a moderately high depiction of loyalty there is a considerable propensity to "shop around" for ancillary financial services. They also highlight and authenticate some well-documented and debated issues surrounding loyalty in financial services. The low switching rates that typify the banking sector would suggest a higher percentage of loyalty. This further exemplifies the prominence of inertia in the sector. The loyalty experienced in retail banking is largely spurious which renders such a large percentage of the customer base to consider themselves not loyal or unresolved yet the proceed to bank with AIB. If this figure of loyalty (62%) is compared with the percentage of customers who perceive AIB to offer a superior service to its competitors (26.5%), one deduces that these low levels of customer satisfaction coupled with low levels of switching are the result highly inert customers as portrayed in part 2 of this section.

Future Loyalty

A question posed required the respondents to predict if they intend to switch to alternative service provider in the future. Just over one quarter (25.5%) displayed an intention to switch which mirrors the response to the question of loyalty.

Almost half (49%) showed no desire to switch and a further 25.5% were undecided as to whether the will switch. The questionnaire continued to probe these intentions by enquiring as to why the participants had selected their respective answers. For those who intended to remain loyal to AIB, 42% (11% of total respondents) declared inertia was the principle factor for their loyalty, 11.5% (3% of total) proclaim there is insufficient reward in switching as the sector is largely homogeneous in its offerings and 7.5% (2% of total) attested to other switching costs as the reason for their decision. Of the 25.5% intending on switching most attributed the decision to the pursuit of better service and rates. This provides further evidence of the emergent preference for a transaction based approach as there is a significant demand for the product offering, as opposed to the service offering, of the banks. It also highlights a contemporary marketing strategy that could arguably prove effective at eliminating customer inertia. As detailed previously, it has been verified that banks adopt a defensive marketing strategy. Yet with trust and loyalty levels particularly low, an offensive strategy focused on both cost leadership and communicating a limited emphasis on relationship marketing could prove successful.

In a slight variation on the previous investigation the partakers were asked what currently compels them to bank with AIB. In a major validation of predominant academic literature on financial services and also of the qualitative research (Akerland, 2005; Yanamandram and White, 2010; Colgate and Lang, 2001), inertia was significantly accountable for customer loyalty among AIB customers. In an open-ended question that offered no options and yielded a 90% response rate, 32% stated some form of inertia as the primary basis for their loyalty. As with the previous question a further 5% attributed loyalty to perceived homogeneity in the sector or other forms of switching costs.

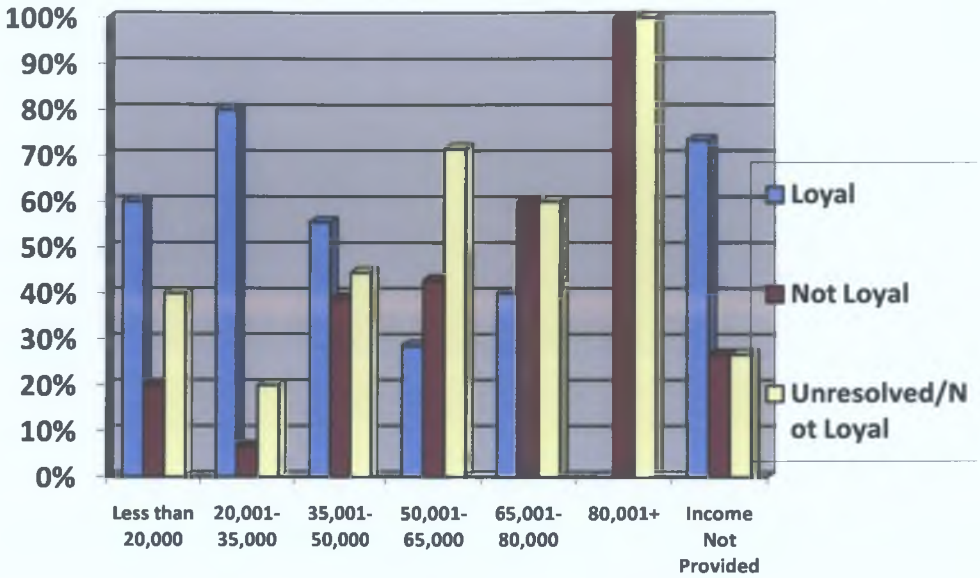
Loyalty by Segment

In order to investigate the possibility varying levels of loyalty across different segments the findings above in table 4.x were analyse in conjunction with the responses from the various customers section in an attempt to distinguish segment based attitudes to loyalty. The first of these comparisons carried out correlated the perceptions of loyalty in relation to income level. As described previously, the ethical issue of querying the income of participants led to a low response rate and may invalidate some of the findings as a result. These are shown below in table 4.8

Table 4.8: Loyalty by Income Segment

Income Level (Annual)	Less than €20,000	€20,001-35,000	€35,001-50,000	€50,001-65,000	€65,001-80,000	80,001+	Income Not Provided
Income Level as % of Non-Loyal Customers	17.25%	3.45%	24.1%	10.34%	10.34%	6.9%	27.5%
Non-Loyal Customers as % of Segment	20%	6.67%	38.9%	42.85%	60%	100%	26.67%
Income Level as % of Non-Loyal or Undecided Customers	25.64%	7.7%	[illegible]	13.9%	7.7%	5.1%	20.5%
Non-Loyal or Undecided Customers as % of Segment	40%	20%	44.5%	71.5%	60%	100%	26.67%
Income Level as % of Loyal customers	23.8%	19%	15.9%	3.2%	3.2%	0%	34.9%
Loyal Customers as % of Segment	60%	80%	55.5%	28.5%	40%	0%	73.33%

Figure 4.6: Loyalty by Income Segment



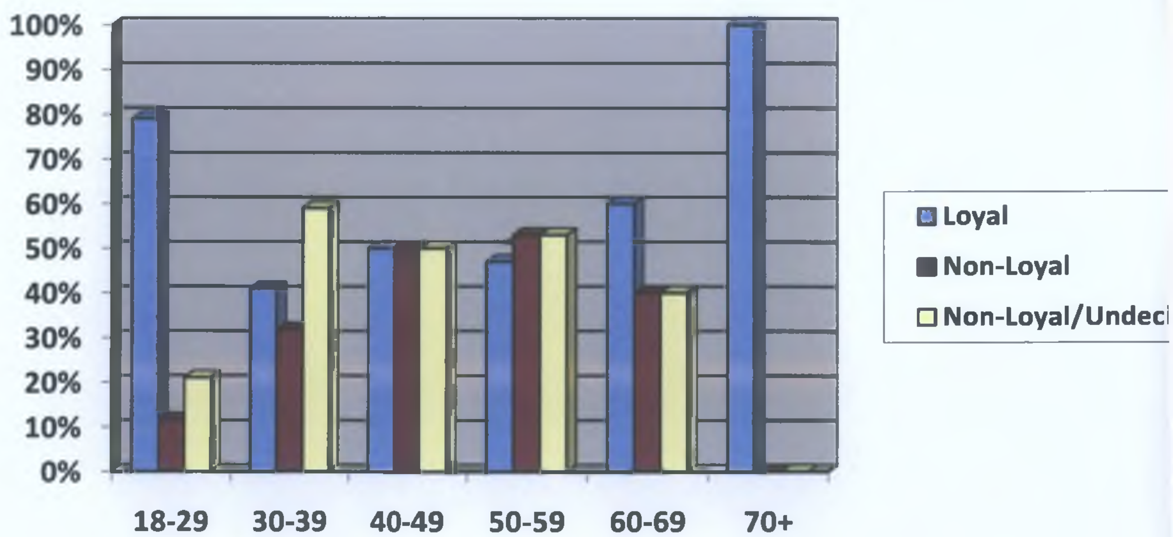
As the results in table 4.8 and figure 4.6 display, there is no consistent trend to indicate a correlation between loyalty and income level. The figures suggest that the most loyal segments are the lower-income groups as the "€20,001-35,000" were the only segment that exceeded the average 62% quota set as a benchmark for this investigation (with the exception of the "Income Not Provided" segment) and the "Less than €20,000" group coming closest. This serves to contradict the assertion of Interviewee B who claimed the high-net worth customer groups displayed a higher level of loyalty as a result of the increased investment in R.M.

The research now strives to identify any differing levels of loyalty across the various age segments. The results of this analysis are shown in table 4.9.

Table 4.9: Loyalty by Age Segment

Age Segments	18-29	30-39	40-49	50-59	60-69	70+
Age Segment as % of Non-Loyal Customers	17.25%	24.15%	20.7%	31%	6.9%	0%
Non-Loyal Customers as % of Their Total Segment	11.63%	31.81%	50%	53%	40%	0%
Age Segment as % of Non- Loyal or Undecided Customers	23%	33.3%	15.5%	23%	5.2%	0%
Non-Loyal or Undecided Customers as % of Their Total Segment	21%	59%	50%	53%	40%	0%
Age Segment as % of Loyal Customers	54%	14.3%	9.5%	12.7%	4.75%	4.75%
Loyal Customers as % of Their Total Segment	79%	41%	50%	47%	60%	100%

Figure 4.7: Loyalty by Age Segment



As evidenced in the in table 4.9 and figure 4.7 loyalty across the age segments follows an irregular shaped pattern that serves only to identify conclusively that loyalty is most prominent among the youngest and oldest segments. This suggestion that loyalty is high among the youngest age group, which then subsides for a considerable period before returning again incrementally in the latter life stages validates earlier findings that proposed loyalty was more prominent among the older customer segments. It is also in keeping with the research findings of Tesfom and Birch (2011) that found that older customer segments tended to be more loyal than their younger counterparts as a result of the tenure of their relationship. Ultimately the results suggest loyalty, in a reflection of trust perceptions, diminishes proportional to activity with the service provider. As expressed in relation to trust levels by segment in the subsequent section, the level of loyalty is lowest among the 30-59 year old age segments, which generally categorises the life-stage in which the customer interacts most frequently with the bank. This would imply that familiarity with the bank and its service offerings generally results in lower loyalty levels.

The findings in relation to customer loyalty largely authenticate the assertions put forward during the previous research. Inertia is identified as a prominent basis for most loyalty and that loyalty is indeed most prominent among the oldest age segments. Conversely, loyalty is lowest among the three highest income segments which conclusively answers the secondary question 1 of the research. Indeed there is a relationship between income level and loyalty, however it is inverse. The findings suggest that as income increases loyalty decreases. Since trust is an antecedent to customer loyalty the research continues by analysing if these results are reflected in relation to customer trust levels.

4.4.6 Trust and Confidence

The respondents were asked if they had trust and confidence in the banking sector. A majority of 63.75% affirmed that they had no trust in the sector, with 22.5% claiming they had trust and confidence and 13.75% unsure. This represents a significant finding of the research from which one can draw one principle conclusion. The effectiveness of R.M. strategy is undermined by this statistic which would seem to suggest that it is not as adept at engendering trust as literature would indicate (Johnson and Grayson , 2005; Joni, 2004; Morgan and

Hunt, 1994). If R.M. strategy is applied to all segments, as the in-depth interviewees advocate, yet it yields a return of trust among just 22.5% of those surveyed then it is either inadequately implemented or simply ineffective. Either way, there is need for re-evaluation or redundancy of the R.M. approach. 57.8% of all respondents clarified that they had experienced a change in trust levels as a result of recent economic circumstances, 15.7% claimed it hadn't change their trust levels and 26.5% were undecided. The implications of these findings for this study are that the GFC coupled with the subsequent bailout of the banks in the Irish market has contributed significantly to diminished perceptions and trust levels among AIB customers.

This aspired to authenticate the assertions of the FG participants who unanimously claimed to have lost some level trust and confidence in the sector as a result of the GFC. A sentiment that was reflected in the evaluation of the interviewees later questioned on the issue. Although this isn't an exact reflection of the FG group perceptions, a majority of almost two thirds of customers directly claiming to have no confidence in the banking sector, {a majority that outweighs those who contribute the loss of trust to the GFC (57.8%)}, is indeed a cause for concern for all financial institutions. As documented in the findings of the in-depth interviews, this is a statistic that hasn't gone unnoticed among banks and is an issue that must be addressed and resolved if the sector is to recover. This again solidifies the importance of trust in banking relationships.

A vital element of this recovery would perhaps be to isolate any particular segments to whom trust is particularly low. By carrying out a comparative analysis of the both the perceptions of trust and certain personal data such as age and income level, the research will permit the identification of such segments. The first of these comparisons is based on income level as illustrated in table 4.10.

Table 4.10: Trust by Income Level

Income Level (Annual)	Less Than €20,000	€20,001-35,000	€35,001-50,000	€50,001-65,000	€65,000-80,000	€80,001+	Income Not Provided
Income Level as % of those Who Do Not Trust Banking Sector	27.7%	13.9%	20%	10.75%	6.15%	5%	18.5%
Those Who Do Not Trust Sector as % of Their Total Segment	72%	60%	72.2%	100%	80%	100%	40%
Income Level as % of those Who are Unresolved/Do Not Trust Banking Sector	25.4%	12.65%	20.25%	8.8%	5%	2.5%	25.4%
Those Who are Unresolved/Do Not Trust Sector as % of Their Total Segment	80%	66.6%	88.9%	100%	80%	100%	66.6%
Income Level as % of those Who Trust Banking Sector	21.75%	21.75%	8.7%	0%	4.3%	0%	43.5%
Those Who Trust Sector as % of Their Total Segment	20%	33.3%	11.1%	0%	20%	0%	33.3%

Figure 4.8: Trust by Income Level

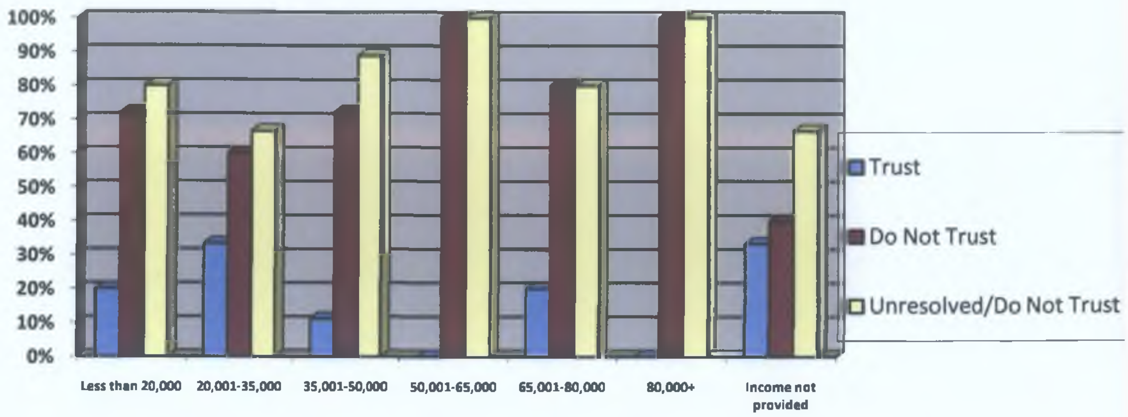


Table 4.10 and Figure 4.8 both illustrate the perceptions of trust among each customer categorised by income level. The results used for figure 4.7 represent the percentage response for each segment as a percentage of the total segment. This method has been used to counteract the uneven representation of some segments and thus offer a more valid depiction of the findings. Results indicate that none of the respondents in the €50,001-65,000 or €80,000+ segments displayed trust in the banking sector. Similarly, a mere 7% of the top three income segments expressing trust in the sector. This indicates a distinct lack of trust that is inversely proportional to income level. Thusly, it would seem that increased investment with the bank would serve to heighten weariness and diminish trust in the sector which is a worrying statistic for financial institutions as these groups provide the highest revenue per capita. This proposes the opposite to the research question which attempted to investigate if an increase in the R.M. in these higher income segments created higher levels of trust and confidence.

Table 4.11: Trust by Age Segment

Age Segment	18-29	30-39	40-49	50-59	60-69	70+
Age Segment as % of those Who Do Not Trust Banking Sector	38.5%	20%	15.4%	21.5%	4.6%	0%
Those Who Do Not Trust Sector as % of Their Total Segment	58.1%	59%	83.3%	82.4%	60%	0%
Age Segment as % of those Who are Unresolved/Do Not Trust Banking Sector	40.5%%	22.8%	13.9%	19%	3.8%	0%
Those Who are Unresolved/Do Not Trust Sector as % of Their Total Segment	74.4%	81.8%	91.7%	88.25%	60%	0%
Age Segment as % of those Who Trust Banking Sector	47.8%	17.4%	4.3%	8.7%	8.7%	13.1 %
Those Who Trust Sector as % of Their Total Segment	25.6%	18.2%	8.3%	11.8%	40%	100 %

An analysis of trust in relation to age was also conducted to identify any variances in levels across these segments. The findings are displayed in table 4.11 and figure 4.9.

Figure 4.9: Trust by Age Segment

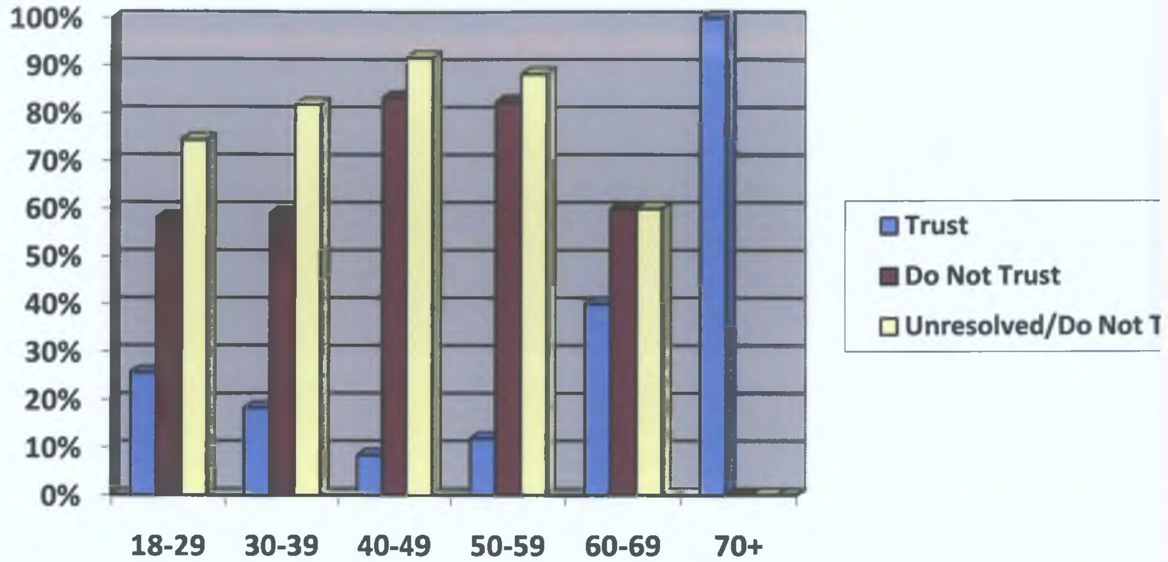


Table 4.11 and figure 4.9 both denote a "U-shaped" level of trust as one progresses through the age segments chronologically. Trust is moderately high among the youngest age segment in comparison to subsequent age segments. This trust level gradually diminishes and reaches its nadir among the 40-49 age segment. Trust experiences a gradual increase incrementally afterwards and peaks in the 70+ age segment. The conclusion of these finding suggest that the stages in which one interacts most frequently with the bank i.e. 30-59, availing of such services as mortgages, car loans, bill payments and direct debits etc. that are associated with these life stages, is the point in which customers have least trust in the sector. Perhaps this is the result of an increased familiarity with its practices. Again this conveys an area of concern for the banking sector as these represent the stages at which customers are most profitable.

The results are again conclusive in affirming certain assumptions made during the qualitative research phase and also in contradicting the hypothesis of secondary research question 2. They validate the claim that trust levels are higher among the older age segments and that overall trust levels have diminished significantly in recent years. Indeed, also the perceptions of loyalty in relation to income level are largely reflected. As income levels increase there is no related increase in loyalty. The research findings contest that again the relationship appears to be inverse. They show that 21% of respondents representing the three lowest income segments express trust in the banking sector whilst the figure for those in the three highest income segments is only 7%. The overall conclusion is that as the income of the segment increases, and any consequent increase in R.M. investment by the bank does not result in increased loyalty or trust levels. In fact the findings suggest the opposite effect.

4.4.7 The Future of Retail Banking

In response to an overwhelmingly inauspicious projection by the FG contributors regarding the future of Irish banks, the questionnaire investigated whether respondents imagined they would still be banking with AIB 10 years into the future. In an estimation, not entirely discredited by the interviewees, most FG participants were of the opinion that there would be an acquisition of AIB and perhaps others, in the near future by an international bank. So as not to influence any responses, the question avoiding directly asking if AIB would continue to exist. The results were somewhat more reassuring for AIB in this instance with 60% anticipating an on-going relationship with the bank beyond the decade. Almost one quarter (24.5%) were unable to offer a definitive prediction and 15.5% did not intend to bank with AIB in 10 years. Those 15.5% were then asked to identify with whom they imagine they will be banking if not AIB. The most prevalent responses were Ulster Bank, 31.25% (5% of total) and Bank of Ireland, 25% (4% of total). Notably, none of the respondents reflected the FG group prediction of switching to an international bank operating a dominant market share in the Irish retail banking market. Again this highlights the effect of consensus influence in FG settings.

Relationship vs. Transactional Marketing

One of the principle findings from the exploratory phase of the research was the expressed desire by a significant proportion of respondents for a more transactional based approach to banking. As described in previous sections this was a pervasive sentiment more common in certain segments. Therefore the objective, to authenticate this finding using quantitative method was twofold.

Firstly, to assess if there a prominent demand for a regression to transactional banking and secondly, if this preferred approach is segment specific. The question formation for acquiring such information posed a problem, as to phrase the question directly may confuse or deter response. Consequently the necessary information was acquired using a series of enquiries. First, those surveyed were asked if the liked the idea of having a relationship with their bank. They were then asked whether the perceived any benefits of a relationship and thusly to list any such rewards. In order to address the secondary phase of the investigation, such results would be cross-referenced with personal data namely age and income level.

The response to the first question posed goes some way to validate the desire for a purely or predominantly transactional approach among a considerable representation of customers. 28.5% were indifferent or opposed to the idea of having a relationship with their branch which, as stated earlier, is a much higher percentage than academic proponents of R.M. would lead one to believe, particularly in relation to financial services as stated previously. Yet the research acknowledges this may be a recent phenomenon accelerated by recent economic circumstances. This has served to diminish trust levels, an essential component of relationships, and increase financial service awareness and autonomy that perhaps all contribute to reduced desire for a relationship. Regardless of the instigators, this undeniable apathy for a relational approach is an issue that requires a change in the marketing approach in retail banking.

An important starting point in addressing this problem is identifying the segment or segments seeking this new approach. The questionnaire highlights the main proponents of this transactional banking appeal as shown in Table 4.12.

Table 4.12: Relationship Demand by Age Segment

Age Segment	18-29	30-39	40-49	50-59	60-69	70+
Age Segment as % of Total Respondents	42%	21%	12%	17%	5%	3%
Age Segment as % of Those Opposed to a Relationship With AIB	36.4%	36.4%	0%	18.2%	0%	9%
Those Opposed as % of Their Total Segment	9.3%	18.2%	0%	11.75%	0%	33.33%
Age Segment as % of Those Opposed and Indifferent to a Relationship With AIB	41.35%	34.5%	10.35%	10.35%	0%	3.45%
Those Opposed or Indifferent as % of Their Total Segment	27.9%	45.5%	25%	17.65%	0%	33.33%
Age Segment as % of Those in Favour of a Relationship With AIB	42.5%	16.43%	12.33%	19.16%	6.85%	2.73%
Those in Favour as % of Their Total Segment	72.1%	54.5%	75%	82.35%	100%	66.67%

Figure 4.10: Relationship Demand by Age Segment

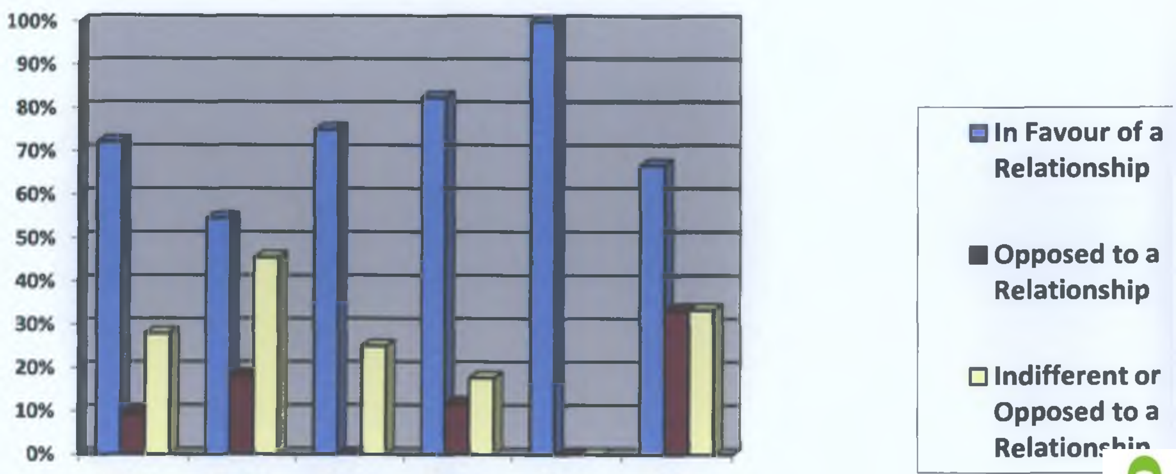
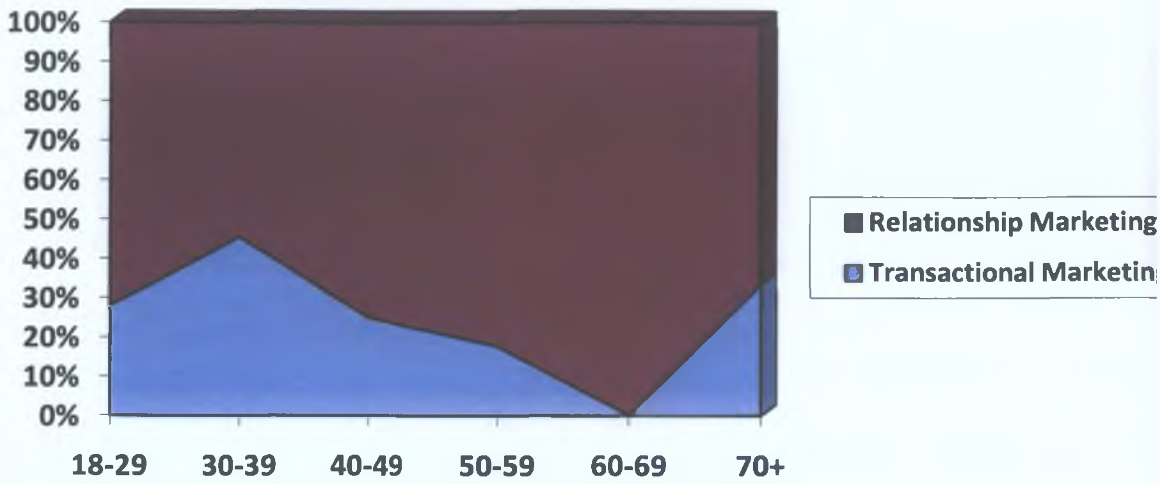


Table 4.12 and figure 4.10 both illustrate the demand for a relationship with AIB as represented by age segments. It also represents each figure as a percentage of the segment. This figure is portrayed in acknowledgement that each segment is not evenly represented and therefore offers a more valid presentation of the findings.

It firstly illustrates the percentage representation of each age segment. Secondly, the table highlights the percentage of respondents who are opposed to the idea of a relationship with AIB based on their age which is then further authenticated as a percentage of the responses of the total segment. The latter two rows then represent, in the same manner, the percentages of those both opposed or indifferent to the idea of a relationship with their bank branch.

These results show that there is no conclusive trend to suggest that the demand for a relationship is proportional to age. (The research acknowledges that the older age segments are increasingly less represented. This leads to the unrepresentatively high figures for the 70+ as it represents the view of just three respondents). Given the nature of the questions and the demographic required it was particularly difficult to acquire representatives of this age segment. However the researcher is confident that the findings go some way to authenticate those assertions expressed in the qualitative findings that suggest the desire for a relationship with the bank is higher among older segments particularly the grey market. One significant exception is that desire for a transactional approach peaks at the 30-39 age range as opposed to at a younger stage. One possible explanation for this finding is that this age range generally represents the life-stage at which most banking customers are time-poor due to career and family commitments and consequently are less receptive to the idea of allocating time to developing a relationship with their bank.

Figure 4.11: Transactional vs Relationship Marketing Approach (Age Segments)



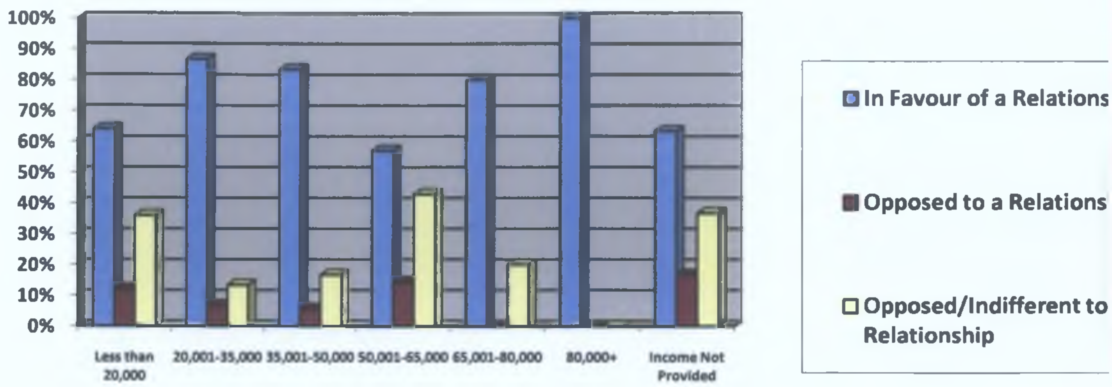
The above figure highlights a sample segmentation for the proposed Reactional Marketing approach (as discussed in the previous section) based on the research findings. The purple layer represents the desired relational investment while the blue indicates the varying levels of transactional focus that would appeal to particular segments. Using the statistics from table 4.12 as an indication for the balance of transactional and relational marketing requested by each age segment, further research on this issue may provide an insight into striking the most effective equilibrium that meets the requirements of each customer segment thus satisfying their needs.

A similar comparative technique was applied on the basis of income and the results are as shown on table 4.13

Table 4.13: Relationship Demand by Income Level

Income Segment (Annual)	Less than €20,000	€20,001-35,000	€35,001-50,000	€50,001-65,000	€65,001-80,000	€80,001 +	Income not Provided
Income Level as a % of Total Respondents	24%	15%	18%	7%	5%	2%	29%
% of Those opposed to a Relationship With Their Bank by Segment	27.5%	9.1%	9.1%	9.1%	0%	0%	16.7%
Those Opposed to a Relationship as % of Their Total Segment	12%	6.7%	5.5%	14.3%	0%	0%	16.7%
% of Those Opposed or Indifferent to a Relationship With Their Bank	31%	6.9%	10.35%	10.35%	3.4%	0%	38.9%
Those Opposed or Indifferent as % of Their Total Segment	36%	13.33%	16.66%	42.9%	20%	0%	36.7%
% of Those in Favour of a Relationship With Their Bank by Income Level	21.9%	17.8%	20.56%	5.5%	5.5%	2.74%	26%
Those in Favour as a % of Their Segment	64%	86.67%	83.33%	57.1%	80%	100%	63.33%

Figure 4.12: Relationship Demand by Income Level



The results from this comparative technique are somewhat inconclusive. They affirm the notion that high-income segments have a high desire for a relationship (above the benchmark of 71.5% as total average), yet there is a relatively high desire among some of the lower-income segments also. Thus there is no concrete trend that suggests a proportional increase in demand in relation to an increase in income level. If we combine the concepts of loyalty, trust and the demand for a relationship among the highest income segment some interesting results arise. The desire for a relationship is highest among this the highest income segment, yet loyalty and trust levels are the lowest. This represents another key finding of the research and warrants further investigation. In addressing the research question the findings show that trust and loyalty are at the lowest level among the highest income segment. Conversely the demand for a relationship is highest among this segment. This suggests that there is considerable room for improvement regarding the tailoring of services specifically to this profitable segment. R.M. and any consequent increases in investment in R.M. is evidently inadequate and ineffective to high net worth customers. Some assert that this may be a result of their awareness of their value and thus higher expectations (Berry and Parasuraman, 1991; Zeithaml et al 1993). Regardless of the justification, relationship marketing's shortcomings are apparent in relation to this segment yet the demand is still present. This prompts the recommendation for further research, among this high-net worth segment, on those particularly pertinent issues of trust, loyalty and the desire for a relationship in retail banking.

The results used in figures 4.6, 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12 illustrate the percentage figures as a proportion of the overall segment. This figure is preferred as it offers a more valid representation given the uneven representation of some age groups.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the research by identifying its key outcomes, proposing recommendations for the retail banking sector based on the study findings and listing potential areas for further research.

The research question throughout this study is to identify if the level of investment in relationship marketing is conducive to trust and confidence and loyalty in Irish retail banking.

The key research conclusions presented throughout this chapter will realise the objectives of the original research proposal. These objectives are:

- Verify practice of varying levels of investment in R.M. and identify segmentation bases.
- Identify if the level of investment is reflected in the level of trust among respective customer segment
- Identify if the level of investment is reflected in the loyalty displayed by each respective customer segment.

These key issues along with other subsidiary topics are addressed in this chapter that provide for recommendations and suggested further research as outlined subsequently starting with conclusions of the principle research issues.

5.2 Conclusions

The research sought to address the primary research question, "Is Investment in Relationship Marketing Conducive to Trust and Confidence and Loyalty in Irish Retail Banking?"

Primary Question.

Is investment in relationship marketing conducive to trust and confidence and loyalty in Irish retail banking?

The study found that there is no significant relationship between the level of investment in R.M. and the trust and loyalty exhibited by the customer. The finding is based on the conclusive evidence that higher income segments receive additional R.M. investment. The results of both a qualitative and quantitative research approach found that those higher income segments do not display increased levels of trust and loyalty when compared to lower income counterparts. Furthermore research findings suggest that the increase in R.M. investment is counter-productive as the levels of trust and loyalty are considerably lower among the high net worth customer segments than lower net-worth segments.

Secondary Question 1.

Is investment in relationship marketing conducive to trust and confidence in the Irish retail banking sector?

An expressed professional opinion by the AIB representative implied a link between investment in R.M. and customer trust and confidence and was not based on research data. The study findings opposed this claim identifying no relationship between trust and confidence and the level of R.M. investment. The results show that highest income segments who were affirmed to receive increased R.M. investment display the lowest level of trust and confidence in the service provider.

Secondary Question 2.

Is investment in relationship marketing conducive to loyalty in the Irish retail banking sector?

An in-depth interview response from AIB's customer strategy and insight unit testified to a link between R.M. investment levels and customer loyalty (that was based on pre 2008 research results). Subsequent study findings once again, contradicted this information. Based on current customer perception, no link between customer loyalty and investment levels in R.M was established. As in the case of customer trust and confidence levels, loyalty was found to be lowest among the highest income segment that, as clarified earlier, receives higher levels of R.M. investment.

5.2.1 Trust

This section refers to the perceptions of trust among AIB customers and distinguishes that from their trust in the overall banking sector. It also documents the extent to which the GFC has impacted upon those levels of trust as well as distinguishing any varying levels of trust across customer segments. It is widely known that trust in the banking sector has diminished in recent years in the wake of the economic downturn. The influence that the GFC and particularly, the bailout of the Irish retail banking sector has had was identified as being substantial. Almost two thirds of respondents claimed they had no trust in the banking sector and just 15% of participants stated that their trust level had not been influenced by the GFC. This exemplifies the degree to which recent economic circumstances have contributed to current negative perceptions of the financial services sector.

This distrust became clear in the FGs and further verified during the questionnaire research. One distinction revealed that the perceived trust in AIB among its customers is considerably low yet it remains higher than trust levels in the overall sector. Customers seem to have more trust and confidence in their service provider thus differentiating it from the banking sector in general.

The financial institution representatives that participated in the study acknowledged that the financial services sector is aware of the diminishing levels of trust across the market. They have stated categorically that the rebuilding of trust is the first and most important phase in the recovery of the sector and are under no illusions regarding the difficulty and duration that is required. The AIB representative also expressed a perceived positive link between the levels of investment in R.M., customer trust and confidence. Although only representative of the interviewee's professional opinion, this was found to be contrary to subsequent research findings.

In relation to trust levels across customer segments the findings are unexpected. The levels of trust exhibited by the highest income segments are lower than any other. This is undoubtedly counter-productive to the intentions of the financial institution as they would endeavour to maximise trust and confidence in this highly profitable segment. In doing so, this would ensure the success of the relationship and consequently maximise lifetime value of the customer.

The trust level among the age segments proposes a similarly unforeseen trend. The trust levels dip significantly and are lowest among the segments that are arguably the most active with their service provider before sharply increasing among the grey market. The life-stage represented by those availing of mortgage and loan services returns the lowest displayed trust which is of concern to financial institutions as this is the life-stage at which customers are most profitable also.

The resulting conclusion is that currently R.M. is largely ineffective when targeting the most profitable segments. The fundamental objective of R.M. is to engender trust among customers so as to facilitate a long and profitable relationship. Yet if this is particularly absent among the most lucrative segments then it is in need of revision. As trust is the essential prerequisite for a sustainable relationship then it must follow that this lack of trust is detrimental to customer loyalty also.

5.2.2 Loyalty

Findings regarding the loyalty of customer segments, antecedents and causes of loyalty and their implications are addressed throughout the research. The preliminary phase of the research identified significant issues regarding the loyalty of customers that warranted further authentication. In line with most academic literature it was found consistently throughout the research that customer inertia was widespread throughout the retail banking sector. This accounted for a large proportion of the loyalty exhibited by participants. The results show that due to a lack of competitiveness and perceived homogeneity across the service providers in the sector, the majority of respondents displayed a habitual, as opposed to a genuine loyalty. These perceptions rendered the customers unlikely to switch service providers despite widespread discontent with their current level of service. Almost twice as many respondents felt that they were undervalued and not treated as an important element of AIB as those who expressed an intention to switch banks. Similarly, the same figure advocated that AIB's service was in no way superior to any of its competitors. This affirms the prominence of complacency and inertia in the sector as such figures should warrant higher switching rates.

The financial institute representatives are cognisant of this apathetic customer disposition and have long adopted a defensive marketing strategy consequently. They clarify that the focus is almost entirely on customer retention as attempts to acquire competitor customers are seldom fruitful.

As with trust, the differentiation of loyalty trends across segments yielded surprising results. Major similarities arose between the levels of trust and loyalty across various customer segments. This serves to prove the link between trust and customer loyalty in R.M. Once again the highest income segment expressed the lowest level of loyalty further testifying to the ineffectiveness of the R.M. strategy targeting this group. The premise of relationship marketing would suggest that increased relational effort should reap increased customer loyalty, yet the research findings argue the contrary. The logical step in light of this revelation would be to re-appraise or indeed replace the current marketing strategy. The researcher proposes a new marketing approach for retail banking based on the study findings and is discussed later in this chapter. The study also highlighted a trend in loyalty across age segments similar to that of trust. Loyalty is exhibited at its lowest levels among the 30-59 year old age groups which again, characterises the most active segments in retail banking. The results suggest that an increase in activity with the financial service provider serves to diminish both trust and loyalty as opposed to develop and strengthen bonds. This too contrasts the proposed modus operandi of R.M. and thus requires further investigation.

Less than two thirds of customers described themselves as loyal to AIB yet only a quarter stated an intention to switch service providers in the future. This serves to further illustrate the high levels of inertia in the sector and that low customer satisfaction does not encourage high levels of customer defection in Irish retail banking.

5.2.3 Perceptions of R.M.

Historical Approach

Arguably the key finding in relation to customer perceptions was the overwhelming contention that it was more effective prior to deliberate implementation. An assertion was made early in the research that R.M. was not only practiced but questionably more efficient decades in advance of the marketing approach's application in the financial services sector. The inherent complexity and austerity of the service facilitated the organic development of relationships between the customer and service provider that engendered higher levels of trust and loyalty than current strategic R.M. This notion was affirmed comprehensively by the majority of FG participants and subsequently, and perhaps most notably, by both the IBF and AIB representatives. This suggests that there are valuable lessons to be learned from the former approach to banking if the institutions questioned proceed with their intended "back to basics" strategy.

Effectiveness

A majority of two thirds of customers described their relationship with AIB as good or average which highlights a predominantly moderately satisfied customer base. This too signifies considerable room for improvement in a marketing approach that should strive to achieve very satisfied customers as indicated by most academic literature on customer satisfaction (Reicheld et al 2002; Berman 2005; Strauss and Neuhaus 1997). Yet given the inert nature of Irish retail banking customers perhaps this sector is the exception to the rule, and aspiring to merely satisfy customers is sufficient to minimise customer defection as evident by its low switching rates.

In a major reflection of the FG response, less than half of the survey participants believed AIB invested in developing relationships with their customers. An even smaller percentage felt there were any benefits to be derived for the customer as a result of having a relationship with the bank. This portrays further the apparent ineffectiveness of the approach as the basic definition dictates that the paradigm of R.M. is mutually beneficial to those involved.

Demand for relationships

Pursuing to the loss of trust and ill-perceived current R.M. approach, the demand for a relationship with the service provider has significantly diminished. Almost one in five customers are opposed or indifferent to the idea of a relationship with their local AIB branch. This is an unusually high figure based on the proposed synergy between the financial services sector and R.M. Academics, as detailed earlier in the research. Said research highlights the suitability of the R.M. approach to the banking sector (which seems to opine) a greater desire among customers for a relationship. Similarly, even if there are no benefits to be derived for the customer from engaging in a relationship then it would follow, that there is some perceived disadvantage in doing so. The purpose of R.M. is being unsuccessfully communicated if almost 20% of respondents are opposed or indifferent to the idea even if it poses no identifiable detriments. That is to say, the principle of R.M. dictates that, at the very least, the customer does not stand to disadvantage from engaging in a relationship with their service provider. Yet one out of every five customers asked, were distinctly opposed to a relationship with AIB.

The demand for relationships was recognised as being proportionately highest among the higher net worth customers. This stands to reason as they are the highest investors and consequently have a higher stake in the success of the service provider. Yet as highlighted in the previous sections levels of both loyalty and trust are lowest among this segment. One can conclude that R.M. is particularly ineffective among this group despite increased investment as the demand for a relationship unanimously exists. This arguably is due to a narrower zone of tolerance based on the increased perceived risk of their respective investments. Regardless of the circumstances, if increased investment in R.M. is applied with the intention of maximising the trust and loyalty of this lucrative segment then it is being inefficiently managed.

Thus AIB must specifically reassess the high net-worth R.M. program. These findings contradict the testimonies made by the AIB representative who claimed that the augmented investment in high net-worth customers yielded higher levels of loyalty. The research acknowledges that the returns the in-depth interviewee referred to were based on pre-2008 figures. The research also acknowledges that

AIB testifies to having reduced investment in R.M. practices in lieu of a crisis management project as a result of recent economic circumstances. Assuming all information provided is correct, the findings indicate that this reduced investment has incurred a considerable reduction in the effectiveness of the R.M. strategy across all segments, particularly in the higher income segments since 2008. It is regrettable also that the interviewee was unable to provide specific details regarding the loyalty and trust levels as of 2008. These could serve as a comparison to quantify the effect of the reduced investment on trust and loyalty.

Perceived Regressional Approach

From the outset of the research a perception permeated that illustrates the modern approach to retail banking as being particularly transactional focused. There is a pervasive opinion among customers that banking institutions are de-personalising the service by promoting remote encounters such as internet and telephone banking, centralising decision-making processes such as loan approval and standardising face to face encounters to maximise cross selling. These service amendments were indeed verified by the institution representatives but stressed that they were implemented primarily for the benefit of the customer. In considerations of the transition from a relationship dominant strategy to an increasingly transactional focus, retail banking seems to be regressing in terms of marketing approach. It is well held by most marketing academics that since its inception, marketing progressed from a transactional paradigm to a relational one. Yet this appears to constitute a regression to the contrary. However the researcher proposes this should be deemed a new marketing strategy that is outlined in section 5.5

Throughout the research methods there was a considerable desire exhibited in favour of the new more transactional approach. This amounted to over a quarter of survey respondents and was most prominent in the 20-49 age segments. The remaining groups represent a substantial portion of the customer base. Most notably there was a concern among the older age segments who were particularly opposed to the idea of using remote services. There resulting conclusion is that while there is scope for a more transactional based service, it is specifically appeals to certain segments more than others. The research identifies that these are particularly the lower age segments and similarly those in the middle income age range (i.e. 20-49 year olds and €50,001 to €65,000 per annum).

AIB vs Banking Sector

There are a number of key distinctions that the research identified between perceptions of AIB and the retail banking sector in general. The research participants expressed a greater discontent towards the banking sector in general as opposed to that of AIB. The dominant opinion was that AIB was indeed to some degree responsible for the Irish economic recession but they were imitating the irresponsible lending practices of other institutions in order to maintain competitiveness. The result is a diluted attribution of guilt to AIB that seems to sustain a tarnished corporate image above that of the overall sector. Consequently the survey respondents expressed that although their trust and confidence in AIB was quite low it still remained higher than their trust in the sector in general.
Repeatedly throughout the research contributors differentiated the accountable parties within the company. Many participants in the FGs and questionnaire respondents stressed that their distrust and resentment lay with the senior management at national level and that they were responsible for their diminished loyalty and trust.

The future of Retail Banking

The future of the Irish retail banking sector was an issue of much debate throughout the study. An assertion that the Irish retail banking sector may be dominated by a major international institution, gained much support throughout the FGs. This prediction was, in no way, ruled out by neither the IBF nor the AIB representatives. Both concurred that it was entirely plausible and, in one instance, clarified that the current economic climate provided an ideal platform in which to acquire one of the major institutions. The questionnaire respondents remained much more resolute in perceiving the future success of the Irish contingents in the market. Well over half of the participants intended to maintain AIB as their principle service provider in the future and of those who didn't, none anticipated defection to an international financial institution.

The financial service representatives both affirmed that restoration of public trust and confidence is the key to sector recovery. They unanimously stipulated that it will prove to be a considerable task and cannot be achieved with a "quick fix", each estimating a timeline of 5-10 years. The IBF respondent outlines three objectives that may provide for this recovery. Firstly, banks in the market must focus on communication with their customers. Communicate an admission of culpability and then attempt to reposition themselves as well regulated institutions with excellent corporate governance and risk management. Secondly, a focus on customer retention is essential. To restore trust and loyalty the must once again become customer centric, tailoring the service to meet current customer needs and to avoid defection. This sentiment was also emphasised by the AIB representative who stated that restoring current customers' satisfaction in order to retain them is a top priority their recovery strategy. Finally, timing was identified as a vital issue in facilitating a genuine recovery. He clarifies that any immediate attempt to restore customer trust and confidence will inevitably construed as a disingenuous scheme to repair the corporate image of the company. Similarly, any such venture would be funded by the liquidity introduced under the bailout terms and as such would serve to further aggravate a sceptical public. Consequently, the in-depth interviewee suggests a "cooling off" period of approximately 5 years before any bank employs a recovery marketing strategy.

5.2.4 Reactional Marketing-A New Marketing Approach

The current increase in transactional based marketing in the retail banking sector has been evident for several years prior to the GFC. This is affirmed by the AIB and IBF in-depth interviewees. This evolving service approach has met with mixed perceptions among customer segments. The promotion of internet and telephone banking as well as other technologies such as ATMs offers a level of competitive advantage as it appeals to limited segments as discussed previously. Yet others are unnerved by this transition and opposed to this new form of self-service. Similarly, there is a perception that the success of such an approach will lead to the closure of smaller and more rural AIB branches. Ultimately, the economic downturn and the banking sector bailout have confounded the demand for a more transactional approach to financial service provision. This is largely due to the loss of trust and customer scepticism surrounding the sector as customers are more dubious of relationships with their service provider.

The fallout of all these contributing factors has led to a hybrid marketing approach as discussed in chapter 4. The current marketing strategy in effect by AIB and other institutions combines elements of transactional and relationship marketing that arguably constitutes an entirely new paradigm in marketing. This assertion was validated by the AIB representative. Unfortunately, with the exception of the high net-worth customer segment, there is a standard mix of both transactional and relationship elements across all segments. As the research shows the demand for a dominance of either is heavily dependent on criteria such as age and income level. Therefore to maximise the effectiveness of this hybrid approach, the balance of a transactional or relationship focus should be segment specific. The findings in chapter 4 and figure 4.11 outline an example of the balance of each approach that should be ideally extended to segments based on age. The researcher proposes the title "Reactional Marketing" firstly as it represents the combination of both transactional and relational strategies. Secondly, the approach is dynamic as it reacts to customer preference of either approach.

5.3 Recommendations

The following are a list of proposed recommendations for improving the effectiveness of R.M. and increasing trust/confidence and loyalty levels in retail banking based on the research.

5.3.1 Relationship Marketing

Based on the research findings the following recommendations are suggested for improving the effectiveness of AIB's R.M. strategy:

- Reassessment of the level investment in R.M. targeting the high net-worth customer segments. This increased investment currently in effect is yielding less than satisfactory results.

- Similarly, the means in which this investment is manifested is also ineffective. The increased in investment is predominantly attributed to the assignment of one-to-one relationship managers, yet the outcome dictates that this practice needs to be revised.
- The varying demand for relationship marketing denotes a revision of the entire approach is needed. AIB currently extends a R.M. strategy to all customers, yet the research results identify a large contingent opposed to the idea of a relationship with their bank. Consequently applying R.M. strategies to these segments is not only futile and undesired but it is also costly and ultimately a waste of finances.
- In light of the previous recommendations the researcher proposes the implementation of a "Reactional Marketing" approach. As outlined earlier, the segmentation of the customer base on the criterion of demand for relationship or transactional marketing focused approach would yield better results. Assessing whether the particular segment prefers a predominantly transactional or relationship approach will not only increase customer satisfaction by better addressing their respective needs, but also increase cost efficiency. By implementing the desired transactional approach to those who demand it, the financial institution will no longer waste money by investing in expensive and unprofitable R.M. strategies to indifferent segments.

5.3.2 Trust

The diminishing trust level among customers is universal, yet it is more prevalent among some segments. It is imperative that this trust is re-established to secure the future of retail banking. In order to achieve this the following recommendations are suggested:

- There must be effective communication by the financial institutions in the sector. They must acknowledge and assume responsibility for ill-fated endeavours that contributed to the financial crisis. This has been lacking and causing considerable discontent among customers. Secondly they must communicate a renewed austerity backed by firm regulation and governance.

These steps would reassure a dubious public that lessons have been learned and the same mistakes will not be repeated.

- A renewed customer focus is required to reaffirm the importance of the customer and thus restore trust. This again, can be achieved by implementing a "reactional marketing" approach. Such a strategy will show a concern and acknowledgement of the individual customer and their respective needs once again restoring their perceived self-value and worth to the institution.
- Timing is of significance in the attempt to stem the loss of trust. Any immediate response will inevitably be perceived as a disingenuous ploy to temporarily win public favour. Sufficient time must be allowed to pass before any endeavour is employed to regain trust.
- As identified in the research, trust levels vary across customer segments. Trust is particularly low among those who engage most frequently with the bank as well as those who are most profitable. A revision and optimisation of service encounters must be carried out to address this concern across these segments.

5.3.3 Loyalty

Arguably, the principle desired outcome of any R.M. strategy is customer loyalty. Hence the ineffectiveness of the R.M. strategy has resulted in reduced customer loyalty. The following are proposed recommendations for improving customer loyalty:

- A defensive marketing strategy is key. Banks must focus on retaining current customers and communicate the fact that they are the core of the organisation. This can be achieved by providing an individualised customer offering. This will increase perceived self-value among customers and affirm their importance to the organisation. A "reactional marketing" approach can again contribute to achieving this as the approach itself is tailored and segment specific.
- Trust is an essential antecedent to customer loyalty. Hence it follows that trust must be restored prior to re-establishing customer loyalty.
- Loyalty levels vary across customers segments and are reflective of trust trends also. Loyalty is lowest among the high net-worth customer segments. A revision of the R.M. approach and a focus on the restoration of trust

particularly among this highly profitable segment will in turn, serve to increase customer loyalty.

- Inertia and habitual loyalty constitute a significant proportion of customer loyalty in the retail banking sector. Improving service quality and augmenting customer satisfaction to customer delight by exceeding expectations will encourage genuinely loyal customers. This can be achieved by adopting the aforementioned proposed marketing approach.

5.4 Directions for future research

A comparative analysis of other financial institutions in relation to these research findings should be carried out.
Future research should analyse the balance between genuine and habitual loyalty in the retail banking sector.
Further research should be carried out to examine the full extent of customer inertia in the Irish retail banking sector.
A comparative study of inertia levels in Irish retail banking in relation to other nations such as the UK , US and/or Canada warrants analysis.
The analysis of service quality in retail banking has not been exhaustive in societal and/or economic dimensions.
Research should be conducted to examine if the effect of corporate image on trust levels varies across customer segments.
An analysis of the potential for a "reactional marketing" approach in international financial markets is warranted.
An investigation into the applicability of the "reactional marketing" approach in other sectors is also warranted.
Further research should be carried out to analyse if levels of "reactional marketing" preferences vary between rural and city populations.
There is scope for further research to investigate the relationship between age segment and trust levels. Most notably, analyse why trust levels are lowest among the most financially active age segments.
Research should investigate the whether customer perceive retail banks as public utilities or corporate enterprises.

The impact of the effective nationalisation of AIB and BOI should be analysed in relation to trust and loyalty levels.

Research should be carried out to ascertain means in which to build trust and loyalty among the high net-worth customer segment of financial institutions.

Research is warranted to investigate how trust and confidence affects buyer behaviour in retail banking.

Finally, research should attempt to assess the potential longevity of the effect the GFC will have on trust and loyalty levels.

5.5 Summary

This research concludes that current investment in R.M. is not conducive to consumer trust and confidence or loyalty in the Irish retail banking sector. AIB states that this is contrary to their research findings which are based on pre 2008 figures but are unable to quantify the extent of this link. They testify to a positive link between customer loyalty and investment levels in R.M. based on figures that do not represent the current and arguably, vastly different, customer perception of the sector as the study shows. The link expressed between R.M. and trust is speculative and representative of professional opinion of the AIB representative and not based on statistical information. As there are no prior statistics on which to base a comparison, the research can merely conclude that both trust and loyalty levels among all customer segments have dropped dramatically in the wake of the GFC. Notably the research shows that both trust and loyalty is lowest among the highest income segment. If the relationship between these elements were positively linked to R.M. investment prior to 2008, then the loss of trust and loyalty has been most profound in this high net-worth segment.

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APPENDICES

The following questionnaire is being carried out in conjunction with the Institute of Technology Sligo as part of a Master in Business. The purpose of the research is to examine the effectiveness of retail banking in Ireland. It also attempts to assess the effects that the recent economic downturn has had on the consumer and their perceptions of the banking sector. If you would please give a couple of minutes of your time to participate in filling out the questionnaire it would be very much appreciated and contribute to the validity of the findings. The responses you give will be held in utmost confidentiality and are anonymous.
Thank you.

Affiliation

1. **What prompted you to open an account with AIB?**

(Please Tick ✔ Relevant Box)

Family or friends recommendation	Marketing or advertising	Rates or service offered	Other	Don't know

2. **Do you bank with any other banking institutions such as Bank of Ireland?**

Yes	No	Don't Know

3. **Would you describe yourself as a loyal customer of AIB?**

Yes	No	Don't know

4. **Do you perceive yourself as a valued customer of AIB?**

Yes	No	Don't know

5. **What words come to mind when you see this logo?**

AIB

____

____

6. **Do you see any change in how banks are currently run as opposed to in the past?**

Yes	No	Don't know

b) If yes, has it changed for better or worse?

____

____

7. **Hypothetically, if you were a millionaire, do you feel that you would receive better service from AIB?**

Yes	No	Don't know

b) If yes, how do you feel you would be treated?

____

____

8. **Do you feel that AIB offers a better service than other banks?**

Yes	No	Don't know

9. **Do you imagine you will switch banks in the future?**

Yes	No	Don't know

b) **If yes or no, why do you think this is so?**

____

____

10. **What is it about AIB that makes you continue to bank with them?**

____

____

Relationship Marketing

11. **Would you say you have a good relationship with this AIB branch?**

Yes	No	Don't know

b) **If yes or no, how would regard your relationship with AIB?**

Very good	Good	Average	Poor	Very poor

12. **Do you like the idea of having a relationship with your bank?**

Yes	No	Don't know

13. **Do you feel your bank respects you as a customer?**

Yes	No	Don't know

14. **Do you think AIB invests in managing relationships with their customers?**

Yes	No	Don't know

15. **Are there any benefits to you as a customer, of having a relationship with AIB?**

Yes	No	Don't know

b) **If yes, please list any benefits that you perceive.**

____

____

16. **What are your expectations from AIB as a customer?**

____

____

17. **Do you feel you are treated as an important part of your bank?**

Yes	No	Don't know

18. **With 1 being most important and 5 being least important, please rank each of these service elements in order of most desirable when choosing a bank:**

High interest on savings	Low interest on borrowings/mortgages	Convenience of branch location	A strong reputation as a competent and trustworthy bank	Friendly and helpful staff

19.**Do you feel you will still have an account with AIB in 10 years in the future?**

Yes	No	Don't know

b) **If no, with whom will you be banking with?**

____

Economic Crisis

20.**Do you feel AIB, in any way, contributed to the crisis?**

____

____

21.**What are your feelings regarding the bailout of the banks?**

____

____

____

22.**Do you feel you know more about the banking sector as a result of the economic recession and the banking sector bailout?**

Yes	No	Don't know

b) **If yes, how has this affected your view of it?**

____

____

23.**Has the bailout changed your view of AIB?**

Yes	No	Don't know

b) **If yes, how has it changed your view of AIB?**

____

____

24.**Has the bailout changed your relationship with AIB?**

Yes	No	Don't know

b) **If yes, how has it changed your relationship with AIB?**

____

____

25.**Do you have trust and confidence in the banking sector?**

Yes	No	Don't know

b) **Has this changed in relation to recent economic circumstances?**

____

____

26.**Using a few words, briefly sum up your feelings regarding the economic crisis?**

____

____

Personal Details

27. **Gender M☐F ☐**

28.**Age 18-29☐ 30-39☐ 40-49☐ 50-59☐ 60-69 ☐ 70+☐**

29.**Occupational Status**

Unemployed	Employed	Self-Employed	Retired	Unable to Work

b) **If you answered "Employed" or "Self-Employed", please state occupation. (In the case of "Retired", please state previous occupation.)**

____

30.***Response is Optional***

What range best describes your annual income?

<€20,000	€20,001-35,000	€35,001-50,000	€50,001-65,000	€65,001-80,000	€80,001+

31.**How long have you been banking with AIB?**

Less than 5 years	Between 6 and 10 years	Between 11 and 20 years	Over 21 years

Any other comments: ____

____

____

Thank you again for your participation. It is greatly appreciated and will contribute to the quality and validity of the overall findings.

The following questionnaire strives to address the research topic that I am currently investigating namely "Is Investment in Relationship Marketing conducive to Trust, Confidence and Profitability in Retail Banking?". Your participation in the interview is greatly appreciated and will undoubtedly provide invaluable insight and credibility to the findings.

Interview Questionnaire

Topic Related

1. Are there various segments/categories of customers of AIB?
   If yes, can you outline each segment?
2. Does AIB practice Relationship Marketing?
   If yes, could you describe the techniques that are used?
   Do these techniques vary across the different customer segments?
   Does any particular segment receive more Relationship Marketing effort than others?
3. Does any segment provide the most potential for profitability?
4. Does the highly profitable group receive more Relationship Marketing, customer service, customer care or any other service benefits?

Probing

5. How important is trust to your overall strategy?
6. Is the development of relationships strategically important to AIB?
7. Do you feel customers want a relationship with their bank?
8. Does this sentiment vary across the various segments?
9. Do Relationship Marketing efforts vary across different segments?
10. Do different segments have different expectations of the level of service and Relationship Marketing they should receive?
11. Does AIB use techniques to engender trust and confidence among their customers?
    If yes, can you please outline the main techniques used?
12. Do you anticipate that those techniques will alter in the future? If yes, in what ways?
13. Do you feel that trust/confidence levels have diminished in recent years?
14. Has your approach to customers/customer relationships changed as a result?

Focus Group Findings

The follow questions are derived from the findings of a number of focus groups carried out to address the same research topic. Some of the findings were unexpected and interesting and the researcher felt that you could perhaps give your interpretation of said outcomes.

Negative Publicity

According to the focus group findings, there is an underlying umbrage towards and perception of arrogance about the retail banking sector of late.

15. Are you aware of this perception?
16. Does the AIB intend to adopt measures to address this issue?

Customer Complacency

There is an inherent inertia/complacency among banking customers that renders them unlikely to switch between providers.

17. Do banks develop strategies in acknowledgement of or based on this apathetic disposition?

Loyalty

All respondents expressed that the basis of their loyalty to AIB was that all other banks offered a similar service to AIB and that consequently there was "no point in switching". Therefore it was not the result of Relationship Marketing or any other efforts expended by AIB.

18. Would you agree with this perception?

Future of banking

In a concluding question that requested the respondent to predict with whom they would have an account in 10 years time, very few felt that they would still be banking with a private Irish bank.

19. How do respond to this projection?

Word association

In a word association test, the group were asked to state the first word that came to mind when given a particular word. When presented with the word "bank" all responses were negative.

20. Were you aware of such negativism?
21. Do you feel that it is an issue that should be addressed? If yes, how do you propose to change such negative perceptions?

Strategy of Regression

Whilst the general approach to marketing has seen a paradigm shift from transactional to relationship marketing, it would seem that the retail banking sector has regressed to the contrary. A sector that historically was founded on the success of an in-depth knowledge of and strong relational bonds with it's customers would now seem to be striving towards the transactional approach. This is evident by the perception that banks are:

> ***a) Eliminating the personal element of the service***
> ***b) They seemingly encourage online banking***
> ***c) Customer service and service encounters are standardised***
> ***d) Centralising decision making on loan approval***

22. Are you familiar with these types of perceptions?
23. What is the underlying cause of such perceptions?
24. Is it AIB policy to promote these strategies?
25. In consideration that these may be indicative of public views, has AIB developed any strategy to respond to these perceptions?

<u>Serendipity</u>

Historically banks implemented excellent relationship marketing before the phrase was coined?

26. Would you agree with this statement? If yes, was it developed organically or was it policy/strategy driven?

<u>Issue of Respect</u>

Research has also shown that complementary to diminishing trust and confidence levels, customers feel that banks no longer treat them with the respect they feel is their due as a result of the bailout agreement. This perceived lack of respect is evident by the "entire banking sector's audacity and impudent response to the crisis that it undeniably induced".

27. Is respect an important element of AIB retail banking
28. Do you believe that this perceived lack of respect may be contributing to the negative perception of the sector?

<u>Concluding Questions</u>

29. Can banks re-establish the trust and confidence that was once present in the banking sector?

30. Does AIB invest in Relationship Marketing? If yes, how?

31. Does this investment contribute to the success of AIB? If yes, to what extent?

32. What is your position at AIB?
33. How long have you worked in this position?

Have you any other comments you would like to contribute to the research?

Thank you very for your contribution to my research it will no doubt provide invaluable insight into the proposed research topic and lend quality and credibility to the overall study. I would also be glad to forward to you a copy of the findings, if you so wish.

Should you wish to contact me or if you have any queries at all, please do not hesitate to contact me @ mcgurrin.christopher@itsligo.ie or on my mobile 086 3165264.

The following questionnaire addresses the research topic that I am currently investigating namely "Is Investment in Relationship Marketing conducive to Trust, Confidence and Profitability in Retail Banking?". Your participation in the interview is greatly appreciated and will provide invaluable insight and credibility to the findings.

Interview Questionnaire

Section A:
Relationship Marketing

34. What is your understanding of the term "Relationship Marketing"?
35. Do banks practice relationship marketing?
36. How do banks implement and use relationship marketing?
37. What are the benefits to banks of using relationship marketing?
38. Is there a link between relationship marketing and a) Trust, b) Confidence and c) Profitability?

Section B:
Customer Relationships

39. How important is trust to the overall strategy and ultimately, the success of Irish retail banking?
40. Is the development of customer relationships strategically important to retail banks?
41. Do you feel customers want a relationship with their bank?
42. Do you think this sentiment varies across the various customer segments?
43. Do you feel that different customer segments have different expectations of the level of service and Relationship Marketing they should receive?
44. Do banks use techniques to engender trust and confidence among their customers? If yes, can you please outline the main techniques used?
45. Do you anticipate that those techniques will alter in the future? If yes, in what ways?
46. Do you feel that trust/confidence levels have diminished in recent years?
47. How should retail bank's approach to customers/customer relationships be altered as a result?

Section C:

Focus Group Findings

The follow questions are derived from the findings of a number of focus groups carried out to address the research topic. Some of the findings were unexpected and interesting. In this section you are asked to give your interpretation/insight of said outcomes.

Negative Publicity

According to the focus group findings, there is an underlying umbrage towards and perception of arrogance about the retail banking sector of late.

48. Are you aware of this perception?
49. Do you recommend retail banks adopt measures to address this issue?

Customer Complacency

There is an inherent inertia/complacency among banking customers that renders them unlikely to switch between providers.

50. Do banks develop strategies in acknowledgement of (or based on) this apathetic disposition?

Loyalty

All respondents expressed that the basis of their loyalty to one particular retail bank was that all other banks offered a similar service and that consequently there was "no point in switching". Therefore it was not the result of Relationship Marketing or any other efforts expended by the bank.

51. Would you agree with this perception?

Future of banking

In a concluding question that requested the respondent to predict with whom they would have an account in 10 years time, very few felt that they would still be banking with a private Irish bank.

52. How do respond to this projection?

Word association

In a word association test, the group were asked to state the first word that came to mind when given a particular word. When presented with the word "bank" all responses were negative.

53. Were you aware of such negativism?
54. Do you feel that it is an issue that should be addressed? If yes, how do you propose to change such negative perceptions?

Strategy of Regression

Whilst the general approach to marketing has seen a paradigm shift from transactional to relationship marketing, it would seem that the retail banking sector has regressed to the contrary. A sector that historically was founded on the success of an in-depth knowledge of and strong relational bonds with it's customers would now seem to be striving towards the transactional approach. This is evident by the perception that banks are:

- ***e) Eliminating the personal element of the service***
- ***f) They seemingly encourage online banking***
- ***g) Customer service and service encounters are standardised***
- ***h) Centralising decision making on loan approval***

55. Are you familiar with these types of perceptions?
56. What is the underlying cause of such perceptions?
57. Is it retail banking policy to promote these strategies?
58. In consideration that these may be indicative of public views, should banks develop strategies in response to these perceptions to ensure future success?

<u>Serendipity</u>

Historically banks implemented excellent relationship marketing before the phrase was coined?

59. Would you agree with this statement? If yes, was it developed organically or was it policy/strategy driven?

<u>Issue of Respect</u>

Research has also shown that complementary to diminishing trust and confidence levels, customers feel that banks no longer treat them with the respect they feel is their due as a result of the bailout agreement. This perceived lack of respect is evident by one respondents view that the "entire banking sector's audacity and impudent response to the crisis that it undeniably induced".

60. Is respect an important element of Irish retail banking
61. Do you believe that this perceived lack of respect may be contributing to the negative perception of the sector?

<u>Section D:</u>

<u>Concluding Question</u>

62. Can banks re-establish the trust and confidence that was once present in the banking sector?

Respondent Details

63. What is your position at the AIB?
64. How long have you worked in this position?

Have you any other comments you would like to contribute to the research?

Thank you very for your contribution to my research. It will no doubt provide invaluable insight into the proposed research topic and lend quality and credibility to the overall study. I would also be glad to forward to you a copy of the findings, if you so wish.

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