



**EXPLORING THE CONCEPTS AND PRACTICES
OF RELATIONSHIP MARKETING WITHIN
TAIWANESE BANKS**

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Abstract

Relationship marketing (RM) is a concept developed in the Western literature which came to prominence in the 1980s. Few studies have, however, considered RM in an Eastern context and in particular the connection RM has with *guanxi*, the personal relationship or connections found in Chinese based cultures.

This thesis adopts a broad perspective of RM from Western theories to explore the concepts and practices in Taiwanese banks. Using the existing definitions of RM, a number of RM components have been identified in this research which include the aims of RM (creation, enhancement, and maintenance), the RM mix (interaction, emotional contents, customer lifetime values, and customisation), and the outcomes of RM (long-term relationships, profitable relationship, customer share, and relationship termination).

This research used in-depth interviews in order to investigate what Taiwanese banks understand about RM and how they implement RM to build customer relationships. 34 interviews were conducted with senior bank managers from 17 Taiwanese banks. All interviews were taped and transcribed. Template analysis was used to analyse the data.

The findings suggest that Taiwanese banks have embraced these components when implementing RM. More importantly, *guanxi*, which is deeply embedded in Chinese culture, also has an influence on both concepts and practices of relationship marketing. As such, Western marketers, who have an understanding of the role of *guanxi*, could be more effective in implementing RM in Chinese-based economies. One of the key contributions of this thesis is on the development of the RM A.M.O. (RM's Aims, Mix, and Outcomes) framework which provides an overview of RM and the capability of the components. Also, acquiring market share, developing customer share and retaining relationships instead of relationship termination should be considered as part of relationship marketing practices.

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Chapter One Introduction

1.1 Chapter Overview

There is a tendency that organisations are seeking to adopt relationship marketing (RM) with the expectation that it will help them retain customers and in so doing, deliver long-term and value-added customers (Payne *et al.*, 2005). This thesis concerns the exploration of the concepts and practices of RM within Taiwanese banks. This chapter presents the research background, as well as the overall research aim and related objectives, followed by a series of research justifications. The chapter concludes with the provision of a brief overview of the structure of this thesis.

1.2 Research Background

Forward-thinking companies and marketing managers are recognising that it is possible for them to have a relationship with their consumers and that the need for defining, understanding, and measuring this relationship has become apparent and timely (Arantola, 2002; Fournier *et al.*, 1998; Peppers and Rodgers, 1993; Sheth and Parvatiyar, 1995). One of the major reasons that firms devote themselves to customer relationships is because it is more costly to acquire new customers than to retain existing customers. Since Berry (1983) first coined the term relationship marketing academics and practitioners alike have been advancing and advocating its importance. So, relationship marketing has been receiving increasing attention and heralding a major shift in recent marketing theory and practise (Morgan and Hunt, 1994, Sheth and Parvatiyar, 1995a Gummesson, 2002a). More and more organisations focus their attention on retaining existing customers. Although the origins of relationship marketing are to be found in an industrial context (Payne *et al.*, 2005), it is with the increasing importance of the service sector during the last two decades that relationship marketing has emerged as an important topic in helping marketers focus on maintaining and enhancing customer relationships (Peck *et al.*, 1999). In addition, there has also been a growing interest

amongst academics and practitioners in Asia (Leung *et al.*, 2005; Adamson *et al.*, 2003; Lee *et al.*, 2001; Davies *et al.*, 1995), and particularly in Taiwan (Shih and Fang, 2004; Chang and Tseng, 2005) to study RM. For example, Adamson *et al.*, (2003) reveal that Hong Kong's financial institutions use RM as an innovative strategic planning tool to gain competitive advantage, and Chang and Tseng (2005) report that Taiwanese multilevel marketing companies have implemented RM in their marketing strategy (e.g. core service performances, recognition for contributions, dissemination of organisation knowledge, and member interdependence enhancement), in order to establish profitable customer relationships.

Banks in Taiwan are very unique, for they have long been in a very conservation and close environment. Not until late 1980, the government in Taiwan began to loosen the limitations on the establishment of new bank. Following Taiwan's entry into the World Trade Organisation (WTO) in 2001, Taiwan has committed to further liberalising its financial services markets. Domestic financial institutions could more actively participate in the international financial market (e.g. entry into China's financial market), and local financial institutions would also benefit from the opening of foreign financial markets. In addition, foreign banks will enter the island's domestic market and bring with them the advantages of capital and financial innovation which stimulate and motive the international competitiveness of Taiwan's financial institutions. In other words, Taiwanese banks are facing dual competitive pressures in the areas of service quality and administrative efficiency. This diverse and uncertain environment has forced Taiwanese banks to restructure themselves in order to enhance their chances for survival and growth, such as merging financial services companies and the establishment of financial holding banks. Also, acquiring and retaining customers has become more difficult than it was in the previous decades for Taiwanese banks.

Furthermore, in recently two years, there is large numbers banks, both foreign and local Taiwanese banks, have vowed to increase their wealth management business after bring hit hard in the past two years by losses from consumer bad debt (Chung, 2007). According to Taipei Times News in 2007¹, more and more banks (such as ChinaTrust Financial Holding Co, Cathay Financial Holding Co, and etc) are devoted to 'wealth

¹ Available from: <http://www.tapeitimes.com/News/bizforucs/archives/2007/03/05/2003351093>

management' in order to replace 'consumer credit abuse'. According to Mckinsey & Co's Bank in Asia report in 2003², Taiwan is one of Asia's fastest growing wealth management markets – with a predicted annual growth rate of 14% until 2011. One positive factor for the booming wealth management business that Taiwan's population is aging fast and needs retirement planning for the future as well as financial advice on issues like health insurance and child education (Chung, 2007). Regarding to the competitive financial marketplace in Taiwan, banks also have recognised the importance for long-term relationship with their customers. Therefore, banks take effort to transform by moving the focus onto fee-based income and providing more tailor-made financial services when the interest margin is under high pressure. In other words, the wealth management market has become a main stream in Taiwan's financial marketplace. As considering wealth management provides highly customised financial planning and advice, it is emerged imperative importance to understand the customer's needs and close and the customer relationships between bank and customers (Lin, 2008). Indeed, the key criterion in providing this kind customised financial service to customers is the adoption of RM since the relationship between bank and customer should be concerned with long-term and mutual benefits.

The nature of the financial services industry is that of selling services that are intangible in a highly competitive and near-saturated market. Almost everyone can relate to, either from their own experience or that of a neighbour, the plethora of mailings they receive daily with offers from financial service institutions for new, improved, less expensive credit cards, investment programmes, mortgages, auto and other consumer loans. Furthermore, banks have typically developed relationships with customers with have signed contracts involving lending money or making other financial arrangements. Emotional content (e.g. trust) developed between the customer and the management or other employees in the banks might also be stronger from formal and informal face-to-face interactions contacts. Especially in today's changing world, consumers have a choice in most areas of their banking relationship. Kotler (1991) notes that a paradigmatic shift is occurring within marketing theory where the focus in the future will be on long-term relationships instead of on short-term exchange transactions. The reinforcement of a relationship is increasingly important especially as banking becomes

² Available from: <http://www.tapeitimes.com/News/bizforucs/archives/2007/03/05/2003351093>

more technical and electronic (Gilbert and Choi, 2003). The relationship between a bank and its consumers is also frequently seen as a strategic, long-term arrangement to promote the interests of the firm while also better fulfilling the needs of its consumers. Maintaining and enhancing relationships with personal customers is one way banks have sought to use defensive marketing and increase customer retention (Colgate and Alexander, 1998). Therefore, RM has been advocated as an excellent way for banks to establish a unique long-term relationship with customers (So and Speece, 2000).

In addition, methods of conducting business are also changing. Although the idea of RM has been widely discussed, Gummesson (2002b) suggests that 'the operational contents' of the new paradigm are 'unclear' still holds (also see in Plakoyiannaki and Tzokas, 2002). This would suggest that there is still a need to better understand RM and the feasibility of practising RM programmes in the different banking sectors. Most of the past studies on RM were mainly conducted in Western settings and few have discussed this concept in Asia (Gilbert and Choi, 2003; Adamson *et al.*, 2003; Leung *et al.*, 2005). Others have also recently made this point that RM within the banking industry is becoming increasingly important in both Western and Asian countries (Zineldin, 1995; Colgate and Stewart, 1998; Gilbert and Choi, 2003). However, So and Speece (2000) conclude that Westerners place more emphasis on technology than Eastern banking.

There are only a few studies that have investigated RM implementation in Taiwan. For example, Chang (2006b) indicates the important role of the sales agent in forging and maintaining customer relationships in the insurance industry. Tseng (2007) finds the effects of RM strategies (such as tangible rewards, preferential treatment, and memberships) effective in developing long-term customer relationships. Liang and Wang (2007) investigate the information education service industry and conclude that effectively segment their customers is to use different marketing programs from customers of various characteristics. However, none of these studies have investigated RM within Taiwanese banks. One of most related studies from Liang and Wang (2005) indicates that financial products with different product attributes will benefit the most from individual types and levels of levels of relationship investment which can be applied directly to each product. Their research is focused on various customer characteristics (both corporations and individuals) which results in RM programmes (relationship bonding strategies) that are implemented differently. However, these bonding strategies

are often used to focus on different levels of customer relationship (financial, social, and structure bonds).

This thesis intends to explore and identify the various notions of RM theory and particularly to investigate its application in Taiwanese banks. Hence, research that brings insight into the RM phenomenon is important. It may not only offer companies a competitive advantage, but also offer the consumer an opportunity to be better serviced by the firm.

1.3 Research Aim and Objectives

The aim of this research is to explore the understanding and implementation of RM in an Eastern context, specifically Taiwanese banks. The findings of this research will enable an appropriate RM framework to be development for Taiwanese banks. This research is guided by the following objectives:

Objective 1: To examine the understanding Taiwanese banks have of the relationship marketing concept

With regard to this study is taken from the viewpoints of Taiwanese banks, it is necessary for the researcher to investigate about their concepts of relationship marketing. Although relationship marketing is not a new theory which has been discussed within many previous studies, it is still important to explore it in the different context of this research in Taiwanese bank. This will also provide indication of RM which may in turn influence their marketing strategies. Furthermore, to categories Taiwanese bank's understanding will contribute the existing knowledge of RM from Western theories. This also leads to the discussion of RM implementation and other associate sub-topics.

Objective 2: To explore the current relationship marketing activities and methods of implementation within Taiwanese banks

This objective is to explore how Taiwanese bank apply RM into their marketing strategies in order to build upon customer relationship. This objective will not only explore RM activities but also understand the reasons behind the different RM approaches.

Objective 3: To investigate how *guanxi* impacts on relationship marketing concepts and practices and their interrelation within Taiwanese banks

This objective is intended to understand the role *guanxi* plays in RM within Taiwanese banks. *Guanxi* is part of Chinese culture, which may influence on how relationship marketing is understood and implemented. Also the conclusion of this objective will be the key in determining the final conceptual framework which is the fourth objective.

Objective 4: To develop a conceptual framework based on the empirical findings of this research that that simultaneously connects and illustrate the position of each relationship marketing component.

This objective is where the researcher intends to draw a conclusion for this thesis. A framework can be developed according to the results of this research. This conceptual framework also suggests the patterns for further research in relevant research areas, and to provide a clear framework for business considerations.

1.4 Justification for the Study

Relationship marketing theory has been gradually accepted as a school of marketing thought. However, the review of the RM subject reveals that Western interpretations have not yet managed to explain Asian, (and more specifically Chinese or Taiwanese) contexts. This research notes four gaps and/or uncertainties that are identifiable from the RM literature and that influence the investigation of the marketing phenomenon of interest in this study.

The first gap reflects a proposition of this thesis that there is still a need of validate constructs to facilitate the various RM approaches. It is also important to identify which approach is more appropriate for this research. A review of current RM literature reveals a great many attempts by a many authors (e.g. Berry, 1983; Grönroos, 1994) to define 'relationship marketing' in terms of what they perceive as its key conceptualisations. Different authors have different opinions about what should and should not be included at the core of RM. However, it is an almost unavoidable result of this lack of established common ground that conflict about the very meaning of RM has resulted (Harker, 1999). After Harker's (1999) study, there seems no follow a line of investigation which means there is still a need to fill the gap and merge of these different existing paradigmatic approaches which will facilitate theory generation.

Moreover, many past studies have focused on separate elements of RM (such as trust and commitment in Morgan and Hunt, 1994; service quality, satisfaction and commitments in Wetzels *et al.*, 1998). However, Bagozzi (1975, pg.39) points out that marketing might be conceptualised as involving different '*types of exchanges*' and associated '*meanings*' in the exchange process. Bruhn (2003) argues that RM should represent an integrated approach under whose umbrella all of a company's marketing activities can be pursued. Eiriz and Wilson (2006, pg. 275) further indicate that the concept of RM still lacks clarification and depending on the theoretical background adopted because it is often used indistinctly to refer to different meanings. This study therefore builds on previous attempts to clarify various aspects of RM in the marketing literature and address both the richness and completeness of the phenomenon.

The second gap concerns what is at the heart of this research, namely the need for conceptualisation and empirical findings to address relationship creation, development, maintenance, and termination between banks and customers in an Asian country, particular in Taiwan. As a result of the diverse ways of understanding RM, no set of best practice has been promoted, although several approaches nevertheless have been proposed (e.g. Rosenberg and Czepiel, 1984; Stone *et al.*, 1996; Lindgreen, 2001). In other words, previous conceptualisations of RM are largely without empirical evidence (e.g. Bendapudi and Berry, 1997; Berry and Parasuraman, 1991; Zikmund *et al.*, 2003; Narayandas, 2005; Lacy, 2007). It has even been suggested that no guidelines exist that guarantee an effective design, implementation, monitoring and measurement of RM

programmes (Lindgreen, 2001). Hence, there is still a growth space for RM research combined with empirical investigation in order to rich and fills the knowledge of RM concepts.

The nature of relationships depends on the life long experience of those involved in building the relationship (Buttery and Wong, 1999). Culture is therefore important to relationships. Being a high context culture, Taiwan needs to be understood within its own setting. Moreover, firms from different cultural areas are likely to have different corporate cultures, which may well mean that thinking about RM could vary (So and Speece, 2000). In a similar vein, marketing practices may not be universally applied because culturally defined values will affect their effectiveness in different cultural contexts (Hofstede, 1992). In other words, So and Speece (2000) highlight that Asian banks remain quite competitive and suggest that the Western concept of RM is not greatly superior to the Asian way of operating. Gilbert and Choi (2003) also propose that there is a need to have a better understanding about RM and the feasibility of practising RM programmes in different banking sectors. RM seems to be more complicated in Asian settings because it should involve the culture factors (Leung *et al*, 2003). Therefore, when considering the financial services sectors and the extent to which it can facilitate a RM approach, it is important to identify which approach is most appropriate.

Third is the recognition of further identifying of the term '*Guanxi*' in the relationship marketing literature. In recent years there has been a growing interest in Asian business practices, in particular the use of social networks in China or Chinese-based economies (e.g. Taiwan, Hong Kong, Singapore and Macao). In these Chinese-based economies, relationships are paramount in business, to the extent that the Chinese use the word '*guanxi*' (pronounced *guan-shee*) to describe the special relationships that are built into networks, and which underpin the way that the Chinese prefer to do business. In addition, it has been argued that conducting business in these Chinese-based economies is particularly difficult because of the higher relative importance of *guanxi*, as opposed to the specification and enforcement of contracts in the West (Davies, *et al.*, 1995). Buttery and Wong (1999) suggest that any marketer wishing to be successful in Chinese economies would do well to understand the concept and practice of *guanxi*. Past studies also suggest that those specific Chinese culture variables, (i.e., *guanxi*) must be included in the study of RM because there are no universal principles applicable to all countries

(Redienbach and Robin, 1990; Tong and Yong, 1998; Leung, *et al.*, 2005). In other words, the word '*guanxi*' refers to informal relationships and exchanges of favours that dominate business activity throughout China and East Asia (Wong and Tam, 2000). *Guanxi* and *guanxi*-type systems are worthy of the attention of business researchers. This thesis will explore the standpoints of Taiwanese banks and also will identify *guanxi* by comparing the variables researchers have found to be significantly associated with RM, those related to *guanxi*, and the similarities and differences between them. Therefore, one of the objectives of this study is to identify the term '*guanxi*' in RM. This study will seek to add a new approach to *guanxi* from a RM perspective and expected to provide marketers with practical guidelines on ways to develop RM in Taiwan and possibly other Chinese-based markets.

In recent years, customer relationships have received lots attention from both academics and practitioners (Beery, 1995; Palmer, 2002; Reynolds and Beatty, 1999). Customers today are better informed, more discriminating and certainly more demanding. They demand customised treatment as each has a unique set of preferences, and problems to be solved (Ndubisi, 2007). In addition, customers seem to have more choices and are less loyal (i.e., they have no difficulty in switching banks) because in essence, they want value for their money (Leverin and Liljander, 2006). RM refers the process of 'attracting, maintaining and enhancing customer relationships' (Berry, 1983), has profoundly influenced marketing theory and practice through bringing about a paradigm shift (Grönroos, 1996; Parvatiyar and Sheth, 2000; Gummesson, 2002b).

The fourth gap is there is a lack of studies that investigate the various aspects of services vital to customer retention in consumer banking services. RM within the banking industry is becoming increasingly important (see Colgate and Stewart, 1998; Zineldin, 1995). In particular, the competitive environment of consumer banking is under constant pressure to innovate and develop new ways to improve customer service that contributes to '*the long-term person-to-person relationship between a financial institution, its distributors and its customer*' (Peck *et al.*, 1999). Colgate (1996) found that bank customers want and value relationships with their financial service providers. RM within the banking industry is becoming increasingly important (Colgate and Stewart, 1998; Zineldin, 1995). However, many past studies focus on Business-to-Business banking (B2B) sector which means to date there is a lack of studies that examine the various

aspects of services vital to customer retention (Zeithaml et al., 2001). In other words, although RM has become pandemic in the services and business-to-business literatures over the past three decades, much less has been advanced in the consumer markets (Berry, 1995a; Berry, 2002). According to some authors, studies on RM in consumer markets are still lacking (Reynolds and Beatty, 1999; Sheth and Parvatiyar, 1995; Wong and Sohal, 2006). Therefore, more studies for consumer services are required. This research concerns the investigation of how RM is implemented in the Taiwanese consumer banking sector in order to establish, enhance, and maintain the customer relationship.

Moreover, Sheedy (1997) indicates that in banking, RM has not always been carefully implemented. This would suggest that there is still a need to better understand RM within banks (So and Speece, 2000). It would be useful to understand exactly how banks themselves conceptualise RM. More specifically, what do these marketing managers in Taiwanese banks, who are in the front lines of implementing RM think it is? This study provides empirical proof to fill these research gaps in the extant literature.

Additionally, as encouraged by supranational institutions like the World Trade Organisation (WTO), International monetary fund (IMF) and the World Bank, most countries (like Taiwan and China) are eliminating trade barriers and opening their doors to foreign companies. The importance of the Asian marketplace and competitiveness of the newly developed nations, such as the Four Small Asian Dragons (Taiwan³, Hong Kong, Korea, and Singapore) are increasingly competitive in the global financial markets. Therefore, this research justifies Taiwanese financial market in terms of enhancing our understanding of the topic.

³ Taiwan is the world's 16th largest economy. Available from : www.whitehouse.gov/news/releases/2001/11/20011111-1.html

1.5 Structure of the Thesis

This thesis is comprised of eight chapters. Chapter one has presented an overview of the study area, as well as a series of research justifications, as well as the clarification of the overall aim and related objectives. It was suggested that there is limited research specifically focusing on the consumer banking in Taiwanese bank.

Chapter Two delivers a thorough review of the theoretical and empirical literature which defines RM and describes the most commonly occurring antecedents and outcomes of this practice. This chapter also concludes with a critical discussion of the characteristics of RM which consist of its associated aims, mix, and outcomes. The practice of RM in Asia and Taiwan will also be presented in this chapter. Building on this review, the conceptual framework will be derived from the literature, followed by a series of propositions which will be presented in Chapter Three. The methodology of a qualitative interpretivistic approach to this study is described in Chapter Four. This chapter also presents a discussion of the research philosophy, design, interview instruments, data analysis procedures, methods of data analysis, and the initial template.

In Chapter Five and Chapter Six, of the research findings will be provided and analysed. Two major stages will characterise data analysis. Chapter Five involves the concepts of RM in Taiwanese banks, and Chapter Six provides the practices of RM from Taiwanese banks in order to provide an integrated view of RM implementation. Chapter Seven contains a summary of the key findings and a related discussion. This chapter focuses on the modification of the original conceptual framework, with further elaboration and in-depth explanation. Finally, Chapter Eight concludes the thesis with an interpretation of their possible implications for academics and practitioners. A series of reflections regarding the study's limitations, and discussion of future research activities will also be provided. Since RM is the core discipline for this study, it is important to identify numerous research gaps in the existing literatures before the development of conceptual framework. A critical review of the literature follows in the next chapter.

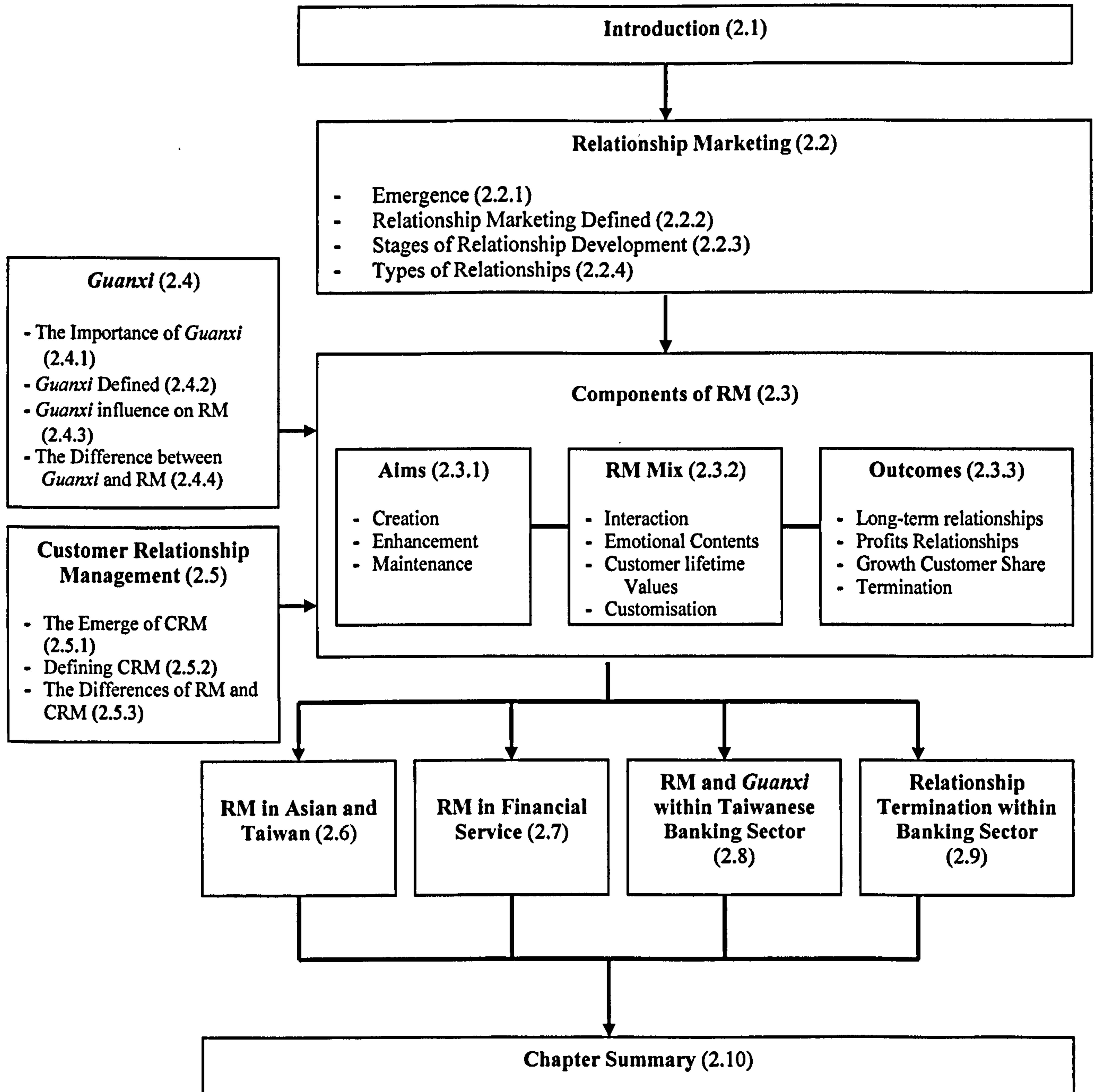
Chapter Two

Literature Review

2.1 Chapter Overview

Chapter Two presents an in-depth discussion of the concepts of Relationship Marketing (RM). In this chapter, the theoretical basis for this research is supported through a discussion of previous studies and extant studies relevant to the constructs of RM. This chapter will also summarise the different perspectives and definitions of RM. The objective of this literature review is to examine existing researches on RM and allied subjects in order to establish a theoretical basis for a conceptual framework on RM that will be introduced in Chapter Three. This literature review is comprised of ten sections. The first part provides a review of the various RM notions extracted from previous studies (2.2), in which the emergence of RM (2.2.1), the RM definition (2.2.2), the stages of relationship development (2.2.2), and the types of relationships are studied. The second section discusses the components of RM (2.3) as one core concept of RM, in which the aims of RM (2.3.1), RM mix (2.3.2), and outcomes of RM (2.3.4) have been identified. The importance of *guanxi* (2.4) will also be discussed (2.4.1), as well as its definition (2.4.2), influence (2.4.3), the difference between *guanxi* and RM (2.4.4), *guanxi* in Taiwanese banking sector (2.4.5), and customer relationship management (CRM) (2.5) which contains three sections including the emergence of CRM (2.5.1), defining CRM (2.5.2) and the differences between RM and CRM (2.5.3). According to the scope of this study, RM within Asia and Taiwan (2.6), RM in financial services (2.7), and RM within the Taiwanese Banking Sector (2.8) are also discussed. Besides relationship development, the complete opposite of RM, namely the termination of relationships within the banking sector (2.9), will also be addressed. The final section (2.10.) summarises the key features of this chapter. Figure 2.1 outlines the pertinent points within this chapter with section numbers as well as the interrelations in order to guide the reader.

Figure 2.1 Outline of chapter 2 with section numbers and interrelationships



2.2 Relationship Marketing

Relationship marketing (RM) is the core discipline for this research. This section includes the discussion of the emergence and definition of RM from both narrow and broad perspectives, as well as the various stages of RM.

2.2.1 The Emergence of Relationship Marketing

Relationship marketing (RM) emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognised that many exchanges, particularly in the service industry, were relational by nature (Berry, 1983; Dwyer *et al.*, 1987; Grönroos, 1994; Gummesson, 1994; Sheth and Parvatiyar, 2000; Leverin and Liljander, 2006). The business environment became favourable and the economy grew rapidly in the post-1945 era, after the end of World War Two (Grönroos, 1994). With changes in the business environment, various schools of thought have emerged in the field of marketing. The four P's theory has dominated marketing thought, research and practice ever since that time (McCarthy, 1964, 1978).

However, the prospects for continued growth are now much less favourable. Mass marketing and the transaction orientation of the marketing mix approach could not help companies to adjust their marketing performance and to meet the demands of customers (Grönroos, 1996). In this recent era of intense competition and demanding customers, RM is increasingly concerned with the development and maintenance of mutually satisfying long-term relationships with customers (Buttle, 1996). The concept of RM was first investigated in the 1970s. However, it was not until the late 1970s and the 1980s that the term RM emerged in the marketing literature. Since then, RM has evolved over the last three decades with emphasis shifting between different approaches. Subsequent to this, marketing has no longer been just about developing, selling and delivering products.

In recent years, marketing scholars and practitioners have embraced two important shifts in marketing. First, the migration from short-term, transactional exchanges to long-term, relational exchanges has become standard practice for many firms (Webster, 1992). Second, many marketers have recognised the importance of RM, and this notion

was first introduced to services by Berry (1983). Although coined more than twenty years ago, RM remains an ambiguous concept, and this is evidenced through the ongoing and increasing attention RM is receiving in the academic literature (Eiriz and Wilson, 2006). Moreover, relationships between customers and business firms have been consistently highlighted as key success factors characterising successful business practices worldwide. Hence, RM theory has been gradually accepted as a school of marketing thought that is based upon the idea that companies responding to their customers as individuals are likely to be enjoy greater loyalty and superior performance.

According to Gummesson (1996), the traditional view of marketing tends to focus on the transactional aspect and the management of the marketing mix variables which in the literature is often labelled Transaction Marketing (TM). This transactional approach to marketing may function very well in situations where a firm needs new customers (Groöroos, 2000a). Payne (2000) asserts relationship marketing must not be understood as a new definition of the marketing school of thought but rather as an extension of TM. This viewpoint becomes clearer when comparing the distinctive characteristics of TM against those of RM (Palmer, 1998). RM is broadly agreed to be the opposite of transaction marketing (Palmer, 1998). This is also a useful aid to understanding RM is to contrast it with TM (Little and Marandi, 2003), because the TM mix approach to marketing deals mainly with attracting, as opposed to retaining customers. The central tenets of these two approaches (TM and RM) compare differently in respect of time scales, key concepts, marketing focus, marketing goals, and marketing interaction (e.g. Payne *et al.*, 1995; Egan, 2001; Bruhn, 2003) as summarised in Table 2.1.

Therefore, TM puts more emphasis on promotion of product characteristics rather than the offering of customer services. The purpose of RM is to make short-term dealings with customers without thinking of customer satisfaction but only engaging in limited commitment for customer expectations (Payne *et al.*, 1995; Bruhn, 2003). In other words, TM activities are aimed at acquiring new customers only, in contrast to RM that is concerned not only with acquiring customers, but also with customer retention and recovery. The attention to RM refocuses the traditional TM approach by placing a greater emphasis upon the creation of customer value (Bruhn, 2003), so RM focuses much more on value delivery and also places emphasis on customer services. More specifically, RM works well when customers have long time horizons and it leads both the customer and

supplier to invest substantial resources and effort in maintaining the relationship (Kinard and Capella, 2006). RM is closely related to service marketing because of the interaction that often occurs between the customer and the service provider.

Table 2.1 Comparison of transaction marketing and relationship marketing

Criteria for differentiation	Transaction Marketing	Relationship Marketing
Time scale	Short-duration	Long-duration
Key concepts	4Ps, segmentation, branding, etc.	Interaction, relationships and networks
Marketing focus	Product/service	Product/service and customers
Marketing goal	Customer acquisition	Customer acquisition, customer retention, customer recovery
Marketing interaction	One-way communication	Interactive communication, mutual learning and adaptations

Source: adopted from Payne et al., (1995), Payne (2000), and Bruhn, M. (2003, pg.13)

RM involves multiple continuous interactions extending over time and takes both economic and social bonds into account (Fontenot and Wilson, 1997). Therefore, customer acquisition is only one of the focuses and the orientation turns to customer retention and customer recovery (Payne *et al.*, 1995; Manfred, 2003). This perspective is reflected in this study. After the comparison of transaction marketing and relationship marketing, the concern of RM is developing long-term relationships with customers. Based on this understanding of the emergence of RM, the following section further discusses the definition of RM,

2.2.2 Relationship Marketing Defined

Today, relationship marketing is regarded as a more relevant approach in the present world of marketing. RM is provided as an alternative strategy to the traditional marketing mix approach which means to obtain sustainable competitive advantage and the best way to retain customer in the long run (Little and Marandi, 2003). Researchers have proposed a variety of definitions in an effort to explain the philosophy that encompasses the concepts which support RM.

Nevin (1995) as well as Sheth and Parvatiyar (2000) indicate that RM has been used to reflect various themes and perspectives which differ between a more narrow functional approach on the one hand, and a broader paradigmatic view on the other. However, the term sometimes seems to be unclear as different authors describe RM in different ways. For example, Sheth and Parvatiyar (1995a) present a seemingly narrow view of the reason that a customer may enter into a relationship with a firm, in which consumers reduce their available choices and engage in relational markets, because they want to simplify their buying tasks. On the other hand, Morgan and Hunt (1994) support a broader definition in which RM refers to all marketing activities, directed towards establishing, developing, and maintaining successful relationship exchanges.

According to Sheth and Parvatiyar (2000), the broad perspective advocates customer relationships as the key focus and dominant paradigm of marketing. This research adopts their standpoints and intends to provide an integrative view of RM. This study will also further discuss RM theoretical foundations and analyse the main streams of research that have been converging in this emerging paradigm within marketing, prior to offering a perspective which attempts to integrate these streams.

Harker's (1999) study summarises 26 different definitions of RM and provides general RM constructs consisting of seven conceptual categories, namely creation, development, maintenance, interaction long-term, emotional contents and output. Harker (1999) further suggests that true and complete integration of RM theory must wait until a coherent understanding of these fundamental concepts has been developed. However, as Harker's (1999) study was conducted nearly a decade ago, it does not contain the perspectives of RM which have been provided in more recent years. Therefore, this

research consequently requires continual updating of RM concepts by following the guidance from Harker's (1999) conceptual categories to accommodate new and previously unexpected changes to RM. To date, 20 definitions of RM were collected. These are presented in Appendix 2.

While Bagozzi (1975) was one of the first to assert that relational exchanges were at the heart of marketing, it is Berry (1983) who provides the first definition for the term 'relationship marketing' as:

'Attracting, maintaining and – in multi-service organisations – enhancing customer relationship. Servicing and selling existing customers is viewed to be just as important to long-term marketing success in acquiring new customers'.

(Berry, 1983, pg.25)

Berry (1983) stresses his concern to achieve customer retention via the allocation of resources is to keep existing customers and strengthen existing relationships, and not just a focus on attracting new customers. In other word, it is suggested that attracting new customers should be viewed as an intermediate step in the marketing process and that developing closer relationship with customers in an equally important aspect of marketing. Since that, RM has subsequently received widespread attention in the literature (e.g. Christopher *et al.*, 1991; Shani and Chalasani, 1992; Morgan and Hunt, 1994; Gummesson, 1995; Buttle, 1996; Harker, 1999; Parvatiyar and Sheth, 2000). Berry's (1983) focus and description seem to have become the foundation from which most definitions have followed and developed (e.g. Grönroos, 1990 and Gummesson, 1996).

After Berry's (1983) study, Jackson's definition (1985a) included Business-to-Business (B2B) customers and individual accounts as compared to mass markets and segments. The messages of the two definitions are similar, but they are grounded in two different types of marketing sector (namely, services marketing and B2B). Marketing over two decades ago was still seen as predominantly market-oriented management than as a task for marketing specialists only, which implied that marketing was viewed more as an overall process than as a separate function (Grönroos and Gummesson, 1985). Hence, Christopher *et al.* (1991, pg. 4) define the function of RM as '*getting and keeping customers*' which emphasises the importance of customer service

and quality if the firm is to gain and maintain long-term customer relationships. Shani and Chalasani (1992) add that a long-term relationship with customers enables the firm to add value to its offerings. These perspectives point to the importance of the relationship establishment process. Grönroos (1991) identifies and incorporates the necessary existence of profitable outcomes for both the buyer and seller by proposing that RM act to,

‘establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met’.

(Grönroos, 1991, pg. 8)

Not only does Grönroos (1991) incorporate outcomes into his definition, but also explicitly describes the existence of promises. As a result, RM is based on the successful execution of promises between buyer and seller. Moreover, Morgan and Hunt (1994, pg.22) further indicate the more inclusive perspective that the marketing activities of buyer partners, supplier partners, internal partners and lateral partners should all be considered. Morgan and Hunt (1994) also propose that RM concerns about the importance of trust, cooperation, and shared values in order to maintain a successful relationship. Grönroos (1996) then refines RM to include mutual exchange and fulfilment of promises and also suggests that RM between the customer and a firm can be considered as a philosophical issue. Gummesson (1998) subsequently develops the notions of networks into a fuller and richer platform and describes RM as being comprised of relationships, networks, and interactions.

Some researchers adopt narrower perspectives of RM. For example, Christopher *et al.* (1992) and Shani and Chalasani (1992) focus is on individual or one-to-one customer relationships with long-term customer retention and growth strategy as the goals (e.g. Peppers and Rogers, 1995). However, this perspective has been criticised that limits to focus on serving customer needs (Sheth, 1996; Peppers and Rogers, 1995; Sheth and Parvatiyar, 2000). By contrast, other scholars (e.g. Peck *et al.*, 1999; Morgan and Hunt, 1994) propose a wider definition of RM, where they include buyer, supplier, internal, and lateral partnerships. A frequently cited and popular definition by Grönroos (1994 and 1997) is claimed to characterise a general marketing definition. He has gradually

broadened the definition to encompass relationships between many stakeholders and has also included not-for-profit government and voluntary sectors.

Grönroos (1997) also highlights the need to invest in relationships and claims that RM is an emerging school of thought. According to Grönroos (1997, pg.327), RM involves,

‘To establish, maintain and enhance relationships with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises’.

This study adopts these aspects of RM because this definition places emphasis on the aims and the approaches that characterise RM. Rao and Perry (2002) elaborate upon the meaning of ‘partners’ stating that RM can refer to many stakeholders in addition to customers, including ‘competitors’ in strategic alliances. However, the definition forwarded by Grönroos (1997) is interpreted to be comprehensive, but this study believes that some of the details of the trees of RM may be lost in the wood. For example, the definition does not contain the importance of long-term considerations. Many scholars (e.g. Rao and Perry, 2002; Little and Marandi, 2003) support Harker’s RM definition (1999) which provides a comprehensive definition for RM that derived from seven conceptual categories from 26 definitions of RM: creation, development, maintenance, interactive, long-term, emotional content, and output. Upon assessment of these definitions, Harker (1999, pg.16) has developed a new definition that emphasises the management of many relationships:

‘Relationship marketing occurs when an organisation is engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers or partners over time’.

These constructs of Harker’s (1999) definition provide a clear understanding of the fundamental meaning of RM. However, this definition is still not comprehensive enough to include all features of RM. For example, the customer share is a very important shift which Little and Marandi (2003, pg. 29) addresses that RM should concentrate on keeping customers and attempt to gain a bigger share of their ‘wallet’ by selling more of

the same product of by cross-selling to them. This perspective consider on customer share also implies a long-term orientation and requires that success is measured and rewarded differently than in TM.

However, it is important for an emerging discipline to develop an acceptable definition that encompasses all facets of the phenomenon and also effectively de-limits the domain (Parvatiyar and Sheth, 2000, pg. 6). Thus, relationships not only go far back in the history of business practice, but they are at the core of both services marketing and the network approach (Gummesson, 2002).

Moreover, this research also observes that previous studies about RM within banking sectors. Walsh *et al.* (2004, pg. 469) define RM within the context of the retail banking sector in UK,

‘RM is the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers’.

This study adopts this aspect which banks should place their RM activities on those profitable and valued customers. Gilbert and Choi (2003) propose that RM is about the *mutually beneficial* relationship that can be *established* between customers and the bank. However, although these definitions are designed for Western retail banking sectors, they may not be appropriate for application to Taiwanese banks. This study explores different perspectives of RM and selects 20 RM definitions after Harker’s (1999) study (Appendix 2). According to Bruhn (2003) that RM should represent an integrated approach under whose umbrella all of a company’s marketing activities can be dealt with. Therefore, combining those RM concepts above, this research adopts a ‘broadened’ view and further evolves an appropriate RM definition for this thesis,

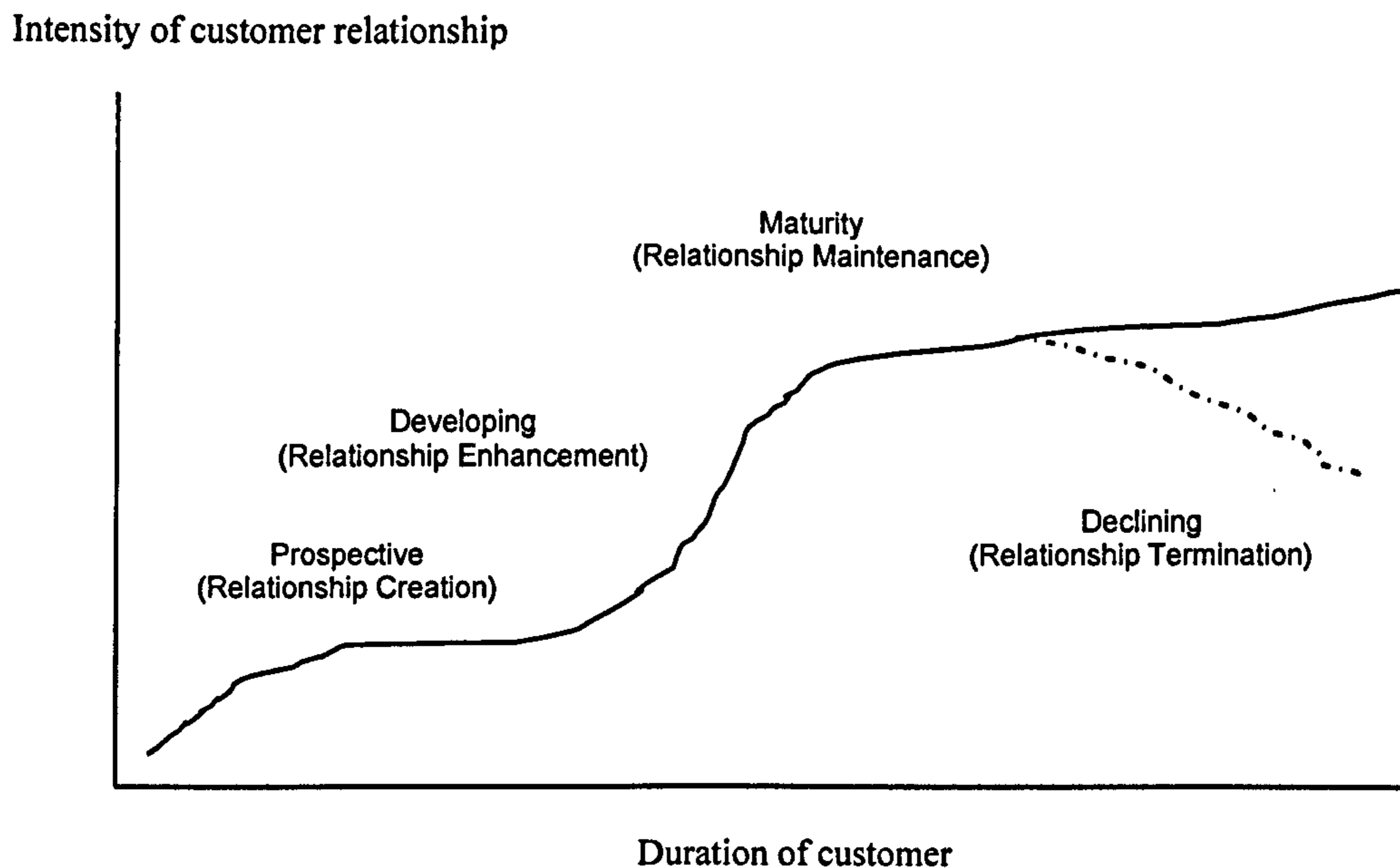
‘marketing activities carried out in order to attract, maintain, and enhance long-term and profitable relationships with potential and existing customers, through interaction, commitment, customisation, and identification of customer lifetime value...[and where]...unprofitable relationships may be terminated’

This study adopts the concepts from this definition to investigate the practices of RM within Taiwanese banks because its interpretation is more suitable for this research. This definition also represents the 'essence' of an idea, containing its key concepts and critical abstractions (Harker, 1999) which includes such features as creation, development, maintenance, interaction, emotional content, customer lifetime value, customisation, long-term and profitable relationships, as well as relationship termination. Based upon this interpretation of RM, the further discussion of the components of RM derived from this definition will be taken up in section 2.3.

2.2.3 Stages of Relationship Development

Different stages of relationship development have been one of the key focuses in the interpretations of relationship marketing. When writing on RM, Barton (1999) stresses that the relationship between the customer and company should be developed in stages. With this in mind the five stages of buyer-seller relationship development suggested by Ford (1980) which provides a framework for the agency-client life cycle and identifies the characteristics including pre-relationship, early stage, development stage, long-term stage, and final stage. Dwyer *et al.* (1987) also outline the five phases and processes of relationship development which are awareness, exploration, expansion, commitment, and dissolution. The four relationship development stages proposed by White (2000) and Parvatiyar and Sheth (2000) comprise the uncommitted, developing, maturing and declining stages. Most of these researchers share common aspects related to relationship development, which is considered as a life cycle development. The stages of a relationship life cycle are divided and characterised in several different ways (e.g. Dwyer *et al.*, 1987; Stauss and Friege, 1999; Bruhn, 2003). In general, these relationship development concepts have been classified into at least four core phases (Little and Marandi, 2003) as presented in Figure 2.2.

Figure 2.2 Customer relationship life cycle stages



Source: developed for this research with other sources acknowledged from Stauss and Friege (1999), White (2000), Parvatiyar and Sheth (2000), Bruhn (2003), and Little and Marandi (2003)

In marketing, the life cycle concept was primarily applied in investigations of product, market and brand life cycles (e.g. Day, 1981; Palmer *et al.*, 2000) and has often been used in planning and predicting the future demand, profits expectations and changes in the competitive environment (Little and Marandi, 2003). Subsequently, some marketers have applied this concept to customer relationship development. However, TM focuses on the primacy of customer needs and RM as a philosophy refocuses marketing strategy away from products and their life cycles towards customer relationship life cycles (Palmer, 1996, pg.19).

In Figure 2.2, relationship life cycle stages are characterised in terms of intensity and duration (Stauss and Friege, 1999). The prospective stage is the initial stage from which all relationships develop. The customers in this stage represent relationship prospects (Little and Marandi, 2003), and may start with a single trial purchase. Customer and firm will become more familiar with each other after the customer makes occasional purchases (Stauss and Friege, 1999). Thus, when the customer gains some preliminary experience of the seller's product, this enables the supplier to collect customer data for

subsequent preparation of customised outputs (Bruhn, 2003). For example, a bank collects and saves its entire customer's data which includes information on transactions in order to understand their customer's need, and provide more appropriate products and services to their customers. In the case of consumer-firm relationships, the potential consumer may simply be at the stage of learning about the company, perhaps through its products, advertising, or via word-of-mouth.

The development of a relationship starts with getting to know each other in order to enhance the relationship between customer and firm. In other words, the developing stage is characterised by increased transactions and exchange and development of notions within the customer's mind, such as satisfaction and trust. This stage however, *'represents the biggest risk for the supplier'*, (Little and Marandi, 2003, pg. 67) because the relationship is still in an unstable state. The goals at this stage are to remain open to communication and engage in mutual problem solving (White, 2000), and also to maintain the sales level reached in the maturity stage (Zinelin, 1996). The relationship declining stage is concerned with termination of the relationship (White, 2000). In this stage, many reasons such as misunderstandings, disagreements, or service failures may lead to the customers taking actions to terminate the relationship. The customer in this stage may refrain from using any particular supplier's products or services (Bruhn, 2003). Therefore, the way service failure or problems are handled can significantly strengthen or weaken intended loyalty behaviours (Jones and Farquhar, 2007). However, the customer does not have to go through all stages (Bruhn, 2003). The classification of relationship development should be feasible to explain the different customer relationship phases, from their build-up to final termination (Bruhn, 2003, pg.19). Moreover, it can assist marketers to formulate relationship strategies.

The stages of relationship development are considered as components of RM in this study. Three front stages of the relationship life cycle (creation, enhancement, and maintenance stages) will be concentrated on aims of RM. The declining stage (relationship termination) will be discussed as one of the outcomes because this may indicate reduced satisfaction, trust, and hence consequent reduction in the relationship (Little and Marandi, 2003). In generally, these relationship development concepts are classified into three core phases and the idea of relationship termination are also taken up in this study.

2.2.4 Types of Relationships

The relationship between a firm and its customers can be fluid, so the concept for dividing the process during relationship development into different stages emerged. In the broadest sense, the phenomenon of the relationship between consumers and companies can be considered as the interaction between two parties (Kelley, 1979). Central to the understanding of RM is the notion of relationships (Colgate and Alexander, 1998), so the central element of RM is the corporation's relationship with its customer.

The RM theories must be able to clarify '*the different forms and types of customer relationships*' (Bruhn, 2003, pg.19). Bagozzi (2000) believes that the notion of a relationship is continuous; it can exist not only between two individuals, but also groups, families, states, and various kinds of organisations. On the other hand, the academic field of RM has broadened to include relationships not only with end customers, but also with all the various stakeholders associated with a firm.

Furthermore, various kinds of relationships have been examined in the context of RM. To take examples, Doyle (1995) suggests the relationships of the core firm include four types of partnerships, namely customer, supplier, internal, and external relationships. Morgan and Hunt (1994) also use four groups of partnerships, although these differ to Doyle's (1995), which include buyer, supplier, internal, and external partnerships in accordance with ten relationships. Christopher *et al.* (1994) further outline relationships as characterising six kinds of markets – customer, supplier, internal, employee, referral, and influence. Moreover, Gummesson (1999) examines relationship in greater details and identifies thirty types of relationships in four categories which include classic market relationships, special market relationships, meta-relationships, and mega-relationships. As an overview, the trend of these relationships range from simple to more complex patterns. Indeed, these researchers share similar perspectives in that customers or buyers are the key focus amongst different kinds of relationships with other parties. In this study, customer relationships are taken as the key focus of RM.

In brief, this section discusses the emergence and the definition of RM. Then, the concepts of different stage of relationship development and the types of relationships are

provided. More research on RM is being carried out and this study reviews these different perspectives of RM and develops an appropriate RM definition for this thesis. Based on this definition, the following are the main components of RM.

2.3 Components of Relationship Marketing

Relationship marketing has rapidly emerged as one of the dominant paradigms of marketing (Baker, 1995) at a time when there is widespread concern as to which paradigm is most appropriate to guide the future epistemological development of marketing. The general classifications of relationships can be useful in RM for decision-making and planning (Gummesson, 2002). Harker (1999) also indicates that RM as a paradigm will remain undeveloped until its key conceptualisations have been identified and understood. Thus, it is better to look at the characteristics of RM that are mentioned in literature as an initial means of developing our understanding of this practice. Harker (1999) claims that by examining each definition in turn, the components of RM could be separately underlined words that represent RM conceptualisations. Therefore, this study builds on previous attempts to clarify some aspects of relationships in the marketing literature. Following Harker's (1999) study (Appendix 3), this research has selected 20 definitions provided after 1999, and have developed conceptual categories which consist of ten components as presented in Appendix 4. These components represent the conceptual categories of RM which also help to develop the justification of each RM component as shown in Table 2.2.

Table 2.2 Conceptual categories of relationship marketing subsequent to Harker's study (1999)

Primary Components of Relationship Marketing	Other Common Components
Creation	Creation (Sheth and Parvatiyar, 2000), attraction (Walsh, <i>et al.</i> , 2004), establishment (Stewart and Durkin, 1999; Grönroos, 2000a; Gilbert and Choi 2003)
Enhancement	Strengthening (Gilbert and Choi, 2003), developing (Gummesson, 2002a; Priluck, 2003), enhancing (Gummesson, 2002a; Grönroos, 2000a; Parvatiyar and Sheth, 2000), improving (Zeithaml and Bitner, 2003), intensifying (Bruhn, 2003)
Maintenance	Maintaining (Gummesson, 2002a; Grönroos, 2000), retaining (Gilbert and Choi, 2003; Walsh <i>et al.</i> , 2004), keeping (Zeithaml and Bitner, 2003), ongoing (Sheth and Parvatiyar, 2000), stabilising (Bruhn, 2003)
Interaction	Co-operating (Gruen, 1997; Parvatiyar and Sheth, 2000), interacting (Gummesson, 1999; Gummesson, 2002a; Walsh <i>et al.</i> , 2004; Chang and Tseng, 2005), collaboration (Parvatiyar and Sheth, 2000), mutual exchange (Grönroos, 2000b, 2004), mutual effort (Tzokas <i>et al.</i> , 2002), realisation (Bruhn, 2003), interaction (Harker, 1999), high contact (Kinard and Capella, 2006), take account of (Rao and Perry, 2002),
Emotional Contents	Trust (Gruen, 1997), fulfilment of promises (Grönroos, 2000b), trust and commitment (Tzokas <i>et al.</i> , 2002), satisfying (Gilber and Choi, 2003), satisfaction (Little and Marandi, 2003)
Customer Lifetime Value	Establishing the mix or portfolio (Steward and Durkin, 1999), reliable customer databases (Khalil and Harcar, 1999)
Customisation	Flexibility (Hart, 2000; Little and Marandi, 2003), added value (Hart, 2000; Little and Marandi, 2003)
Long-term Relationship	Long-term (Steward and Durkin, 1999; Gummesson, 2000a; Rao and Perry, 2002), duration (Gilbert and Choi, 2003)
Profitable Relationship	Mutually beneficial (Gruen, 1997), high-quality (Khalil and Harcar, 1999), competitive advantage (Tzokas <i>et al.</i> , 2002), profitability (Gilber and Choi, 2003; Walsh <i>et al.</i> , 2004), positive outcomes (Priluck, 2003), mutual economic value (Bruhn, 2003; Parvatiyar and Sheth, 2000), cost reductions (Parvatiyar and Sheth, 2000)
Growth Customer Share	Growth customer share (O'Malley and Tynan, 2000), focus on increase customer's wallet (Little and Marandi, 2003; Henry and Razzouk, 2006)
Relationship Termination	Termination (Grönroos, 2000a; Hocutt, 1998; Michalski, 2004), ending (Ping and Dwyer , 1992; Tähtinen, 2001), dissolution, ending or termination (Åkerlund, 2005)

This research also compared the results between this study (Appendix 4) and Harker's study (1999), the findings show that both of these two studies share the similar result that the most important characteristic of relationship marketing is interaction. Apparently, relationship marketing focuses on two-way communication in order to build mutual understanding between parties. RM also places lots emphasis on developing and maintenance relationships. This result supports that not just to acquire new customers, the purpose of RM is also to develop and maintain the relationships. However, there are also some new additional aspects about RM including customisation, customer lifetime values, customer share, and termination relationship. More specifically, this study identifies relationship termination should be considered into this study because not all customer relationships are profitable and willing to engage the long-term (Grönroos, 2000a). This study will take further discuss in these features of RM in the following section. However, in order to implement RM, a shift of focus is required. Grönroos (2000b) provides three key elements characterising this shift, namely interaction, a planned communication process, and a value output of RM for the successful performance of relationship strategies. Thus, this chapter will further discuss these key elements presented respectively in the following three sections, which include the aims of RM, RM mix, and outcomes of RM.

2.3.1 Aims of Relationship Marketing

According to previous discussion, the aims of RM include creating, maintaining, and enhancing long-term associations with customers and other stakeholder groups (Berry, 1983; Jackson, 1985; Grönroos, 1994; Morgan and Hunt, 1999). According to different stages, the firm may concentrate on different approaches in order to be able to meet its aims. Zeithaml and Bitner (2003) propose that company will seek to attract new customers. Thus, one key aspect is that the nature of RM varies depending on the stage of the relationship – creation, enhancement, and maintenance. The following sections will discuss these respective stages.

Relationship Creation

Creation is a conspicuous construct of relationship marketing which is based upon attracting, establishing and maintaining customer relationships (Harker, 1999). Creation is and a very early, but essential, stage in the RM process. Creation can be based on financial, technological, or social factors (Grönroos, 2000a). For example, firms creating relationships with potential customers may require a combination of rational financial motives (e.g. cheaper price) and psychological factors (e.g. trust) (Halinen, 1997). In the initial relationship creation stage, interaction may not yet have taken place. Some potential consumers may simply be learning about the company, perhaps through its products, advertising, or word-of-mouth (Dwyer *et al.*, 1987). In other words, as the number of these relationships grows, the loyal customers themselves will frequently help to attract new customers with similar relationships potential, through positive word-of-mouth (Zeithaml and Bitner, 2003). Then, there may be a search for additional information and perhaps even trials of the market offering simultaneously. At this point, the firm may try to enhance these potential customer impressions and provide some incentives in order to motivate the transaction.

Some service providers believe that getting existing customers to provide referrals and recommendations should be one of the ways to maintain current customers and simultaneously to add new business (Johnson *et al.*, 2003). Generally, in marketing literature, referrals and word-of-mouth influences are interchanged. Particularly, in the past business-to-consumer studies, most of the researchers prefer to use the term of word-of-mouth (Yale and Gilly, 1995). Moreover, through market segmentation, the firm can come to understand the best target markets for building lasting customer relationships (Zeithaml and Bitner, 2003). In short, the purpose of this component therefore is to attract and establish relationships with new customers.

Therefore, firm may try to use different RM approaches such as financial incentives in order to motivate the transaction happened. According to this aspect, this research develops a definition to explain relationship creation activities,

‘To attract or establish relationships with potential customers in the early stage’.

The purpose of this component therefore, is to attract customers and establish the relationship with new customers. It is noted that all relationships start with a single trial purchase. For banking sector, the customer relationship can be started from the account just opened. In this stage, the consumer may make no special demands on the supplier. However, through this stage, the task for the supplier is to select those customers that offer the greatest potential for profitable and long-term relationships and seek to move them into the enhancement stage (Little and Marandi, 2003).

Relationship Enhancement

Once they are attracted to enter into a relationship with the company, customers will be more likely to stay, or increase their transactions, when they are consistently provided with quality products and services and value-added over time (Zeithaml and Bitner, 2003). In another words, firms will be more likely to be able to identify who is their valuable customers based the transaction data record at this stage. For example, a bank's cheque account customer becomes a better customer when they set up a savings account, take out a loan, and/or use the bank's financial advisory services. As a result, the bank will more likely to work on enhancing its relationship with these potential growth customers. Similarly, firm has been required to invest time and resources in better understanding the needs of customers or those specific buyers. Little and Marandi (2003) suggest that this stage represents the biggest risk for the supplier because the relationship is still in a relatively unstable state. One explanation for this situation is that firm may have made the investment in the hope of future benefit.

Enhancement is a key feature of RM (Harker, 1999). Grönroos (2000a) indicates that one way of defining when a relationship has developed is by measuring the number of times a given customer has made purchases from the same firm. Hence, if there have been a number of continuous purchases, or if a contract has been effective for a certain period of time, this can be described as a relationship with this customer.

This component also highlights the way in which relationship have been enhanced and strengthened with customers. Zeithaml and Bitner (2003) indicate that over time

these enhanced relationships can increase market share and profits for the organisation. However, this effect should not be assessed in isolation, but in relation to the other components of RM. For example, Bruhn (2003) proposes the relationship should be developed in the growth phase through customisation and cross-selling. By integrating the above idea, this research defines development as marketing activities conducted,

‘To enhance, strengthen, and extend the relationship with customers’.

Therefore, the aim for this stage is to build stronger relationship which requires mutual understanding and joint systems develop between firm and customers (White, 2000; Little and Marandi, 2003). Meanwhile, customers are less likely to be pulled away by competitors if they feel the company understands their changing needs and seems willing to invest in the relationship by constantly improving and evolving its product and service mix (Zeithaml and Bitner, 2003).

Relationship Maintenance

Maintenance is a key characteristic of RM (Harker, 1999) because the main purpose of RM is to focus on sustaining existing customer relations, rather than purely attracting new customers (Little and Marandi, 2003). In TM, a company would focus upon methods to attract newer customers, but in contrast, RM focuses upon how to develop more loyal customers in order to increase revenue.

Moreover, it is more economical to retain existing rather than attract new customers (Zeithaml and Bitner, 2003). Successful marketers therefore work to implement effective strategies for retaining customers. Today, more and more companies are recognising the importance of satisfying and retaining current customers because *‘acquiring new customers can cost five times more than the costs involved in retaining current customers’* (Kotler, 2000, pg. 49). In particular, RM focuses on customer retention in order to develop long-term customer relationships (Harker, 1999). By incorporating the above idea, this research defines maintenance of RM as marketing activities carried out in order

‘To sustain and maintain stable relationships between firms and customers’

The aim of this stage is to maintain the relationship which can be supported by open communication and mutual problem solving (White 2000; Little and Marandi, 2003).

A key assumption of RM is that all parties will be able to meet their objectives through the relationship. Another key aspect is that the strategic implications vary depending on the stage of the relationship, whether creating, enhancing, or maintaining the relationship. According to Berry (1995b), service firms have the ability to increase their customers in three ways, through which they can attract new customers, do more business with existing customers, and/or reduce the loss of current customers. Thus the organisation must concentrate on different issues depending on the stage of relationship development.

2.3.2 Relationship Marketing Mix

Borden (1964) proposes that the component activities of marketing could be explained and understood as a 'Marketing Mix'. McCarthy (1964) simplifies this term which could be referred to as the '4-Ps', comprised of Product, Price, Place, and Promotion. Later, the remit of the 4-Ps was extended to include People, Process, and Physical Evidence to form the 'Extended Marketing Mix' for service sectors (Booms and Bitner, 1981). However, the prospects for continued growth are now much less favourable. Mass marketing and the transaction orientation of a marketing mix approach could not help companies to adjust their performance and to meet customer demands because the 4-Ps or 7-Ps approaches constitute a product-oriented characteristic of marketing (Grönroos, 1996). Thus, there is a need for a new approach to retain customers, to gain their loyalty and to establish a competitive approach (Little and Marandi, 2003). As this marketing mix can be considered in light of recent RM theory, a greater appreciation for the depth of the consumer-firm relational exchange may be gained (Grönroos, 1994), such as the interactive nature of the consumer-firm constructs found in the RM paradigm. In addition, many marketing approaches have put customers at the centre of attention which places emphasis on the management of a marketing mix (Palmer, 1997). Information technology (IT) may also now be allowing firms to create closer relationships with customers as individuals, such as call centres for customer service

purposes. Thus, one may recognise that the opportunity exists for this study to develop a RM mix with a more complete list of approaches.

Conceptually, RM has been posited variously between being a set of marketing tactics, in which any interaction between buyers and sellers is described as a relationship (e.g. Palmer, 1996; Grönroos, 2000b), regardless of the parties' affective commitment to each other (e.g. Hunt and Morgan, 1994), and fundamental marketing philosophy which goes to the core of the marketing concept through its customer lifetime values (Gummesson, 1993). In short, this research identifies the 'RM Mix', here, as a term used to describe the combination of tactics used by a business to achieve its objectives through marketing which includes interaction, emotional content, customer lifetime values, and customisation, all of which will be respectively discussed in the following sections.

Interaction

The two interacting parties are supplier and customer, and customer usually means '*external customer*' (Gummesson, 2003, pg. 35). During the days of mass marketing, customers were largely anonymous to marketers, and the efficiency of match between demand and supply was low (Aaker, 1996; Gummesson, 2003). Many firms suffered from inefficiently meeting customer needs due to the lack of precise information and direct means of interacting with individual customers. To cope with this situation, since the technology of mass data storage has been improved, two-way communications have become more efficient and more affordable (Chang and Tseng, 2005). Duncan and Moriarty (1998, pg. 8) have developed a communication-based model for relationships which gives special attention to two aspects: the need for integrated communication such as '*everything a company does to send a message that can strengthen or weaken relationship*' and the demand for interactive communication which emphasises '*talking to customers and listen to what they have to say*'.

A large amount of research has been conducted on business relationships and networks. The earliest studies concentrated mostly on understanding the nature of dyadic relationships based on the observation that both customer and supplier are active, hence the name 'interaction approach' (Håkansson, 1982; Turnbull and Valla, 1987). The

marketing that takes place during the interaction phase is often the most important (Gummesson, 2002b) (see Appendix 4). With reference to interaction, this marketing activity is different from the traditional marketing activity that places emphasis on two-way dialogue between supplier and buyer. The purpose of this interactive marketing process is intended to identify needs of customers and then to find the effective solution to satisfy them (Little and Marandi, 2003; Stewart and Durkin, 1999). Hence, Patterson and Smith (2001) note that interaction can take the form of social bonds as well as business transactions because two-way dialogue encourages the mutual understanding between firm and customers. Berry (1995b) also asserts that through RM, service providers gain a greater knowledge of the customer's requirements and needs. In such situations, the interaction with customers becomes increasingly important. Lovelock (2001) adds that most service marketers have access to numerous forms of communication, sometimes referred to collectively as the marketing communications mix, where different communication elements have distinctive capabilities relative to the types of messages that they can convey and the market segments most likely to be exposed to them.

Moreover, there is a difference between one-way messages and two-way communication. A one-way message exists unidirectional between a sender and a receiver. Grönroos (2000b, pg. 278) explains that two-way dialogue requires not only takes place between senders or receivers, but *'participants in the dialog processes*. Grönroos (2004, pg. 102) proposes that in the field of marketing communication,

'A new trend towards integrating communication elements such as advertising, direct marketing, sales promotion and public relation into a two-way integrated marketing communication perspective'.

Here, interactions focus on marketing communication including activities such as sales, advertising, sales promotion, and public relation. Thus, interaction may take many forms, depending on the nature of the relationship and the sector (Little and Marandi, 2003). On the other hand, integrated marketing communications (IMC) is clearly influenced by the relationship prospect in marketing because,

'to two-way communication, we intend to get some response from those persons to whom the integrated marketing communications program has been directed...we adapt the customer's prospect's communication wants or needs and begin the cycle all over again which is truly relationship marketing at its best' (Schultz et al., 1992, pg. 59).

A successful development of RM therefore requires that two (or more) parties continuously learn from each other, like a cycle; as the suppliers or service providers require an ongoing understanding of the customer's needs, values and consumption or usage habits to nurture growing relationships. However, it is suggested that interaction is paramount in building trust, which in turn can play a role within an organisational structure (Berry, 1995b).

In the UK, Ford (2004) also further argued that the interaction approach is based on the idea that business markets are not made up of a large number of individually insignificant customers. Nor do they consist simply of supplier actions, but instead the process is one of interaction between active buyers and sellers that are individually important to each other. Therefore, interaction between parties is one of the most important drivers of RM (Little and Marandi, 2003), and the amount of contact between customer and supplier is an important indicator of relationship strength.

Combining these ideas, this research defines the interaction as,

'The process by which the parties exchange, communicate, in a mutually collaborative manner, in order to identify needs and to find the solution'

According to this definition, the parties imply that interaction can be developed in networks among suppliers, distributors, and consumers or end users. A substantial part of interaction includes attempting to influence others' emotions, controlling emotional expressions, interpreting one's own and other people's emotional reactions, predicting reaction from antecedent events, and sharing and talking about emotional reactions to past and present events (Kelly, 1984). Hence, emotions can be an outcome of social interaction which is amenable to social influence (Kiely and Armistead, 2004). The interaction between firm and customer will arouse customers' emotions and become an

experience for the customer to share with relatives and friends. In the next section, the concept of emotional contents is examined.

Emotional Contents

Emotions involved in service encounters have received considerable research attention in recent years (Kiely, 2005). Kiely and Armistead (2004) propose that many firms need to recognise and understand the emotional stance of their customers because dealing with emotions is part of the complexity of future service encounters. Assael (1987) proposed that consumers are more likely to become involved in a product decision when the product has emotional appeal. Emotion implies a mental state of readiness that arises from cognitive appraisals of events or thoughts and it is often expressed physically (e.g. in facial features) and may result in specific actions to affirm or cope with the emotion (Bagozzi *et al.*, 1999). It is no wonder that people are highly knowledgeable about emotions, because they play a central role in individual experiences and interpersonal relationships (Shaver *et al.*, 1987).

Berry and Parasuraman (1991) maintain that relationships are built on the foundation of mutual commitment. According to Harker (1999), commitment and trust are two substantive terms classified under the conceptual category titled 'emotional contents'. Commitment is central to the foundation of relationships (Berry and Parasuraman, 1991). In the commitment-trust theory of RM, Morgan and Hunt (1994) identify relationship benefits as a key antecedent for the kind of relationship commitment that characterises consumers who engage in relational exchange. Morgan and Hunt (1994) also demonstrate commitment and trust as the key success factors of RM strategies. Baron and Harris (2003) also state that trust and commitment are features of a RM approach. This is not a new notion for RM. In particular, relationships have been found between customers' trust in the service provider and commitment to the relationship, and their levels of customer satisfaction and loyalty (Crosby and Stephens, 1987). Relationship marketing involves mutual recognition between the exchange partners (Czepiel, 1999). To achieve customer commitment, a company's strategy must be customer-centred, long-term, and based on mutual relationship benefits.

Trust exists when one party has confidence in an exchange partner's reliability and integrity (Adamson *et al.*, 2003). Kalafitis and Miller (1998), Beaton and Beaton (1995), and Russbult and Bunnk (1993) also observe the importance of commitment, claiming that it is an indicator of stability and success within the relationship, and is ultimately essential for long-term relationships. Wilson (1995) further confirms that all relationships require trust. Hunt and Morgan (1994) propose the dimensions of commitment and trust as being the fundamental underpinnings of relationships. They also believe this component determines how a relationship is established, maintained, and enhanced (Grönroos, 1994). Moreover, customer emotions can also affect their perceptions of satisfaction with products and services. Arias (1996) indicate that an integral component of the RM approach is long-term profitability, which requires that the relationship be maintained and enhanced in order to retain the customer base.

Moreover, Wetzels *et al.* (1998) and Leung *et al.* (2005) highlight that the commitment and fulfilment of promise are of central importance, but place greater value upon on the latter because it extends the customer satisfaction over a long period of time. In another words, the fulfilment of promises is essential in achieving customer satisfaction. Therefore, by combining this idea with the definition stated above, this research defines the emotional content of RM as,

'A willingness to trust and believe in the integrity of the other to keep their promises.'

Customer Lifetime Values

It is widely accepted that a product has a Customer Lifetime Value (CLV), and this concept first received serious consideration in the area of direct marketing, and has gained increasing attention throughout the marketing arena (Zeithaml and Bitner, 2003). The Cambridge Strategic Management Group defines CLV as: *'A function of frequency of purchase multiplied by the gross margin multiplied by the duration of brand loyalty'* (Hackett, 1998). Thus, CLV is an important construct in designing and budgeting for customer acquisition programmes. The lifetime or relational value of the customer is

influenced by the length of an average *'lifetime'* (Zeithaml and Bitner, 2003, pg.162). Bruhn (2003) explains lifetime as representing the business relationship duration. Thus, CLV suggests,

'A company should avoid taking a short-term view of the profit (or indeed loss) of any individual but rather should consider the income derived from that company's lifetime association with the customers' (Egan, 2001, pg. 63).

Hence, CLV places emphasis on the long-term perspective in order to identify those profitable customers who are willing to enter a long-term relationship with company. In another words, CLV could help the supplier to calculate the lifetime values of customers in order to identify and forecast their lifetime with the company (Liitle and Marandi, 2003). In addition, CLV truly means *'lifetime profitability'* (Zeithaml and Bitner, 2003, pg.162) because costs must be considered. If companies know how much it really costs to lose a customer, they would be able to accurately evaluate investments designed to retain their customers (Reichheld, 1993). In other words, considering Kotler's (2000) suggestion that a company needs to estimate how much profit it loses when it loses customers: in that case, the lost profit is equal to the customer's lifetime value.

Traditional approaches to CLV consider a customer's contribution to profit, the likelihood that the customer is retained from period to period, and the firm's discount rate (Zeithaml and Bitner, 2003). In recent years however, the CLV approach has seen considerable improvements due to the increasing prevalence of customer databases and the greater recognition of the value of customer relationships. For example, banks and insurance companies have traditionally offered young people attractive deals to open accounts. This may be costly in the short-term, but these banks see these customers as investments. CLV therefore attempts to estimate the value of all the benefits and costs associated with a loyal customer, not just the long-term revenue stream (Zeithaml and Bitner, 2003). Earlier researchers, such as Dwyer (1997) and Hughes (1994) place lots emphasis only on the financial view, but this study criticises this aspect. CLV should consider the broadened perspective from Bruhn (2003) that value of CLV should consider with word-of-mouth advertising, employee retention, and declining account maintenance costs that can also enter the equation. In another words, this study supports the concept

from Reichheld (1993) that positive word-of-mouth communication should be recognised as a particular valuable tool for promoting a firm's products and services. This study therefore summarises the financial and marketing views, and increases the research variable of CLV with the definition provided from previous authors. By combining the above ideas, this research defines CLV as,

'The net of the revenues obtained from a customer over the lifetime of transactions with the customer minus the costs'.

In other words, CLV includes usage factor, fan identification, product merchandising, word-of-mouth, and opportunity cost, as the five variables for weighing up the effectiveness of CLV.

Customisation

Customised products have enjoyed increasing popularity in markets and offer great potential for business growth (Hart, 1996). Some marketing managers are basing their relationships with customers on policies and procedures called either 'individualisation, customisation, or personalisation' (Goldsmith, 1999). Therefore, one of the challenges to companies supplying customised products is to make and deliver high quality products and services that satisfy the unique needs of each customer. Today's customers not only demand high-quality products at low cost, they also expect them in the customised variety that gives them precisely what, when and where they want it (Fitzgerald, 1995). In other words, customers demand products with lower prices, higher quality and faster delivery, but they also want customised products to match their unique needs. Thus, customisation of product and communication for each customer is an important requirement or component of RM (Little and Marandi, 2003).

Although every customer is unique, it is hard for customisation to totally unique offering for one customer and no other in the mass market. Hence, the term customisation is used. The notion of mass customisation was first proposed by Kotler (1989) from a marketing management perspective. Pine *et al* (1993) bring this notion into the production and operations management arena and define mass customisation as producing

individually customised and highly varied products or services and finally a tremendous increase in variety and customisation without a corresponding increase in cost. Hart (1996) defines mass customisation as use of flexible process and organisational structures to produce varied and often individually customised products and services at the price of standardised mass produced alternatives. Silveira *et al* (2001) defines that mass customisation is a system using information technology, flexible processes, and organisational structures to deliver a wide range of products and services meeting specific needs. According to Huang *et al.* (2005), mass customisation means that customers can order and receive a specially configured product, often choosing from among hundreds of product options, to meet their specific needs at an affordable price. Little and Marandi (2003, pg.31) also define customisation as,

‘Attempt to create added value, and many companies, utilising improvements in technology and flexible processes, are enabled to engage in the practice profitably’.

These definitions identify mass customisation as the low-cost, high quality, large volume, delivery of individually customised goods and services. In other words, mass customisation relates to the ability to provide the customised products or service through flexible processes in high volumes and at reasonable low costs. Within the constraints of traditional production methods, standardisation combined with mass production was the outcome in order to satisfy more customers and to better meet the needs of every individual customer (Huang and Lin, 2005).

In addition, mass customisation is often associated with collaborative customisation which involves an ongoing dialogue with the customers and helps them to articulate their needs (Gilmore and Pine, 1997; Little and Marandi, 2003). Hence, mass customisation will also further drive RM with its associated demands for greater understanding of each customer within the seller’s marketing (Rich, 2000). This can be described as enabling a customer to decide the exact specifications of a product or service. Anderson-Connell *et al.* (2002) use the term ‘co-design’ to describe a collaborative relationship between consumers and firms wherein, through a process of interaction between a design manager and a consumer, an apparel product is designed according to consumer specification. Apart from collaborative customisation, Gilmore and Pine (1997) also highlight three other approaches to customisation because all executives today

recognise the need to provide outstanding services to customers, which includes adaptive customisation (i.e., standard offerings but designed by customers), cosmetic customisation (i.e., standard packaging but selected by customers), and transparent customisation (i.e., customised offering customer's predictable needs without informing or recommend product offers). Nevertheless, Peck *et al.* (1999) remind us about the presumption of customisation where both customer and supplier recognise the advantages to be gained through closer relationships. Thus RM is regarded as the best way to retain customers.

In the relationship growth phase, cross-selling is necessary along with customisation to ensure economic development of the customer relationship (Bruhn, 2003). The objective of customisation is to make the output attractive, which means the firm must modify its products or services to match the customer's specific needs. Hence, it is necessary to transform a standardised product into a customised product or service, and make it available for use (Bruhn, 2003). In other words, RM involves developing offerings that are able to flexibly solve customers' current and further needs and wants (Chien and Moutinho, 2004).

By combining the idea above, this research defines customisation as,

'An approach which attempts to take account into the customer's requirements and needs through flexible processes to create added value for customers'.

Therefore, the idea of customisation goes beyond tailoring products to tailoring every interaction between customers and the firm, from marketing promotions to after-purchase customer service (Huang and Lin, 2005).

2.3.3 Outcomes of Relationship Marketing

This thesis would also argue that the RM concept should be expanded to include not only RM approaches within the active marketing strategies of either or all parties, but also the outcomes after RM applications. In light of the above discussion, this study refers to the RM mix as the set of marketing activities aimed at creating, enhancing, and

maintaining customer relationships. Thus, marketing relationships are seen here as the outcomes of RM activities.

Long-term Relationships

Every marketplace exchange transaction involves a relationship. Some transactions are never repeated, so a relationship between a buyer and a seller could be momentary (Reddy and Czepiel, 1999). However, RM should be concerned with the nature of long-term relationships between businesses and customers which takes into account customer needs and values (Roa and Perry, 2002). Conceptually, the central construct for the long-term type of relationship is commitment (Dwyer *et al.*, 1987; Morgan and Hunt, 1994) which means that the existence of a relationship is important to the parties. In another words, both parties (e.g. buyer and seller) provide high levels of input into the relationship, thus ensuring that the relationship is durable. Therefore, Reddy and Czepiel (1999) stress that strong relationships are committed relationships.

The development of long-term relationships offers organisations or marketers detailed and useful knowledge about their customers. Also it further provides understanding of their customer lifetime value, not only as it is today but also as it may evolve over time. Thus, a long-term relationship can be more effective for all parties, particularly if it takes a long time to build the relationship in the first instance (Gummesson, 2002). Hence, it is anticipated that an already established customer relationship will positively moderate these associations because repeat customers may receive stronger value propositions in return for higher purchasing levels (Bolton *et al.*, 2000; Lacey, 2007).

Through the integration of the ideas above, this research regards a long-term relationship as an outcome of RM which represents,

‘The concepts of duration and emphasis on long-term relationships’.

A commonly cited benefit of long-term relationships for firms is that customers may increase purchases over time. Customers may also benefit from lower costs and they

may be constantly provided with quality products and services and greater value. Thus, the following section will address one of the outcomes of RM, namely profitable relationships.

Profitable Relationships

One of the main reasons for the dramatic growth of interest in RM has been the assertion of the benefits that it can bring to an organisation (Alexander and Colgate, 2000). For example, Rosenberg and Czepiel (1984) report that the cost of winning a new customer is about five times greater than the cost of retaining a current customer through the use of RM. Hunt *et al.* (2006) indicate that RM theory maintains that consumers enter into relational exchanges with firms when they believe that the benefits (e.g. satisfaction of their needs) derived from such relational exchanges exceed the costs (e.g. the monetary and time costs). Rosen and Surprenant (1998) also believe that if relationships are characterised by mutual benefits, then measures must be mutual. Hence, RM places lots emphasis on profitable relationships with customers, so it is important to include a measurement of relationship outcomes as well as product/benefit measures. Nevertheless, the profitable relationship should be stressed on the mutual benefits not limiting only on suppliers or customers. If the objectives of both parties are met, the relationship between firm and customer could be developed (Rashid, 2003; Little and Marandi, 2003).

Several writers have explored the motivations of consumers for engaging in relational exchanges within firms. From the customer's perspective, for example, Morgan and Hunt (1994) propose that consumers are motivated to engage in relational exchanges with partners with whom they share values (e.g. information). Gwinner *et al.* (1998) conclude that RM could bring customers confidence (e.g. feelings of trust towards the providers), social benefits (e.g. being familiar with employees), and special treatment (e.g. extra services and special prices). From the perspective of service suppliers, the positive word-of-mouth from a loyal customer to potential and existing customers of the firm can be very influential in terms of gathering new business (Reichheld, 1996; Rashid, 2003) and attracting new customers (Zeithaml *et al.*, 2006). In other words, satisfied customers convey positive messages about the company's service and personal recommendations

are often taken most seriously in consumers' purchase decisions (Reichheld, 1996; Gremler and Brown, 1999; Rashid, 2003).

Therefore, although it is clear that engaging in a relationship requires time, cost, and effort, it is suggested that RM reduce these costs and risk and brings the mutual benefits for both firm and customers (Grönroos, 2000). The mutual profitable relationship, as an outcome of RM, is therefore defined for this study as,

'One outcome of RM which particular includes the mutual profitable, effective, and rewarding relationships'.

Growth Customer Share

Relationship marketing places the emphasis upon customer retention, so it shifts the emphasis from concentrating on gaining share of market and rewarding for new business to keeping customers and attempting to encourage them by selling more of the same product or by cross-selling (Little and Marandi, 2003). In other words, customer share is an attempt to create long-term relationships and the creation of mutual value (Henry and Razzouk, 2006). The true success of RM will result from a growth in the *'share of customer'* the marketer can expect to achieve (Peppers and Rogers, 1995, pg.49). Brown (2000) contends that one result of the debate is the growing understanding that a large market share is not equivalent to having loyal customers. In other words, *'what we have today may be gone tomorrow, if the customer is not locked in'* (Henry and Razzouk, 2006, pg.33). Hence, companies build customer share by offering a large variety of goods to their exiting customers (Kotler, 2000).

According to Peppers and Rogers (1995), this component implies that a customer with high potential is treated as an individual whose needs are addressed and an attempt is made to persuade him/her to buy more of the company's products and/or services during the lifetime of the relationship. Thus, growth customers share represents as a component of RM which refers to increasing outcomes (e.g. lifetime value and loyalty) from the implementation of RM. Nevertheless, increasing customer share not market share also could be regarded as an approach.

Little and Marandi (2003, pg.29) also emphasise that RM concentrates on *'keeping customers and attempts to gain a bigger share of their 'wallet' by selling more of the same product or by cross-selling to them'*. In other words, a successful customer share strategy requires a company to approach a high-potential customer as an individual, to address his or her needs and to try to persuade this person to buy more and more of the company's product or services over the lifetime of the relationship (Peppers and Rogers, 1995). However, cross-selling financial services has only met with limited success, and it has been suggested that this is because customers are usually *'multi-banked'* (Farquhar, 2004, pg.88), in that they may have a number of financial products and services from a number of providers. Thus, gaining a share of customers also can be referred as an objective for RM (Lindgreen, 2001). In order to increase customer share, companies also train their employees in cross-selling and up-selling techniques (Kotler, 2000). Therefore, firms transfer their approach focus from gaining market share to a focus on building customer share. By combining the above ideas, this research defines customer share as a feature of RM outcomes for this thesis that,

'Increase in the value of a customer' purchases '

Relationship marketing has turned marketers' attentions to retaining current customers, instead of just gaining new ones. However, several researchers observe that there is limited scholarly research that has investigated the outcome of building relationships with consumers (Sheth and Parvatiyar, 1995a; Gruen, 1997; O'Malley and Tynan, 2000). In addition, the investigation of the relationships between customer and service providers in banking is still very limited. With regard to this concern, the banking service in the business-to-consumer (B2C) context is taken into account for this study.

Relationship marketing represents an integrated approach under whose umbrella all of a company's marketing activities can be dealt with (Bruhn, 2003). Earp *et al*, (1999) suggest that research into RM should draw from the body of largely conceptually based knowledge. Much of the recent attention devoted to marketing relationships has focused on the development or maintenance of effective relationships, but there is a lack of research on the relationship termination phase. However, it has been argued that the establishment and maintenance of any relationship will face the possibility of termination.

For example, because of the cost involved, a company should not build a relationship with all of its customers. In fact, a few early academic papers have drawn attention to how considerable resources have sometimes been freed up and put to better use by dissolving unprofitable relationships (Storbacka *et al.*, 1994). Thus, there has been growing attention paid towards the termination of buyer-supplier relationships (Halinen and Tähtinen, 2002). With this in mind, Bruhn (2003, pg.12) observes that RM '*involves not only the initiation of relationships, but also its subsequent stabilisation, intensification, and reactivation (in case of a termination of the relationship by the customer)*'. Consequently, through a time-horizon orientation, appropriate consideration is given to the dynamic character of customer relationships, and above all to the concept of a customer relationship cycle. The next section will review the different perspectives on relationship termination as one important component of RM.

Relationship Termination

Relationship marketing will not automatically lead to stronger customer relationships; rather, customers will exhibit different levels of relationship closeness and strength (Berry, 1995b; Leverin and Liljander, 2006). However, not all customers want to engage in relationships and, in fact, it has been suggested that close customer relationships in banking are rare, and that relationships are being further weakened by the increases in self-service technologies (O'Loughlin *et al.*, 2004). Although the purpose of relationship marketing has been identified as involving the establishment, maintenance and enhancement of relationships, Grönroos (2000, pg.39) agrees that when necessary, it is also to terminate relationships with customers (and other parties) so that the objectives regarding the economic and other variables of all parties are met. Moreover, although the marketer does not plan primarily for short-term results in RM, in some cases exchanges or transactions may even be unprofitable. Grönroos (1994, pg.10) asserts that the objective of RM is to create results in the long run through enduring and profitable relationships with customers; however, such relationships are usually, but not necessarily always long-term. Therefore, applying this definition provides a good starting point for understanding business relationship terminations in general.

Interest in the nature of relationship marketing has increased in B2B marketing as well as B2C marketing literature over the last three decades. More attention has however been placed on the development as opposed to the termination of relationships (Ross, 1999; Tähtinen, 2001). There are many reasons why a relationship between a customer and supplier will end. For example, firms strive for profitable relationships in order to gain overall profitability (Grönroos, 2000). Hence, the comprehensive view of a relationship includes the termination of those relationships (Helm *et al.*, 2006). Focusing on customers as consumers, studies in services marketing concentrate on the reasons why consumers change their service provider (e.g. Athanassopoulos, 2000; Hocutt, 1998) or aim to describe aspects of the process of relationship termination (e.g. Ganesh *et al.*, 2000; Roos, 1999). In a comprehensive study of the banking sector, Michalski (2004) identifies different types of customer relationship termination processes on the basis of varying switching determinants. Although Hocutt (1998) acknowledges various reasons for suppliers actively terminating customer relationships, most studies assume that termination is on the customer's initiative. In other words, there are still obvious shortcomings in current research regarding the dissolution, ending or termination of business relationships (Åkerlund, 2005). Few researchers have focused on the process of ending business relationships. For example, Ping and Dwyer (1992) suggest that ending a relationship can make transaction-specific assets obsolete, and requires additional searching, negotiation and set up costs for both parties (also see Ping, 1999; Giller and Matear, 2001). Tähtinen and Halinen-Kaila (1997) propose that a relationship can be considered terminated when no activity links or resource ties exist between the parties originally involved in the relationship. Giller and Matear (2001) outline that the decision to terminate occurs as a consequence of a trigger event or scenario and the existing state of the relationship. Although personal bonds may remain, both parties will perceive the relationship to be ended (Tähtinen, 2001). Despite these contributions, the field still lacks a more comprehensive process model that would help understand why and how relationships come to an end.

Here, according to Halinen and Tähtinen, (2002), relationship termination could be interpreted as a process where links, ties, and bonds (e.g. exchange of objects, personal relationships, contracts, bonds of trust and commitment) are disconnected. Although some authors may use different terms such as 'relationship break-up', 'disengagement', 'withdrawal', 'ending' or 'dissolution' (Havila *et al.*, 2001; Tähtinen, 2001) to explain the

relationship termination, all these terms present the same meaning of termination which is understood as a situation where *'at least one partner no longer views the relationship as continuing or the interdependency has otherwise critically decreased'* (Tähtinen, 2001, pg.46). In order to address the relationship termination, this research adopts this definition from Tähtinen (2001) and uses ending, termination, or dissolution management synonymously to describe how banks have initiated customer relationship terminations. According to the aim of this study, this research will also investigate Taiwanese banks' views on relationship termination as a result of limited customer profitability, or where one particular period of product/service has been completed. Customer profitability combines sales or revenues and the costs associated with individual customers (Leek *et al.*, 2006). By integrating the ideas above, this research also defines relationship termination as a possible consequence for RM which presents,

'the outcomes of RM in which the firm may no longer view the relationship as necessary to continue with customers due to lack of profitability or one certain period of product/service reaching completion'.

Furthermore, customer profitability and customer lifetime value have been developed to support the decision to terminate business relationships (Venkatesan and Kumar, 2004), but supplier-initiated dissolution of customer relationships as an alternative marketing action has been widely ignored. In other words, most studies assume that termination is as a result of a customer's actions, whilst the supplier's viewpoint has been rather neglected. For example, Hocutt (1998) acknowledges various reasons for suppliers to actively terminate customer relationships, such as requiring lower marketing costs per customers, an unsolvable conflict or other dissatisfaction with the customer, etc. Pressey and Qiu (2007) also suggest that supplier-initiated dissolution is a common phenomenon in most industrial sectors, and an area that merits more research attention. Furthermore, there has been no systematic approach to analysing how suppliers treat customers once it is clear that they are not profitable (Blois, 1996). While most methods call for a selection of profitable customers, consequent termination of existing relationships is not dealt with in detail. For instance, the method of lifetime calculation takes into account these dynamics of a relationship, so the result from CLV represents the value of the expected benefits minus the expected building from customer relationships (Dwyer, 1989; Reinartz and Kumar, 2000; Gupta *et al.*, 2004). Therefore, the value of a

customer as reflected in his/her profitability for the supplier which is an important determinant of whether the relationship is to be continued or if resources should be invested elsewhere (Helm *et al.*, 2006, pg.371).

For the purpose of this thesis then, this study refers to RM as the set of marketing activities oriented to creating, enhancing, maintaining (Morgan and Hung, 1994) and terminating relationship exchanges. From this perspective, RM is concerned with dyadic and multilateral approaches (i.e., the RM mix) and it is important to recognise that marketing activities may also affect the consequence of implementing RM. Furthermore, while relationships may have been rediscovered in the West, they have always been a fundamental part of exchange in many Eastern cultures (Palmer, 1996). Therefore, after identifying the components of RM, the following sections will address and discuss *Guanxi*.

2.4 *Guanxi*

The aim of RM is to keep existing customers and encourage them to be even better customers, rather than having to constantly win over new customers, which is a more costly way to make sales (Peppers *et al.*, 1999). The reality is that customers can perceive targeted communication attempts through direct mail, the Internet and e-mails as mere 'sales pitches', and not true, genuine connections (Bulger, 1999; Fournier *et al.*, 1998). According to the Confucian Philosophy, an individual is fundamentally a social or relational being. Developing and cultivating relationships is a common preoccupation and a form of social investment in Chinese society (Yau *et al.*, 2000b). Hence, it must be noted however that there are challenging differences between the way that relationships in financial services are perceived in Western societies (Worthington, 2005), to the Chinese view of relationship, often described as '*guanxi*'. The word '*guanxi*' is often used, which has been developed within the Chinese practice over five thousand years (Luo and Park, 2001). However, in Chinese societies, *Guanxi* applies to all types of human interactions, which includes but is not limited to business (Davies, 1995a). Geddie *et al.* (2005, pg.615) state that,

'Guanxi can offer insights to relationship marketing practitioners because it enables network participants to interact harmoniously over long periods for their mutual benefit'.

Hence, *guanxi* plays a very important role whether in social or business relationship. Buttery and Wong (1999) indicate that it is important for Westerners to understand *guanxi* if they wish to build relationships with people from the Chinese culture and it helps to understand how the Chinese mind works in building business relationships. The following sections will discuss the importance of *guanxi*, the definitions of *guanxi*, *guanxi* influence on RM, the difference between *guanxi* and RM and how *guanxi* works in Taiwanese banking sectors.

2.4.1 The Importance of *Guanxi*

Guanxi is an ancient system of marketing based on personal relationships and has existed since 770-470 B.C. (Lovett *et al.*, 1999). *Guanxi* has also been roughly translated as a personal relationship or connection (Luo, 2001; Fan, 2002). Chinese culture is distinguished from Western culture in many ways, including the ways in which business is conducted. For example, the Chinese people prefer to deal with people they know and trust (Xu, 1999). On the surface, this does not seem to be much different from conducting business in the Western world. But in reality, the heavy reliance on relationship networks means that Western companies have to make themselves known to the Chinese before any business can take place.

Guanxi is not simply existence between companies, but also between individuals at a personal level. In other words, *guanxi* happened is not just before a sale take place, but is an ongoing process. The company has to maintain this relationship if it wants to do more business with the Chinese. Tung and Worm (1997) investigated the managers of European companies who are working in China and the result shows strong preferences in *guanxi* contact. Therefore, in Western countries, business comes first and personal relationships may subsequently develop, while in Asia, personal relationships tend to be established prior to pursuing business transactions (Smith, 1995).

Much of the existing research related to RM has mainly been conducted within a Western context⁴. However, Taiwan needs to be understood within its own context that results from Western contexts cannot be easily generalised to a high context environment. Moreover, *guanxi* (personal relationships) is one of the major dynamics characterising Chinese society. It has been a pervasive part of the Chinese business world for the last few centuries. *Guanxi* binds thousands of Chinese firms into social and business webs. It is widely recognised to be a key determinant of business performance, because the life-blood of the macro-economy and micro-business conducted in Chinese society is the *guanxi* network. This *guanxi* network is called 'Ren-Mai' in Chinese, so *ren-mai* is a form of *guanxi* extension (e.g. connection network) for Chinese society (Luo, 1997). This form of *guanxi* extension also called, *la* (pulling) *guanxi*, is the most commonly used strategy by the Chinese in constructing networks. *Pulling guanxi* means the efforts to establish and build up relationships with others where no previous relationships have existed, or where an existing relationship is not close enough to be useful (Chen, 1995). There are many ways for *pulling guanxi*, involving a wide range of skills and strategies and the *guanxi* relationship does not have to involve friends, although this is often preferred (Chen, 1995). However, the purpose of this *pulling guanxi* is intended to increase the *guanxi* networks. In Asian contexts, especially among Chinese, *ren-mai* (*guanxi* networks) is framed as the foundation for social and business activities (Redding, 1990; Kao, 1993; Luo, 2000; Chung, 2005).

Any business in this Chinese society, including local firms as well as foreign investors and marketers, inevitably faces *guanxi* dynamics. As a consequence, not only does *guanxi* have profound implications for interpersonal and inter-organisational dynamics in Chinese society, but it also is the lifeblood of the Chinese economy and business activities, where it frequently acts as a lubricant (Xin and Pearce, 1996; Luo and Park, 2001; Zhang and Zhang, 2006). For example, Besant and Sharp (2000) found that the smaller corporate banks in Hong Kong have traditionally relied on personal introductions and referrals in the development of their new operations, rather than cold business calls.

⁴ Western culture includes England, America, Canada, Australia, and New Zealand, and the histories of these societies are deeply influence by Individualism (Hofstede, 1992).

Zhang and Zhang (2006, pg. 388) also pointed out that interpersonal *guanxi* ‘reduces the transaction costs associated with bounded rationality and opportunism’. Thus, *guanxi* can provide informal ways to reduce environmental uncertainty and opportunistic behaviour (Standifird and Marshall, 2000). In other words, *guanxi* refers to a network of information interpersonal relationships and exchanges of favours established for the purpose of conducting business activities throughout China and East Asia⁵ (Lovett *et al.*, 1999). *Guanxi* therefore has not only emerged in Chinese society but also within other East Asian countries such as Korea and Japan (Davies, 1995b). Regarding this point, in the Chinese business context, *guanxi* stretches beyond connections or special relationships that are very different from RM, and *guanxi* usually develops first before any business transaction is conducted. In sum, *guanxi* has a strong and direct effect on social attitudes and business practices in Chinese business performance (Zhang and Zhang, 2006). Buttery and Wong (1999) assert that any marketer wishing to be successful in Chinese economies would do well to understand how *guanxi* forms. This research was planned to take place in Taiwan in order to understand the concepts and practices of RM within Taiwanese banks. In order to develop background framework for this study, it is suggested to consider *guanxi* as an important elements when RM applied in Taiwanese banks.

2.4.2 *Guanxi* Defined

The phrase *guanxi* (pronounced ‘*gwan-shee*’) refers to a cultural phenomenon, in the Chinese language, subjected to various interpretations. Scholarly descriptions of *guanxi* include ‘tight, close-knit networks’ (Yeung and Tung, 1996, pg. 54), ‘interpersonal connection’ (Xin and Pearce, 1996, pg. 1641; Leung *et al.*, 1996, pg. 749), and a ‘gate or pass’ (Yeung and Tung, 1996, pg. 54). Hence, this Chinese character may have different meanings when it is used as a noun or verb (Fan, 2002). In the simplest term, *guanxi* is commonly defined as special relationships two persons have with each other (Alston, 1989). Although most authors accept this notion that *guanxi* is a kind of special relationship, however, this research holds the different perspective because special

⁵ The Chinese-culture territory includes countries such as Taiwan, China, Hong Kong, Macau, and Singapore (Gilbert and Tsao, 2000). Although these countries may have distinct historical backgrounds, as they all belong to Chinese-dominated societies, similar culture systems could apply to these so-called ‘Chinese commonwealth’ countries that are deeply influenced by the teachings of Confucius (Luo, 1997). More specifically, Eastern culture includes China, Taiwan, Hong Kong, Macau, Singapore, Korean South, and Japan that are deeply influenced by the teachings of Confucius (Hofstede, 1991).

relationship doesn't produce *guanxi*. In other word, the existence of *guanxi* base (e.g. share attitudes) itself does not automatically lead to producing *guanxi* or active *guanxi*. Fan (2001) propose an example that two parties involved in a *guanxi* might have realised or discovered that they share one or more of these attitudes only after they established *guanxi*. However, it doesn't guarantee the *guanxi* will be develop and stronger. Therefore, it is noted that *guanxi* is a special type of relationship, but relationship does not necessary mean *guanxi* (Fan, 2001; Wang, 2005). On the other hand, *guanxi* cannot be limited between two persons because *guanxi* applies to all types of human interaction (Geddie *et al.*, 2005). In another word, it is not limited to business or personal.

According to Bain (1994), *guanxi* refers to one of three things; namely the existence of a relationship between people who share a group status or are related to a common person; or actual connections with and frequent contact between people, and a contact person with little direct interaction. The first situation explains *guanxi* based on the personal relationship which may serve as a means of trust and commitment (Lovett *et al.*, 1999) and these two features have been identified as components of RM in this research. Both the latter two situations explain one key concept of *guanxi*; namely interaction, which is also one component of RM. Hence, it is suggested that *guanxi* involves interactions, as well as exchanging some favours, building trust and credibility (Warren, 2001), and working over time to establish and maintain the relationship, and true *guanxi* cannot be established merely through short-term (Tung and Worm, 1997). These aspects have been adopted into this study that *guanxi* was conducted with exchange favour, trust and credibility based on long-term perspectives. In other words, *guanxi* and relational exchanges share similar meanings as exchange partners are with long-term perspectives in developing relationships (Yang, 1994).

Armstrong and Seng (2000) indicate *guanxi* is a kind of Chinese business relationship concept which is increasingly used to determine on successful business relationships. One explanation is that *guanxi* as a special type of relationship which is characterised by favours, trust and interdependence, so it often leads to insider-based decision making in business dealings (Wong and Chan, 1999). Hence, the Chinese word *guanxi* refers to the concept of drawing on connections or networks in order to secure favours in personal or business relationships.

This research has identified commitment and trust are two substantive terms classified under the 'emotional contents' category. Thus, the core idea of *guanxi* also can be referred to involve emotional contents between or among individuals creating obligations for the continued exchange of favours. This research combines various aspects of *guanxi* and decides to adopt this definition of Lee *et al.*, (2001) that,

'A particularised and personalised relationship based on the reciprocal exchange of favour'.

(Lee *et al.*, 1999, pg.52)

According to this definition, *guanxi* generally refers to 'personal relationships' or 'social connections' based on mutual interests and benefits (Yang, 1994; Wong and Chan, 1999). Specifically, it refers that bonds the exchange partners through reciprocal exchange of favours and mutual obligations (Alston, 1989; Luo, 1997; Lee *et al.*, 2001). Luo (1997) suggest that favours often include preferential treatment in dealings (e.g. banks give less service charge for those VIP customers), preferential access to limited resources (e.g. mostly Taiwanese banks offer free concert tickets for their high valued customers), and increased accessibility of controlled information (e.g. banks provide the latest financial information to those customers who has better *guanxi* with them). Also, the reciprocal exchange of due favour is widely accepted and used in Chinese business (Xin and Pearce, 1996).

Four dimensions of *guanxi* also proposed by Geddie *et al.* (2002) that *guanxi* is characterised by bonding, empathy, reciprocity and trust. However, empathy is required by *guanxi*, because although reciprocating favours is considered a moral reciprocity, the form and timing of the return requires understanding (Yau *et al.*, 2000; Leung and Wong, 2001). Lee *et al.*, (2001) explain that bonds must be maintained by continued interactions between parties. In other words, *guanxi* places lots emphasis on the exchange relationship through by reciprocal favour and trust which also refers to the credit that a person or a group has among others for giving assistance or favours, or deriving personal recommendations (Leung *et al.*, 2005). Generally, *guanxi* relationship is informal and based on personal affiliation (Alston, 1989; Lee and Wong, 1999; Wang, 2005). This study adopt this aspect that *guanxi* can be interpreted as personal relationships or connections.

2.4.3 *Guanxi* influence on Relationship Marketing

Relationship marketing is based on Western norms of behaviour and it may not function well when applied in different cultures. Culture can be defined as an unwritten system of shared value and norms within an organisation (Peck et al., 1999). However, relationships are usually built on a cultural platform (Buttery and Wong, 1999) which means the method for developing relationships may be different in Western and Eastern culture. Earlier work on the hospitality industry (Gilber and Tsao, 2000) has argued that RM theory is fundamentally based on a Western cultural point of view and that whilst in Chinese-based economies that embedded culture is 'relationship orientated', the sophisticated and hidden implications of *guanxi*, raise questions about the appropriateness of RM approach in this market. In Chinese culture, *guanxi* is very important (Davies *et al.*, 1995; Luo, 1997b; Tong and Yong, 1998; Chen and Chen, 2004) and may have a strong influence on how RM is practiced.

Generally speaking, there are some common elements between *guanxi* and RM. Both are concerned with managing relationships, networks and interaction (Gilbert and Choi, 20003). *Guanxi* is a fundamental issue related to doing business in Chinese societies (So and Speece, 2000, pg.317). Li and Wright (1999) stress that *guanxi* exists at different levels of business operations. Barnathan *et al.* (1996) also observe that *guanxi* might provide private sources of information and make resources available to a select group (affiliated party). Furthermore, the RM mix contains the combined elements of interaction, emotional contents, CLV and customisation. Wong and Chan (1999) describe *guanxi* as a special type of relationship which often leads to insider-based decision marketing in business dealings. In the approach to establishing relationships, interaction and emotional contents both play an important role in Chinese business contexts (Gilbert and Tsao, 2000). Banks are expected to understand their customers and satisfy their needs through interaction, and also need to demonstrate their commitment and establish trust in order to implement successful RM (Tong and Yong, 1998; Chen and Chen, 2004).

In addition, Luo and Park (2001) further indicate that *guanxi* can become an asset at the organisational level because when an individual joins the organisation; his/her resources (e.g. *guanxi*) are introduced into the organisation (also see in Zhang and Zhang,

2006). Whatever its source, therefore, there is agreement that *guanxi* is very important in the Chinese marketplace. As describe above, although *guanxi* and RM share some common similar aspects (e.g. managing relationships, networks and interaction), they have different perspectives which will be discussed in the next section.

2.4.4 The Difference between *Guanxi* and Relationship Marketing

Some authors suggest that *guanxi* is a form of relationship marketing in Chinese society (Björkman and Kock, 1995; Wong, 1998a, 1998b) which has been considered the Chinese version of RM or business networking (Ambler, 1994; Davies *et al.*, 1995; Lovett *et al.*, 1999; Wang, 2005). It is noted that this marketing term, relationship marketing, pronounced in Mandarin as *guanxi* marketing. However, RM and *guanxi* have different causalities. From the RM perspective, ongoing business relationships are the cause of social processes but in *guanxi*, the social relationship is the prerequisite for any involvement in a business relationship (Gilbert and Choi, 2003). As a result, RM places lots emphasis on the building and management of a relationship in a social context (Grönroos, 1997) but *guanxi* focuses on the network of social relationships (Ambler, 1995). Moreover, *guanxi* can be built through visit, gift-giving, giving a favour which places lots emphasis on social exchange of personal nature of the relationship (Davies, 1995b). By contrast, in the exchange process, RM is of an economic nature concerning good, services, delivery system, financial solutions, material administration and transfer of information which focus on business nature of the relationship (Gilbert and Choi, 2003).

Moreover, Leung and Wong (2001) propose that there are at least two differences between *guanxi* and relationship marketing. First, RM refers to a particular way for conducting business that includes not only relationships, but also how the business is defined from a service perspective, and the management of the service delivery process (Arias, 1996; Grönroos, 1996; Low, 2001). Second, *guanxi* implies a personal relationship among individuals whereas RM is a marketing philosophy operating at the organisational level (Leung and Wong, 2001). As such, according to Wong (1998b), *guanxi* between banks and customers may disappear once the key *guanxi* contacts leave the company, while the RM philosophy remains in place even if the *guanxi* person leaves.

According to the above two characteristics, relying purely on *guanxi* to establish a long-term business relationship between banks and customers may be risky (Leung and Wong, 2001). *Guanxi* alone is insufficient to establish strong relationships (Warren, 2001). Therefore, the above arguments suggest that *guanxi* can be used as a positioning strategy in either the Chinese or Taiwanese market. Different *guanxi* positioning may result in different business interactions between firm and customers.

Relationship marketing first and foremost offers a perspective of how the firm can relate to its customers and other parties, which in turn has an impact on how the business is developed and how its customer are managed (Grönroos, 2008). According to this perspective, RM requires tools, activities and processes that support and facilitate the management of customer relationships. In recent years, customer relationship management (CRM) has gained much attention from both the academics and the practitioners. As a result of the considerable advancements improvements in technology, companies can increase their profitability by using analytical techniques to build long-term relationships with customers based on prediction models that draw on a wealth of data about customer behaviour. Previous authors state that CRM is actually a form of technology-enabled RM (Little and Marandi, 2003; pg.198). The following section will address the CRM system and its process.

2.5 Customer Relationship Management

This section includes a discussion on the definition of CRM as well as both marketing and technological perspectives of CRM. It then presents the differences between RM and CRM in order to understand how they link together.

2.5.1 The Emergence of Customer Relationship Management

Customer relationship management (CRM) was popularised in the 1980s and was derived from an earlier concept called contact management (Ling and Yen, 2001; Goldenberg, 2006) which took place through contact channels (or media) to provide goods or services. More and more organisations and companies have realised that they need to put their customers at the front and centre of their businesses, and to support an effective customer care process (Wang, 2007), which includes profiling customers, segmenting customers, researching customers, investing in technology, and managing customers (Brown, 2000). Thus, CRM becomes essentially about better managing all aspects of a company's relationship with its customers (Huang and Lin, 2005).

There has been a major change in the way in which companies have organised themselves as firms switch from product-based to customer-based structures. A key driver of this change is the advent of CRM which, underpinned by information systems convergence and the development of supporting software, promised to significantly improve the implementation of RM principles (Ryals and Knox, 2001). Thus, another view of CRM is that it is technologically orientated, and the advances in database technologies such as data warehousing and data mining are crucial to the functionality and effectiveness of the CRM system (Sandoe *et al.*, 2001).

Customer relationship management is not a new concept for organisations or companies. Nowadays, many businesses such as banks, insurance companies, and other service providers realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value (Wang and Ma, 2005; Blery and Michalakopoulos, 2006). Particularly within the mass consumer banking sector, where customer numbers are large, these need to be managed systemically by IT applications. In addition, some studies discovered that banks recognised the need to improve the level of their services by implementing modern technology to differentiate, so the implementation of CRM helps them to reduce costs and improve operations (e.g. Peppard, 2000; Lindgreen and Antioco, 2005; Blery and Michalakopoulos, 2006). Some Western studies (e.g. Ryals and Knox, 2001; Blery and Michalakopoulos, 2006) have demonstrated that CRM is intended to identify the most profitable customers and prospects, and devotes time and attention to expanding account relationships with

customers. Meanwhile, implementation of CRM in the banking sector was considered by Mihelis *et al.* (2001), whose study focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private banking sector. In Taiwan, studies have showed that CRM is the feature that banks most care about, however, but banks are short of knowledge and professional support for implementation of CRM (Chen *et al.*, 2001).

2.5.2 Defining Customer Relationship Management

In the literature, there have emerged many definitions of Customer relationship management. However, to date, although CRM has become widely recognised as an important business approach, there is no universally accepted definition of CRM. The main differences among these definitions are related to the technological and relationship aspects of CRM. Some authors from a marketing background emphasise the technological side of CRM while others consider the IT perspective of CRM. The following section will discuss the definitions from the technological perspectives and marketing perspectives of CRM.

The Technological Perspectives of CRM

The increased accessibility of information technology (IT) coupled with increasingly sophisticated software allows for the capture of data from customers, its storage and its retrieval for marketing purpose in order to provide customised products and services. Ngai (2005) identifies 205 CRM articles published between 1992 and 2002 covering 89 journals, and implies that IT and Information System (IS) play an important role in the development and implementation of CRM. The three most popular topics addressed in IT and IS for CRM are 'software, tools, systems (e.g. decision support system, expert system, IS, enterprise resource planning, etc.), which can be viewed as technology-based applications to support the CRM process. These application systems should include database capabilities to collect and analyse customer information using statistical techniques such as data mining. Data mining plays a fundamental role in the overall CRM process and is a critical component in the CRM system (Rygielski *et al.*, 2002). It helps

transform customer data into useful information and knowledge. Customer information and knowledge is a company asset that must be managed. A deeper understanding of data mining and knowledge management in CRM is necessary in today's highly customer-centred business environment (Shaw *et al.*, 2001).

Hence, from a technological perspective, CRM was claimed as the market place of the future and is undergoing a technology-driven metamorphosis (Peppers and Roger, 1995) which Kutner and Cripps (1997) summarise as '*data-driven marketing*' (cited by Ryals and Knox, 2001, p.537). Consequently, IT and marketing departments must work closely to implement CRM efficiently. In another words, CRM is like a device, or technology, which adopts data warehousing and data mining to analyse customer behaviour in order to have better targeting customers (Little and Marandi, 2003). This standpoint presents a narrow perspective of CRM as a marketing database (Parvatiyar and Sheth, 2001), instead emphasising the application of IT linked to database knowledge, such as profitability measures of customers, product usage information, promotional information, transactional information and psychographic and geo-demographic profiles of existing and prospective customers.

More specifically, for many practitioners, CRM is a combination of people, processes, and technology (Chen and Popovich, 2003) that seeks to provide an understanding of customer needs (Little and Marandi, 2003), to support a business strategy (Ling and Yen, 2001; Bull, 2003), and to build long-term relationships with customers (Gummesson, 2003). Although enabled by information systems, CRM is not a technology solution (Rigby *et al.*, 2002; Chen and Popovich, 2003). The system process cannot manage customer relations (Rigby *et al.*, 2002; Chen and Popovich, 2003) because customer knowledge needs to be understood by business managers (Bueren *et al.*, 2005) and face-to-face communication needs to be performed as a front-line operation (Stringfellow *et al.*, 2004). Hence, the key processes are performed by human beings, who require a clear understanding of the goals and content of key decisions and system-people interactions (e.g. Ling and Yen, 2001; Rigby *et al.*, 2002; Chen and Popovich, 2003). In other words, companies are integrating operations and investing in information systems that share data from customers. The potential of CRM lies in its ability to help company increases their profits by identifying profitable customers and tailoring company offers to customers' needs, willingness to pay, and profitability.

Customer relationship management systems recently have become one of the fastest-growing techniques and industries (Rigby *et al.*, 2002). At the same time, the increased interest in CRM technology management has downplayed the importance of human factors, which are ultimately responsible for successful CRM implements (Goldenberg, 2006). In other words, a successfully implemented CRM enables the company to know its customers ultimately and, thus, target their needs more effectively. The company does not only benefit, customers also benefit from products and services that better address their preferences.

Furthermore, there are two different interpretations of CRM in the literature: data-driven and process-driven CRM (Greenberg, 2004). Data-driven CRM focuses on CRM systems that integrate customer information using applications, interfaces, and automation tools (Greenberg, 2004). Process-driven CRM pays attention to the business integration process between people and systems which use data mining to enrich the process for the profiling of their customers (Little and Marandi, 2003; Greenberg, 2004). Mostly, the application of CRM is focused on technological application. For example, Battery (2003) asserts that CRM is only a technological infrastructure, comprised of both hardware and software, with the purpose of managing a large quantity of customer data. Hence, to most academics, CRM is technology-enabled RM (Little and Marandi, 2003, pg.198). However, practitioners, adopt a different approach defined by Payne (2001, pg. 14) defines it, CRM is '*a management approach that seeks to create, develop, and enhance relationships with carefully targeted customers*' (also see Little and Marandi, 2003, pg.198) which is not so very different from RM. However, Batterly (2003) asserts that it should not be assumed that more technology leads to a more effective CRM programme.

Software vendors such as Oracle, SAP, PeopleSoft, SAS, and Siebel are now offering ready-to-use CRM applications to organisations (Chen and Popovich, 2003). Many CRM software vendors lure organisations with promises of omnipotent applications; to date however, there is no software available in the market that gives one hundred percent solutions (Hackney, 2000). Customer relationship management technology is very expensive for a system-wide application (Little and Marandi, 2003). Nearly half of CRM initiatives fail due to a lack of acceptance of the process inside the

company (Rigby *et al.*, 2002). Thus, RM and CRM initiatives many involve substantial capital investment with no guarantee of return (Little and Marandi, 2003; Stringfellow *et al.*, 2004).

To summarise, from a technological perspective, CRM is a kind of technology approach to analysing customer behaviour for the purpose of better targeting customers, and so in this sense, '*CRM is essentially database or direct marketing*' (Parvatiyar and Sheth, 2001). In fact, if CRM is to be successful handled, there has to be an aspect of marketing thinking in all business functions, and this may be one of the key aspects of the relationship perspective (Grönroos, 2007). The next section will discuss the marketing perspectives of CRM.

The Marketing Perspectives of CRM

From a marketing perspective, CRM is a managerial philosophy that has been defined as a combination of business processes and technology that seeks to understand a company's consumer behaviour. This viewpoint focuses on the relationship with the customer that integrates database knowledge within a long-term customer retention and growth strategy (Peppers and Rogers, 1995). For example, Jackson (1985, p.2) applies the individual account concept in industrial markets to suggest CRM to mean, '*Marketing oriented toward strong, lasting relationships with individual accounts*'. In other business contexts, O'Neal (1989) and Doyle (1995) have proposed a similar view of CRM. Others, such as Swift (2001, p.12) consider CRM as an enterprise approach to understand and influence customer behaviour through by continue meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability. Parvatiyar and Sheth (2001, p.5) also defined CRM as,

'A comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing sales, customer service, and the supply-chain functions of the organisation to achieve greater efficiencies and effectiveness in delivering customer value'.

This definition indicates the potential of CRM to offer better customer service and to improve marketing effectiveness through a more focused approach. Another definition from Kincaid (2003, p.41) views CRM as,

‘The strategic use of information processes, technology, and people to manage the customer’s relationship with your company (marketing, sales, services, and support) across the whole customer life cycle’.

This definition emphasises the importance of viewing CRM as a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, services, and support within the organisation. Information technology (IT) and information systems (IS) can be used to support and integrate the CRM process to satisfy the needs of the customer.

Therefore, a CRM system offers operational improvements (Stein and Caldwell, 1998), the opportunity to capture and analyse information about customer’s purchasing behaviour and track the effectiveness of marketing programmes, as well as providing the basis for future planning (Shani and Chalasani, 1992). Customers also can receive the benefits from CRM when a company is able to customise its products and services for its customers.

Another important characteristic of CRM from the marketing perspectives is ‘customer selectivity’ (Sheth and Parvatiyar, 2001). As many previous studies of CRM have shown, not all customers are equally profitable for a company (Storbacka, 1997), so it must be selective in order to tailor its marketing efforts by effective segment and select appropriate customers for individual marketing programmes (Sheth and Parvatiyar, 2001). In summary, by integrating these definitions, this study proposes that CRM is about focusing on the needs and values of individual customers to maximise long-term profitability. This is achieved by attracting the right customers, enhancing life-time value through cross selling and up-selling, and by maximising the loyalty and retention of the right customers. It is about creating a new value with individual customers and sharing the benefits of the value over a lifetime of the relationship.

2.5.3 The Differences between RM and CRM

As the discussion in the previous section demonstrated, relationship marketing needs to be viewed as a comprehensive concept of the relationship between firms and customers. Obviously RM requires tools, activities and processes that support and facilitate the management of the firm/customer relationship (Grönroos, 2007), so CRM has its roots in RM. Relationship Marketing is a philosophy and orientation towards customer retention and CRM is regarded as its practical implementation (Christopher *et al.*, 1991). In other words, CRM is like a technological project, combining both hardware and software, to manage large quantities of customer data. According to a survey by Gartner (2001)⁶, more than 50 percent of CRM implementations are considered failures from the companies' points of view. More specifically, RM is a way of doing business, so it is not a surprising fact that many CRM projects fail to deliver the return on investment, because of their inability to understand the business needs (Ramkumar and Saravanan, 2007). In other words, CRM will not manage the customer relationships by itself. The executives still need to adopt a pragmatic, disciplined attitude to CRM in that it is the building of customer strategies and processes, supported by the relevant software, for the purpose of improving customer loyalty and eventually, corporate profitability (Rigby *et al.*, 2002).

Moreover, the idea of CRM seeks to establish closer relationships and interactions between a business and its most important customers (e.g. Barnes, 2001; Brown, 2000; Greenberg, 2001). The core theme of both CRM and RM perspectives is their focus on a cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors (Parvatiyar and Sheth, 2001). In some marketing literature the terms CRM and RM are used interchangeably which may lead to confusion concerning the difference between these two themes. In other words, the main problem is that CRM means different things to different people.

According to Little and Marandi (2003, p.198), the difference in perspectives, and the confusion, is basically due to two different groups' standpoints. One group (mostly practitioners) believe suppose that CRM is an IT project, while the second group (mostly academics and some practitioners) believes that CRM is a strategy to build a long-lasting

⁶ Gartner, Inc., source from http://www.gartner.com/5_about/press_release/2001/pr20010912b.html (access on 01 March, 2009)

relationship with customers that is enabled by technology. This study adopts the latter group's perspective; i.e. that CRM is a comprehensive strategy and process that combines with people, process and technology, so CRM is primarily a strategic business and process issue rather than just a technical issue. The potential exists for CRM to be used as a genuine tool for long-term relationship building with valued customers based on the principle of RM (Little and Marandi, 2003, p.198). Therefore, CRM is not simply about applications or software because this thinking is quite restrictive, but it is a philosophy in terms of the way a company works so as to build long-lasting relationships with its target customers.

2.6 Relationship Marketing in Asia and Taiwan

Relationship marketing in service organisations is not an entirely new concept. According to Leung *et al.* (2005), the application of RM is vital to develop relationships between buyers and suppliers. Conducting a comparative research of Eastern and Western countries, Merrilees and Miller (1999) found that RM in Eastern Asian consists of more coherent and holistic configurations known as *Guanxi* (personal relationships). Relationships however are often built on cultural platforms; which means the route to developing good relationships can be very different between Western and Eastern cultures (Buttery and Wong, 1999). Together with other East Asian countries such as Japan and Korea, the culture of China is deeply affected by Confucianism (Lee and Humphreys, 2006). With a history of more than 2500 years, Confucianism has exerted a fundamental influence on the Chinese and East Asian modes of thinking and ways of behaving. One of the key values of Confucianism is its strong emphasis on personal relationships and conducts (Ghauri and Fang, 2001; Lee and Humphreys, 2006). Eastern Asian cultures have long recognised the importance of relationships in business activities based on a previous necessity for survival (Haley *et al.*, 1998). For example, Chinese people prefer to deal with those who they know and trust and avoid dealing with those less well known in order to avoid losses (Xu, 1999; Chen and Chen, 2004). Tong and Yong (1998) suggest that relationship and personal trust must be included in the study of Chinese RM because there are no universal principles applied to every country (Redienbach and Robin, 1990).

As in other Asian cultures, Taiwanese culture is based on cooperation as opposed to competition. For example, trust is not only a supplement to contractual arrangements, but also often substitutes the preferred form of governance of business exchanges (Adamson, 2003). Satisfaction with complaint handling has a direct impact on trust and commitment and can override the initial negative experience if handled to the customer's satisfaction (Rich, 2000). Although relationships in an Asian environment are embedded in social relations and subject to social sanctions, compared to 'trust', its underlying principle grants those who apply it a higher sense of moral superiority because it is believed to be based upon the honesty and integrity of individuals (Tong and Yong, 1998, pg.88), and a 'personal guarantee' (Low, 2001, pg.201) rather than being legally binding. Once a relationship has been established it can be difficult to break, but once a relationship has been broken it is very difficult to re-establish (Yau, 1998).

Therefore, RM within Asia and Taiwan involves person-to-person marketing with company-to-person marketing. The relationship exerts an important and positive influence on client's perceptions in future interactions (Berry and Parasuraman, 1991).

2.7 Relationship Marketing in Financial Services .

In recent decades, the financial services industries have been contending with changes in the external environment that have included regulatory, technological and changing consumer dynamics (Hughes, 1994; Hughes, 2001; Liang and Wang, 2005). This has resulted in financial institutions becoming increasingly engaged in RM activity in order to achieve certain objectives such as maintaining valuable customer relationships (Storbacka, 1997). Moreover, the relationship concept is particularly powerful in describing professional financial service exchanges which rely heavily on interactions and long-term commitment from business parties to produce results (Halinen and Tähtinen, 2002). Hence, RM within financial services is becoming increasingly important (Colgate and Stewart, 1998; Zineldin, 1995). The RM literature related to banking can be traced back to the early 1980s. It has been suggested that RM is an appropriate strategy for commercial bankers (Berry and Thompson, 1982; Day, 1985). Moriarty *et al.*, (1983) suggest the concept of relationship banking is based upon an acceptance that the bank can increase its earnings by maximising the profitability of the total number of customer

relationships over time, instead of seeking to acquire the most profit from any single product or transaction. Berry (1995b, pg.237) emphasises the RM benefits in high involvement services, where,

‘High-involvement services hold relationship appeal to customers. Medical, banking, insurance, and hairstyling services illustrate some or all the significant characteristics’.

Moreover, competition is driving banks to identify how to create more effective and efficient relationships with their customers.

Attention also needs to be paid towards whether customers want any kind of relationship with financial services companies. Colgate (1996) found that bank customers want and value relationships within financial services. Grönroos (2000, pg.35) emphasises that individuals customers and organisational users can be seen as interested in either a relational or transactional contact with a firm. Since financial services sectors claim that they always use RM, it is interesting to note how these financial services providers implement RM. As financial service companies stem from different cultures, the degree of attention that they pay to RM varies greatly from one company to another. Seal (1998) suggests that Japanese and Western non-bank firms may implement relationships differently. The management of banking companies focuses upon individual customer profitability and the benefits that can be derived from relationships with clients (Grönroos, 1997, 2004; Gummesson, 1987, 1999). In this situation, the emphasis is primarily on interactive marketing activities and managing these dimensions with the aim of establishing, developing and maintaining co-operative customer relationships for mutual benefit (Grönroos, 1997, 2004).

To summarise, RM is about the mutually beneficial relationship that can be established between customers and banks (Gilbert and Choi, 2003). The reinforcement of a relationship is increasingly important especially as banking becomes more technical and electronic. With advanced technology, banks can benefit from lower operating costs through the Internet or call centre customer services. However, personal aspects of customer services are important, and a bank may need to develop closer relationship via human contact such as face-to-face visiting. Therefore, according to Gilbert and Choi

(2003), RM is important as a bank cannot increase profit opportunities as easily if there is no interface with the customer in order to take advantage of a relationship selling opportunity.

2.8 Relationship Marketing and *Guanxi* within the Taiwanese Banking Sector

After Taiwan became a member of the WTO in 2001, it developed 41 domestic banks, and 36 local branches of foreign banks in Taiwan⁷. A fuller discussion of the Taiwanese domestic banking sector is provided in Appendix 7. In an attempt to deal with the increasing competition and government financial liberalisation, RM has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers (So and Speece, 2000). It has been argued that engaging in business in Taiwan is particularly difficult because of the higher relative importance of personal relationships (*guanxi*), as opposed to the specification and enforcement of contracts in the West (Davies *et al.*, 1995). As this study investigates aspects of banking in a Taiwanese setting, it is also necessary to review the cultural context of Eastern business relationships.

In Chinese culture, *guanxi* is viewed with great importance (Tong and Young, 1998), and this phenomenon exerts a strong influence upon how RM is practiced. Several studies have investigated RM within Eastern countries, including China, Hong Kong, Singapore, and Japan. However, not many studies have explicitly investigated RM in Taiwanese banks; however, one example is Liang and Wang's (2005) study of relationship bonding tactics, relationship quality, and behavioural loyalty in financial services industry in Taiwan. Chiu *et al.* (2005) identify the relationship between RM and consumer switching behaviour in the retail banking industry in Taiwan. Although Taiwan and China share a number of similarities, it has been noted the manner in which business is conducted differs between the two countries (Coviello *et al.*, 1998). For example, Taiwan is characterised by a more open, capitalist market, whereas China has more socialist features as a result of a different political system.

⁷ Sourced from the Taiwan Financial Supervisory Commission, Executive Yuan (Feb, 2006)

Taiwan is a highly competitive, open economy, which has been interacting extensively with the west for a long time. Furthermore, the Taiwanese government plans to develop itself as *the* Asian financial service centre, so the financial environment will be more internationalised and liberal. As the financial environment is competitive, Taiwanese commercial banks have been quick to realise the importance of competitive advantage. Tzokas *et al.* (2003, pg.434) indicate that RM, represents a strategic response by firms to leverage competitive advantage (Rindova and Formbrun, 1999). Given the complexities of the Taiwanese banking marketplace, as described above, *guanxi* plays an important role in Chinese-based economies because it is part of Chinese culture. Personal relationships (*guanxi*) are treated as the necessary and sufficient condition for the Chinese business context (Chung, 2005). Lee and Wong (2005) indicate that international marketers need to develop similarities (e.g. share value and experiences, mutual understanding) in order to develop a *guanxi* relationship in Chinese business marketplace. Not only international marketer, in reality, Taiwanese banks have applied *guanxi* to develop the customer relationships. As discussed earlier, everyone has *guanxi* with a certain number of people (as like *guanxi* networks or *ren-mai*) from the same birth place, relatives, and superiors and subordinated in the workplace and so on. Once they belong to this social network, they perceive each other as an insider (Worthington, 2005). Hence, this distinction between insider and outsider is very important because insiders are seen as trustworthy and reliable and they can approach each other for reciprocal favours, resources, and further contacts (Arias, 1996). This study adopts this aspect and considers *guanxi* as a culture factor which have certain influence on RM concepts and practices in Taiwanese banking sector.

2.9 Relationship Termination within the Banking Sector

Relationship marketing has not only been accused of being over-conceptualised and underdeveloped empirically but its appropriateness to all customers has been questioned (Colgate and Stewart, 1998; Fournier *et al.*, 1998; Barnes, 2001). Indeed concerns have been raised in the literature as to whether some customers desire to forge relationships with companies (Sheth and Parvatiyar, 1995) or attach value to these relationships (Buttle, 1996). In a comprehensive study in the banking sector, Michalski (2004) identifies

different types of customer relationship termination processes. Modelling the customer exit process, Stewart (1998) emphasises the evaluation of all the costs and benefits of the relationship prior to the actual termination decision. For example, in the wealth-managing banks, not all customers benefit the bank itself. If banks maintain these valueless customers, they will only reduce profits and income. Therefore, supervisors must understand that to develop the customer relationship does not always mean to obtain, improve, and then retain all customers. Supervisors have to begin to pick out valueless customers in the second phase of CRM, and further terminate relationships with them.

In addition, relationship research has, however, indicated that termination may occur in any of the phases of a relationship's development (Halinen, 1997, pg.282). It has become clear that dissatisfied customers may also exit the relationship (Ganesh *et al.*, 2000; Halinen and Tähtinen, 2002). Thus, research indicates that insight into the nurturing of closer relationships does not guarantee the understanding of the termination process (Keaveney, 1995). Halinen and Tähtinen (2002, pg.166) characterise the relationship termination as a process where these links, ties and bonds are broken, disconnecting the former parties from each other. Hence, it is particularly important for the bank because the termination is likely to influence other connected customers and relationships and create changes in the relationship network (Anderson *et al.*, 1994; Halinen and Tähtinen, 1999).

Moreover, the type of the relationship may also have important effects on its termination. For example, banks may promote one financial product or service with a particular purpose and/or time period, which then gives the client a natural break-out point straight after the project, has been accomplished. These services are not required on a continuous basis or once they have served their function (Hocutt, 1998). However, although the formal communication between the entities involved may no longer continue, personal bonds may be maintained between individuals from both companies (Havila, 1996; Tähtinen and Halinen-Kaila, 1997). For example, a bank may keep the former customer's name in its reference list if the ex-customer agrees to this arrangement (Tähtinen and Halinen-Kaila, 2000).

2.10 Chapter Summary

Relationship marketing has received worldwide attention from academics, with a number of conceptual and empirical contributions aiming to extend our current understanding of the concept (Dwyer *et al.*, 1987; Morgan and Hunt, 1994). This research adopts Harker's (1999) work, which identifies 22 RM definitions. Appendix 2 reproduces the collected definitions for use as a general resource. It is important to note that definitions within the sample literature may have been missed or discarded. Thus, this research will be consequently require updated work to accommodate new and previously unexpected changes subsequent to Harker's (1999) study (Appendix 3). Within RM literature, there are many attempts to define RM. Relationship marketing components have developed as themes, as presented in Appendix 4, which tabulates the definitions through a categorisation in order to achieve better understanding of RM.

Although *guanxi* in Chinese society has been investigated in widely different contexts, including culture, ethics, psychology, anthropology, demography, sociology and even economics (Davies *et al.*, 1995; Luo, 1997b; Wong and Chan, 1999; Zhang and Zhang), these studies however focus on the important issues of *guanxi* at the individual or societal level, but not at the organisational level (Fan, 2002; Tsang, 1998, Zhang and Zhang, 2006).

In addition, most studies focus on the concepts of relationship development, but pay less attention to relationship termination. Nevertheless, the termination of a relationship may be necessary due to lack of customer profitability or one particular period of product/service offerings ending. Meanwhile, most researchers (including Steward, 1998; Hocutt, 1998; Halinen and Tähtinen, 2002) acknowledge various reasons for customers to actively switch or terminate relationships with suppliers which assume termination is at the customer's initiative; however, the supplier's viewpoint has been rather neglected. Thus, with the exception of relationship development with customers, it is discussed as an important determinant of supplier's product/service offerings to individual customers and relationship termination is a potential outcome after applying RM.

These components, with each being important for RM theory, are drawn from diverse literature streams. Therefore, they are often examined independently of each other. For example, the competence-based factors explanation of RM mix (e.g. people-driven

process in CRM, customisation) success draws heavily on the strategic management literature, while the relational factors view (e.g. *guanxi*, emotional contents) draws not just only on RM literature but also from sociology and consumer psychology, and the CLV approach stems from the economics literature. Each approach constitutes (or should constitute) a component of RM theory. Together, they provide a strong foundation for developing RM concepts. The comprehensive view of RM that includes possible termination has been discussed in this chapter in order to address the research questions of this study. This chapter also devoted itself to a brief summary of the extant literature on RM and discussed RM within different contexts in order to contribute to the conceptual framework of RM for this research. Therefore, the next chapter will discuss the conceptual framework of RM concepts and practices based on the previous literature.

Chapter Three and Research Questions

Conceptual Framework

3.1 Chapter Overview

While much has been accomplished in the field of relationship marketing (RM), there is a room for conceptual growth. The following chapter addresses this need for growth and adds to the abundant stream of RM literature by proposing a theoretical conceptual framework of RM. The purpose of this conceptual framework in this chapter is intended to provide an overview of how different component emerged from the RM concepts. However, this research aims to understand the concepts and practises of RM within Taiwanese banks. According to previous literature, *guanxi* is a cultural characteristic that has strong implications in Chinese society (Luo and Park, 2001). In other words, *guanxi* should be treated as the necessary and sufficient condition for business performance (Chung, 2005). Although *guanxi* may play an important role in RM, it still lacks empirical evidence to demonstrate the relationship between *guanxi* and RM by a systemic and integrated perspective.

Therefore, this conceptual framework will consist of aims, mix, and outcomes of RM with *guanxi* implication. Each RM component has been comprehensive discussed in Chapter two, so here the following sections will provide briefly descriptions of the model's theoretical foundations with related components. Finally, research questions will be developed and theoretically supported.

3.2 Conceptual Framework

The major objective of this research is to investigate the concepts and practise of RM within Taiwanese banks. This study reviews the previous relevant literature about RM and develops a definition of RM for this research. RM defines as,

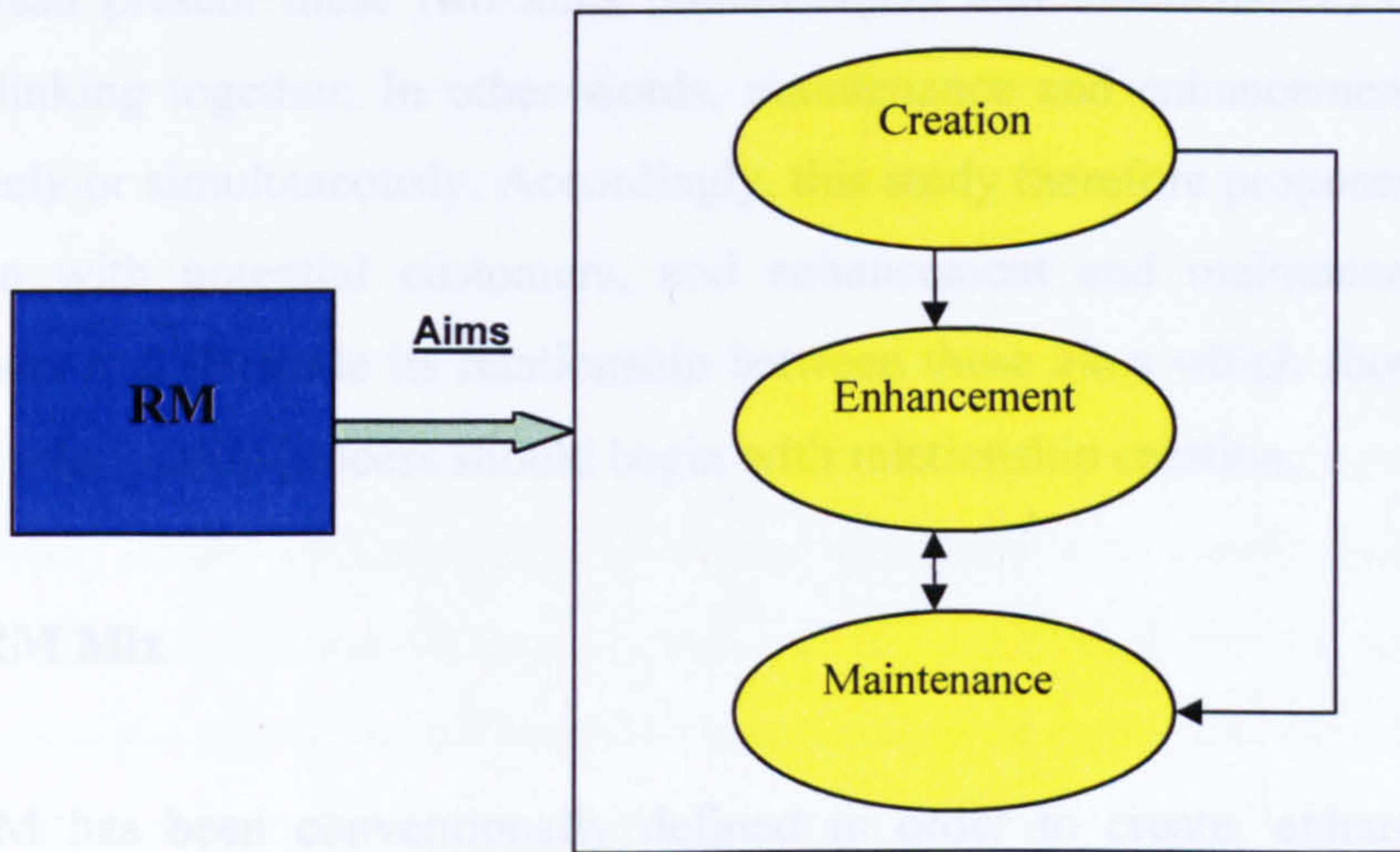
'marketing activities carried out in order to attract, maintain, and enhance long-term and profitable relationships with potential and existing customers, through interaction, commitment, customisation, and identification of customer lifetime value...[and where]...unprofitable relationships may be terminated' (section 2.2.2).

Based on this definition, this study develops the conceptual framework for this research (see in Figure 3.1). These components give a good starting point for the thinking process of RM. The following sections are developed based upon different parts of this framework respectively.

3.2.1 Aims of RM

Barton (1999) highlights the relationship between customer and company should develop in stages. Dwyer *et al.* (1987) argue that RM encompasses all the marketing activities which are designed to establish, develop, and maintain a successful relational transaction. Berry (1983) and Grönroos (2000a) defines RM as to identify and establish, maintain and enhance relationships with customers so that the objectives regarding economic and other variables of all parties are met. Different authors provide the terms widespread to present the aims of RM which have been identified in Table 2.2. Creation, enhancement, and maintenance with customers could be identified as aims of RM (also see in Harker, 1999; Parvatiyar and Sheth, 2000; Gilbert and Choi, 2003) which its flowchart shows on Figure 3.1.

Figure 3.1 Aims of relationship marketing



Accordingly, there are three key components for RM aims: relationship creation, maintenance, and enhancement. Within these three key components, the questions that need to be investigated are: what are the marketing activities involved with each aims of RM. Figure 3.1 illustrates the aims of RM. Each circle diagram presents each component of RM. Before the explanation of each relationship between these three aims, each component needs clarifying along with its connotations. Here, according to the definition of each component developed for this research (section 2.2.1), ‘creation’, means ‘*to attract or establish relationship with the potential customer in early stage*’. The second component, ‘maintenance’, is ‘*to sustain and keep the stable relationship between firms and customers*’ (section 2.2.1). The third component, ‘enhancement’, refers to the marketing activities ‘*to enhance, strengthen, and extend the relationship with customers*’ (section 2.2.1). In Figure 3.1, all customer relationship will start from the relationship creation. In between these components (aims), one way arrowhead from creation means that there are two possible consequences (enhancement or maintenance) after customer relationship being established. For example, bank encourages the potential valued customers increase to their transaction, so the customer relationship is expectable to be enhanced. Bank may also focus on sustaining existing customer relations, so the customer relationship can be maintained.

According to Zeithaml and Bitner (2003), relationship marketing is concerned with aims by dyadic and multilateral with networks of relationships, so two ways arrowhead present these two aims (enhancement and maintenance) can be applied as circle linking together. In other words, maintenance and enhancement can exist either separately or simultaneously. Accordingly, this study therefore proposes the aims of RM: creation with potential customers, and enhancement and maintenance with existing customers and illustrate its relationship between these aims which shows on Figure 3.1. All the relationship process should begin with relationship creation.

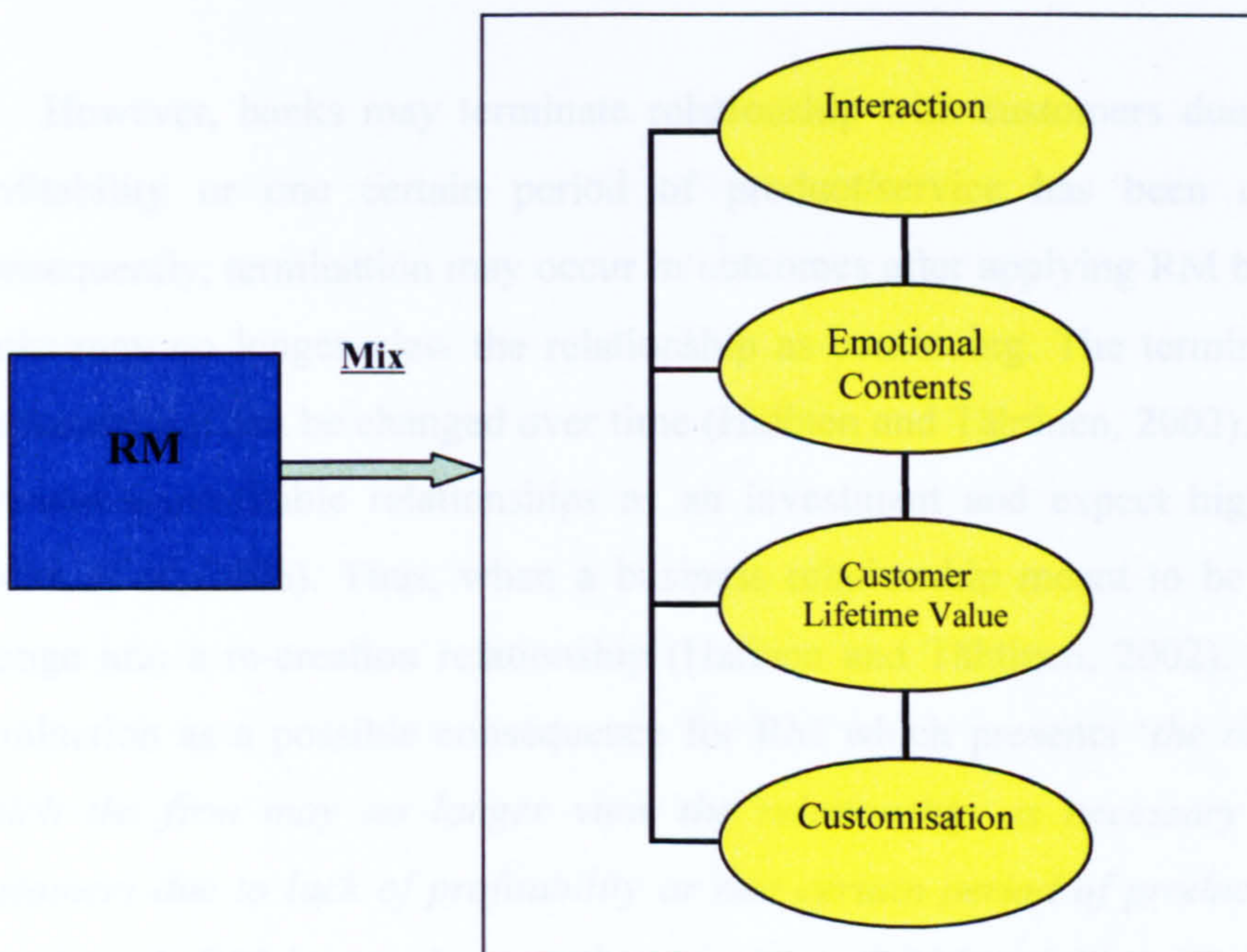
3.2.2 RM Mix

RM has been conventionally defined in order to create, enhance, and maintain customer relationship (Berry and Parasuraman, 1991). However, the question is that what are the effective methods for developing and keeping these relationships and how they work may be complex questions. Grönroos (2004) suggests that an interaction process as the successful execution of relationship strategy. Greater relational benefits can be resulted from high contact and customised service (Kinard and Capella, 2006). Morgan and Hunt (1994) examine different customer relationships and propose trust and commitment the linking key motivations regarding RM. The central role trust plays in relationship building and maintenance is well established in the marketing literature (e.g., Dwyer *et al*, 1987; Morgan, 2000). Customer lifetime Values (CLV) attempts to calculate the current value of the likely future income stream generated by an individual customer. Little and Marandi (2003) support this approach that could help the service supplier to identify those customer who are willing to enter a long-term relationship. Briefly, this study proposes these five RM approaches as RM mix which will be helpful in insights in the field of RM. RM mix also could be seen as the methods that can be actually executed for implementing RM in practice.

In sum, there are four key RM activities within RM mix are: interaction, emotional contents, CLV and customisation. Different terms about RM mix have been classified in Table 2.2. This research defines ‘interaction’ as ‘*the process by which the parties exchange, communicate, in a mutually collaborative manner*’ (section 2.3.2). Interaction also helps banks to understand their customers in order to identify their needs and to find the solution. Thus, this study also develops a definition for ‘emotional

contents' which is *'the willingness to trust, believes in the integrity of the other to keep their promise and to deliver on promises which is valuable enough to commit and satisfy between the parties'* (section 2.3.2). This research define this term (CLV) as *'the net of the revenues obtained from a customer over the lifetime of transactions with the customer minus the costs, taking into account the time value of money'* (section 2.3.2). CLV is an important approach for RM, especially when not all customers are profitable for the firms, so acknowledging variations in the profitability of customer relationships, several authors suggest the CLV to manage customer relationships (for a summary see Turnbull and Zolkiewski, 2002). 'Customisation' has been identified in this study that *'attempts to take account into the customer's requirement and needs through flexible processes to create added value for customers'*. These RM mix are linking each other which presents each of them could exist either separately or simultaneously (see Figure 3.2). All these RM mix may cause the outcomes which encourage customer share, profit relationship, and/or, long-time relationship.

Figure 3.2 Relationship marketing mix



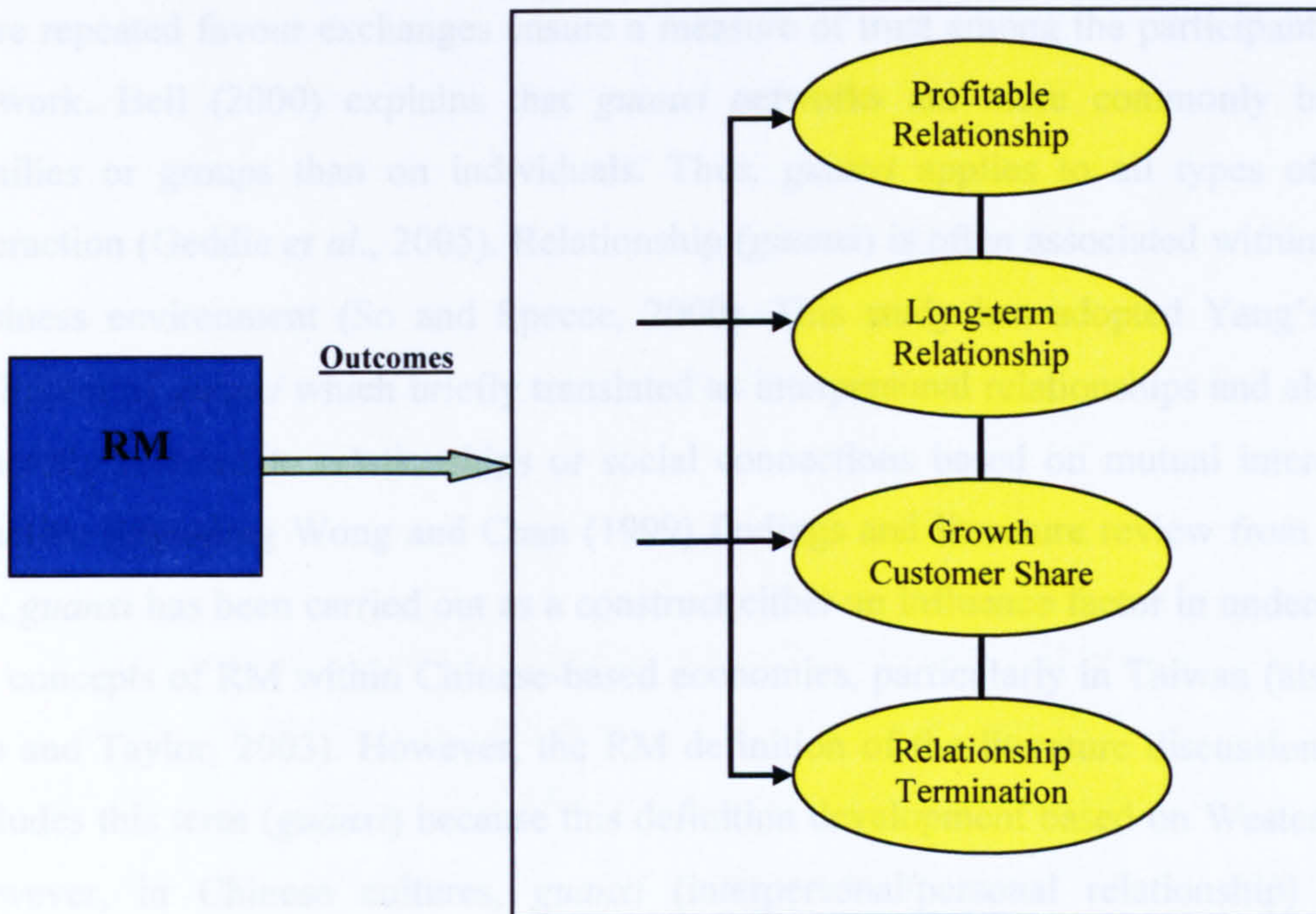
This diagram illustrates the relationship amongst each approach of RM. Each circle diagram presents each component of RM. The linkage shows each component can be performed either separately or simultaneously. For example, bank can apply interaction to exchange the information and also provides customised product and services to this customer. The following section will discuss the outcomes after applying RM.

3.2.3 Outcomes of RM

In this section, RM mix may encourage the positive outcomes of RM including the growth customer share, long-term relationship, and profitable relationship. This study defines long-term relationship as a feature of RM which presents '*the concepts of duration and emphasis on long-term relationships*'. Profitable relationship is also an outcome of RM which defined as '*the outcomes of RM which conclude mutual profitable, effective, and rewarding relationships*'. Growth customer share is also a feature of RM which presents to "*increase in the value of each customer's purchases*".

However, banks may terminate relationship with customers due to lack customer profitability or one certain period of product/service has been done or finished. Consequently, termination may occur in outcomes after applying RM because Taiwanese banks may no longer view the relationship as continuing. The termination may not be permanent but can be changed over time (Halinen and Tähtinen, 2002). The supplier may consider unprofitable relationships as an investment and expect higher future returns (Helm *et al*, 2006). Thus, when a business relationship meant to be episodic can still change into a re-creation relationship (Halinen and Tähtinen, 2002). Thus, relationship termination as a possible consequence for RM which presents '*the outcomes of RM in which the firm may no longer view the relationship as necessary to continue with customers due to lack of profitability or one certain period of product/service reaching completion*'. RM is seen here as the outcomes of RM activities though these need not necessarily be active or conscious activities. Figure 3.3 explain the outcomes of RM

Figure 3.3 Outcomes of relationship marketing



Each feature of outcome also can be presented as a component for RM. The linkage shows each component could occur either separately or simultaneously. However, the purpose of this study is to explore RM concept and implement in Taiwanese banks, so the investigation will be conducted within Taiwanese bank. Accordingly, *guanxi* is necessary influence factor within RM implementation and part of culture in Chinese-based society. Previous studies (i.e. Wu and Taylor, 2003) have verified that Taiwan share the Chinese culture which is more likely to have effect from *guanxi* in both social and business relationship, so next section will illustrate the diagram which addresses the relationship between *guanxi* and RM.

3.2.4 Guanxi and RM

Davies (1995) defines *guanxi* as the social interactions within a networked group where repeated favour exchanges ensure a measure of trust among the participants of this network. Bell (2000) explains that *guanxi* networks are more commonly based on families or groups than on individuals. Thus, *guanxi* applies to all types of human interaction (Geddie *et al.*, 2005). Relationship (*guanxi*) is often associated within Eastern business environment (So and Speece, 2000). This study has adopted Yang's (1994) definition of *guanxi* which is briefly translated as interpersonal relationships and also could generally be referred to relationships or social connections based on mutual interests and benefits. Regarding Wong and Chan (1999) findings and literature review from Chapter 2.4, *guanxi* has been carried out as a construct either an influence factor in understanding the concepts of RM within Chinese-based economies, particularly in Taiwan (also see in Wu and Taylor, 2003). However, the RM definition in the literature discussion neglects this term (*guanxi*) because this definition was developed based on Western study. However, in Chinese cultures, *guanxi* (interpersonal/personal relationship) is very important (Davies *et al.*, 1995; Luo, 1997b; Tong and Yong, 1998). Thus, *guanxi* at times presents the interpersonal relationships which may or may not be necessary existing within all kinds of customer relationship. This thesis adopts *guanxi* into the conceptual framework and also regarding its importance within RM concepts especially within Chinese-based economies although the RM definition doesn't contain this term.

Figure 3.4 Guanxi and Relationship Marketing



The circle diagram presents *guanxi* may or may be one of components for RM. In the previous literature, some authors argue that the role and benefits of *guanxi* may have been grossly exaggerated and cannot be substantiated because there is no convincing direct evidence to show how and to what extent *guanxi* alone is beneficial to business performance (e.g. Luo, 1997a; Ambler *et al.*, 1999; Fan, 2002). Hence, this figure displays the linkage between *guanxi* and RM by an intermittent two ways arrowhead to show the *guanxi* may have direct or indirect effect on RM. The research will also take further investigation into the relationship between *guanxi* and RM in order to have completely and better understanding RM within Taiwanese banks.

3.2.5 Conceptual Framework

In order to describe and have better comprehensive understanding of RM practices within Taiwanese banks, this study adopts the RM concepts which include aim (creation, development, maintenance), RM Mix (*guanxi*, interaction, emotional contents, customer lifetime value, and customisation), and outcomes (customer share not market share, long-term relationship, profitable relationship, and relationship termination) to investigate the RM implementation within Taiwanese banks. Consequently, with regard to these components, the conceptual framework of this research has been developed in this Chapter (also see Figure 3.5).

Figure 3.5 Integration of Basic Structure of Key Themes and *Guanxi*

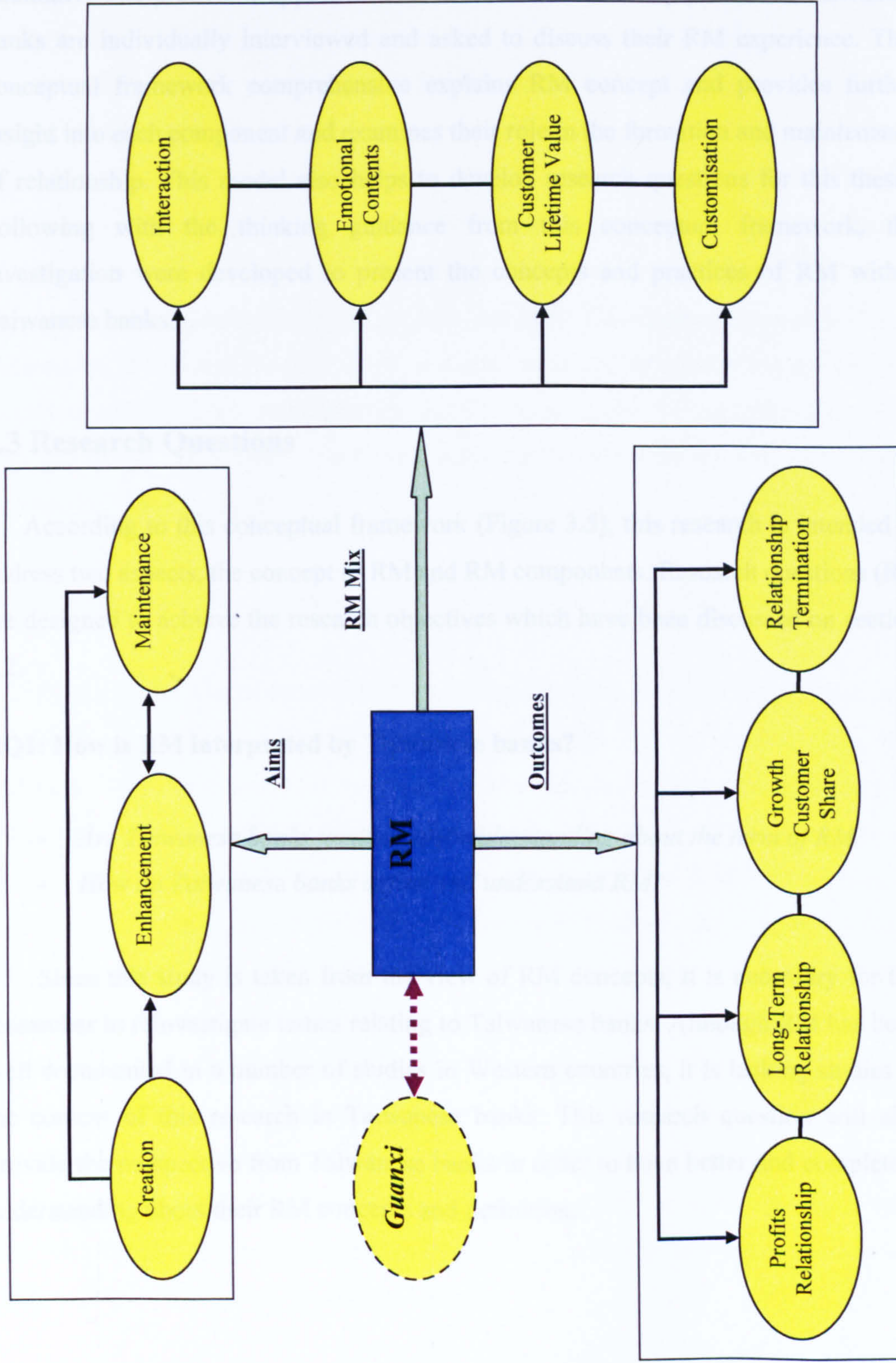


Figure 3.5 presents a conceptual framework based for this study which explains the aim, RM mix, and outcomes of RM. As the purpose of this thesis is to investigate whether RM presence exists in Taiwanese banking sector and if so discover their notions and implement experiences about RM. Hence, this research employed a qualitative interpretivistic approach. This involves the discovery process as Taiwanese banks are individually interviewed and asked to discuss their RM experience. This conceptual framework comprehensive explains RM concept and provides further insight into each component and examines their role in the formation and maintenance of relationship. This model also helps to develop research questions for this thesis. Following with the thinking guidance from this conceptual framework, the investigation were developed to present the concepts and practices of RM within Taiwanese banks.

3.3 Research Questions

According to this conceptual framework (Figure 3.5), this research is intended to address two aspects, the concept of RM and RM components. Research questions (RQ) are designed to achieve the research objectives which have been discussed on section 1.2.

RQ1: How is RM interpreted by Taiwanese banks?

- *Are Taiwanese banks familiar and understanding about the term of RM?*
- *How do Taiwanese banks define and understand RM?*

Since this study is taken from the view of RM concepts, it is necessary for the researcher to reinvestigate issues relating to Taiwanese banks. Although RM has been well documented in a number of studies in Western countries, it is lacking studies in the context of this research in Taiwanese banks. This research question will also provide the perspective from Taiwanese banks in order to have better and completely understanding about their RM concepts and definition.

RQ2: What are Taiwanese banks implementing about RM?

- *How do Taiwanese banks implement RM in the different stage/aim which including relationship creation, enhancement, and maintenance?*
- *What are the key activities which Taiwanese banks undertake to engage in relationship marketing approach?*
- *What is the outcome after Taiwanese banks are applying relationship marketing?*

This research question is to explore the RM implementation in Taiwanese banks. The key components have been identified in this research (see Chapter 2.3.2). The purpose of this question is to find out how Taiwanese banks use RM mix (interaction, emotional contents, CLV, and customisation) to achieve the aims of RM (creation, enhancement, maintenance), and also to recognise the outcomes (long-term and profitable relationship, customer share not market share, and relationship termination) after applying RM.

RQ3: What does role of *guanxi* play in RM activities within Taiwanese banks?

Guanxi is a Chinese concept and is practiced in most Asian countries (Geddie *et al.*, 2005). Accordingly, although previous studies (e.g. Xin and Pearce, 1996; Luo and Park, 2001) have proposed that *guanxi* can become an important advantage for firm, they do not clearly or directly answer the question that how *guanxi* at the individual level is shifted into the organisational asset, there is still an absence of satisfactory answer to the above question. More specifically, some researchers (Luo, 1997b; Luo and Chen, 1997; Park and Luo, 2001) proposed the important link between *guanxi* and firm performance. However, these investigations neglect to provide the explanation how *guanxi* has an important effect on firms. Therefore, there is a gap of RM concepts between Eastern and Western RM theory, so this research question will take further investigation to understand RM more strongly in the context of interpersonal relationship, characterised and creation by social relationships rather than the business relationship, so the term *guanxi* is important and can not be avoided on this study of RM within Taiwanese banks.

3.4 Chapter Summary

The key components of RM have been identified and display in this conceptual framework base on Western theory of RM. This conceptual framework also provides a basis for deciding the research questions (see Chapter 3.2). For example, the investigation of those linkages has illustrated in Figure 3.3. The purpose of this thesis is to respond to a call in the marketing literature to see if key concepts in RM from Western studies can be more accurately explained in Taiwanese banks. This study also intends to identify and describe these notions of RM as components which consist of RM. Although this study is not strictly a phenomenological study, existential and hermeneutical phenomenological interviewing techniques were incorporated because RM implement experience is believed to be experientially-based on the part of Taiwanese banks. It is hoped that this existential philosophical and phenomenological methodological approach allowed this research to gain insight and better understanding into the diversity for experience underlying the components of RM. The following sections will address the research methodology of this thesis.

Chapter Four

Research Methodology

4.1 Chapter Overview

This chapter discusses the theoretical and practical considerations regarding the application of an appropriate methodology to respond to the research questions outlined in the literature review. The findings and analysis play a significant role in refining the proposed theoretical framework presented in Chapter 3. Careful selection of the methodological choices available for this study was therefore important. The following section begins with a discussion of the underpinning philosophical perspectives considered and selected for this research which was an interpretive paradigm. Following this the data collection procedure will be explained. The participants' selection and the detailed issues on how interviews were conducted will be discussed and the discussion will also consider the importance of considering and upholding research ethics. The data analysis process (including template analysis) will then be presented. The final section of the chapter will then consider the role of trustworthiness, followed by an overall summary.

4.2 Research Philosophy: Constructivist-Interpretive Paradigm

The research philosophy characterises the investigator's particular beliefs about the nature of data collection, analysis and overall, how phenomena are to be perceived and interpreted (Denzin and Lincoln, 1998). It allows the researcher to think critically about the enhancement of knowledge (Saunders *et al.*, 2003). This therefore indicates that the researcher should have a clear idea of the philosophical position that underpins the nature of the study (Collis and Hussey, 2003). The following section will discuss the philosophical stance underpinning in this study.

An ontological position reflects the researcher's view about the nature of the world, so the ontology can be described as the study of the essence of phenomena and

the nature of their existence (Gill and Johnson, 2002). In other words, constructivism is a psychological theory of knowledge which argues that humans generate knowledge and meaning from their experiences. The ontological assumption of this research was close to constructivism because the interviewer believed that there were multiple realities experienced by Taiwanese bank employees when they implemented RM. Also each Taiwanese bank might have had a different experience of RM implementation, so the result would be too complex to lend itself to objective, measurable 'laws' (Saunders *et al.*, 2003). The interviewer also believed that knowledge does not come from the application of theory to practice, but rather by identifying the different realities banks believed in light of their experiences about RM. Hence, positivism was not an appropriate assumption for this research because it would call for the development of law-like generalisations (Remenyi *et al.*, 1998) that would detract from the unique experiences of different banks and their employees. This investigation therefore was not focused on looking for or testing a 'right answer' but rather was conducted to enhance understanding by exploring the concepts and practices of RM in Taiwanese banks. It was therefore reasoned that the ontological assumption of this study was closely aligned with a constructivist paradigm which would support the researcher's approach to understanding the subjective reality of RM concepts, implementation experiences, and intentions in a way that was meaningful for these research participants.

Epistemology refers to the assumptions about knowledge and how it can be obtained (Hirschheim, 1992). Hence, epistemology is like the branch of philosophy concerned with the nature and scope of knowledge. Here the key issues of this research were concerned with how RM was understood and implemented by Taiwanese bank employees. The epistemological stance in this research was therefore close to the interpretivist who believes that the researcher interacts with subjects to deepen insights. Interpretivist recognises that the knowledge they construct reflects their particular goals, culture, experience and history (Strauss and Corbin, 1998). In other words, the epistemological position for this study attempted to understand the view of what this research could discover about RM practices in Taiwanese banks. Thus, this study did not anticipate the conclusion, but rather sought to let the data speak for itself (Perry, 1998) in order to offer insightful perspectives regarding RM practices. By contrast, it was reasoned that a positivist approach would not enable the

researcher to capture the richness and complexity of RM practices in Taiwanese banks. More specifically, this study sought to understand not just the details of different situations, but also the realities underpinning such situations. In order to meet the aim of this research, the focus was on the meanings of what Taiwanese bank employees said, as opposed to establishing the number of interviewees who discussed the same situations (Jankowicz, 2005). This study therefore adopted an interpretivist epistemology in order to achieve a deeper understanding of Taiwanese bank employees' perspectives and experiences implementing RM.

This researcher of this study also believed that the knowledge or truth was not 'out there' to be found (Jankowicz, 2005). In other words, the phenomena and information could not simply be discovered and measured quantitatively to form statistical generalisation. More importantly, it was required for this researcher to directly interact with bank employees and establish a socially agreed understanding. It was therefore this interpretive approach that allowed the researcher to understand individuals' RM perspectives, understandings, and implementation experiences. Through interpretation, banks' RM concepts and practises were shaped and embodied. A constructivist-interpretive paradigm was therefore deemed most appropriate for addressing the research questions of this study.

4.3 Research Approach: Inductivism

A research approach is simply the framework or plan for a study. An appropriate approach is offered as a possible way to collect and analyse the data, and reduce the potential difficulties associated with an interpretive study of this nature (Guba and Lincoln, 1994). There are two major approaches to the building and testing of theory, namely deductivism and inductivism. The deductive approach emphasises on analysis of relationships and use of various controls, physical or statistical, so as to allow the testing of hypotheses (Gill and Johnson, 2002). Hence, the characteristic of deduction approach controls to allow the testing of hypotheses and uses a highly structured methodology to facilitate replication (Saunders *et al.*, 2007). In another words, the purpose of deductive approach is to use the literature to identify theories or ideas and then will test the data from hypotheses. By contrast, the inductive approach

highlighted the explanation of subjective meanings which involves the systematic collection and analysis of qualitative data (Gilmore and Carson, 1996). Thus, the purpose of the inductive approach is to explore the data and develop theories from the findings that will subsequently relate to the literature. However, the justification of research strategies should be based on the research questions and objectives (Creswell, 1994).

As discussed earlier in the research justifications, it was suggested that no perfect guidelines exist that guarantee an effective design and implementation of RM programmes (Lindgreen, 2001) because most previous research about RM are not informed by empirical evidence (e.g. Bendapudi and Berry, 1997; Berry and Parasuraman, 1991; Zikmund *et al.*, 2003; Narayandas, 2005; Lacy, 2007). However, relationship development is often involved with culture (e.g. Buttery and Wong, 1999; So and Speece, 2000; Leung *et al.*, 2003), so it was suggested that different cultures as a result of differing values and rules which may think or implement about RM differently.

Most previous studies about RM adopt quantitative approaches. Although the literature has guided and informed this study, it could not a clear unambiguous conceptualisation for application to the Taiwanese banking sector. Methodologically, this study believed that naturalistic procedures yield richer data. Entering a culture and becoming a part of it provides the data that positivist methods cannot obtain. This study understood and took into consideration Taiwanese banks' perspectives and beliefs in ways not available to researchers using quantitative methods. This study also sought to interpret how RM was understood and implemented within Taiwanese banks, so the qualitative approach can focus on the process of meaning constructing and clarify what and how meanings are embodied in banks through an inductive logic (Creswell, 1994).

Another justification for this chosen approach is that the majority of previous studies about RM had been informed predominantly in Western interpretations, but RM in Asian contexts is still limited, wherein their business performance could be strongly influenced by unique cultural factors. In other words, Taiwanese banks might have different concepts about the approach and implementation of RM, which might

have compared differently to Western-based studies. Hence, a deductive approach was not considered appropriate for this research because the aim of this research was not to test an existing RM theory or hypothesis from Western studies, but rather to develop a new theory in light of exploratory research for RM within Taiwanese banks. More specifically, the Western RM theoretical framework did not yield a sufficiently convincing answer to the research questions and objectives for this research. It was therefore decided to analyse the interview data inductively.

In addition, the purpose of this research was intended to provide a comprehensive overview of the interpretations of the concepts and practices of RM within Taiwanese banks, so it was not only to discover what Taiwanese banks are doing about RM, but also to understand the reasons guiding particular approaches for RM implementation. In other words, the concepts and practices of RM in Taiwanese banks could not be explained by a statistical approach or measurable facts. It was reasoned that there might have been many factors affecting the understanding and implementation of RM from banks, so the meanings attributed to such realities would need to be investigated. The inductive approach was therefore selected which is applied to under explored settings, to gain better understanding of the research problems, and hence refine research questions and formulate new theory for this research (Miles and Huberman, 1994). The selection of inductivism was therefore deemed appropriate and necessary for this study concerned with understanding the meanings behind the data as it enabled the researcher to perceive the participants' perspectives, concepts and practices of RM.

4.4 Research Strategy: an Exploratory Study

Qualitative research was conducted in this study and it required an exploratory technique to identify the key issues in a flexible way in order to gain new insights (Gilmore and Carson, 1996). This is relevant as qualitative rather than quantitative approaches allow this research to work closely with participants within Taiwanese banks and collect information pertaining to their personal thoughts and experiences (Ying, 2003). As outlined in chapter one, an exploratory research strategy was necessary for four reasons. First, most previous studies about RM were conducted in

Western settings. As a result of cultural differences, the applicability of such findings to a Taiwanese setting was therefore brought into question. Second, as Chinese culture and business interactions are characterised by *guanxi* few studies have investigated the role of this networking phenomenon in the context of RM performance. Third, although there are many studies about RM, most of them are in a business-to-business context and therefore similar research in the consumer banking sectors could yield different findings. Fourth, relationship termination was suggested to add into this study because not all customers want to engage in relationships and in fact, close customer relationships in banking are rare (e.g. O'Loughlin *et al.*, 2004; Leverin and Liljander, 2006). Some previous studies have also proposed that RM should include relationship termination as not all customers benefit the bank itself, banks may terminate relationships in order to reduce their losses (e.g. Grönroos, 2000; Helm *et al.*, 2006). However, the majority of previous studies about RM focus on relationship development and not with relationship termination. Only a few studies have addressed relationship termination (e.g. Ganesh *et al.*, 2000; Halinen and Tähtinen, 2002).

Hence, this research was an exploratory study conducted to find out '*what is happening; to seek new insights; to ask questions and to assess phenomena in a new light*' (Robson, 2002, p.59). This study used qualitative methods because these were recognised as methods that could be used to explore areas about which little was known and to obtain the complex details about phenomena (Strauss and Corbin, 1998). It was reasoned that qualitative findings were important for gaining an in-depth understanding of the phenomena, achieving meaningful interpretation, and strengthening the conceptual framework in order to present the thinking underpinning how RM was understood and implemented in Taiwanese banks.

In summary, this study was influenced by the interpretive research approach, which allowed participants and the researcher to interact in the interviewing process as they discussed the phenomenon (Denzin and Lincoln, 1994). As discussed earlier, this research aimed to let the data speak for itself, so the quantitative method was not deemed appropriate for this study because this approach sought explanation and predictions and aimed at producing generalisability results (Glesne and Peshkin, 1992). Qualitative methods were used in this study which allowed the researcher to

develop more understanding of particular issues (Carson *et al.*, 2001) and enabled the collection of in-depth information. In order to facilitate and identify various RM approaches and further to develop conceptualised understanding of RM for Taiwanese banks, qualitative, in-depth interviews were used to address the research questions.

4.5 Data Collection Procedures

The interview method was used in this study since it was the most direct way to obtain specific information. The difficulties associated with this study of RM in Taiwanese banks may have included the participants' level of familiarity with RM, sample selection, types and styles of questions posed, and reliability of the qualitative data and findings. Hence, the initial interviews were conducted at the earlier stages to generate different aspects from four Taiwanese banks which enabled the interviewer to identify key themes for follow-up interviews. These four interviews were conducted using a convenience sampling technique, because quick and timely information was required for exploratory research purposes (Sekaran, 2003). The data from this pilot study was analysed and presented in the MPhil to PhD transfer report.

Two key issues were considered in this research (section 1.3) which included how RM was understood and implemented by Taiwanese bank employees. The major aim of this study was to perform an exploratory investigation to gather information about the implementation experience, and to clarify concepts of RM. The pilot study discovered that *guanxi* might be one important feature for consideration. Moreover, the examiners of the transfer report also suggested the inclusion of relationship termination as another component of RM. After careful consideration and review of RM studies within other Chinese sectors, this suggestion was incorporated. In addition further investigation of eleven RM components influenced by *guanxi* was also considered.

In addition, considering the stages involved in setting up and conducting in-depth interviews, each stage was important and would have an impact on how participants experienced the process and the overall quality of the research (Silverman, 2005). All the interview processes considered research ethics and interviewees' rights. The

following discussion will explain the three major steps involved with conducting qualitative, in-depth interviews. These steps define the information required before and during the interviews, and also determine the number of interviews required, as well as whom to interview. Therefore, a more comprehensive understanding about RM could be gained in order to meet the aim and objectives of this study. The data collection process, via interviews is discussed in the following section.

4.5.1 Stage One: Relevant Information Collection

The first step was to define the information required before and during the interviews. Secondary research therefore involved conducting literature searches, article reviews and analysis of existing available data. As a consequence of existing secondary data presenting limited available information, further primary data collection was required. According to Yin (1994), each interview should focus only on one specific area of the business in order to help ensure that study achieves greater 'depth' than 'breadth'. It was thus essential to review related information and to define the nature of the research problem before conducting primary research. Failure to collect relevant information may have led to insufficient findings or limit the topics discussed in the interviews (Strauss and Corbin, 1992). Therefore, a review of literature related to RM and the banking sector environment in Taiwan was conducted and presented in chapter two.

Based on the background knowledge reviewed in the literature review, a conceptual theoretical framework was developed in Chapter three. These activities helped guide and assist the researcher in obtaining useful and relevant information to be collected in the interviews and further to develop the research questions presented in chapter three.

Since the theoretical assumptions and framework were adopted from Western studies, it was necessary to investigate whether the framework and the meanings of some components were appropriate to use in the context of consumer banking in Taiwan. The overall findings mostly supported the conceptual framework presented in chapter three. Table 4.1 presents a summary report of the major research questions and its research objectives.

Table 4.1 The rationale of designing research objectives and research questions

Research Objectives (RO)	Research Questions (RQ)	Propositions
<p>RO1: To examine the understanding Taiwanese banks have of the relationship marketing concepts</p>	<p>RQ1: How is RM interpreted by Taiwanese banks?</p> <ul style="list-style-type: none"> - <i>Are Taiwanese banks familiar and understanding about the term of RM?</i> - <i>How do Taiwanese banks define and understand RM?</i> 	<p>P1: The findings from RQ1 would assist this study to develop an appropriate understanding and definition of RM applicable to Taiwanese banks.</p>
<p>RO2: To explore the current relationship marketing activities and methods of implementation within Taiwanese banks</p>	<p>RQ2: What aspects of RM were Taiwanese banks implementing?</p> <ul style="list-style-type: none"> - <i>How did Taiwanese banks implement RM in the different stages (relationship creation, enhancement, and maintenance)?</i> - <i>What were the key activities which Taiwanese banks undertook to engage in RM?</i> - <i>What were the outcomes after applying RM?</i> 	<p>P2: The key components were divided into three parts including aims, key activities (RM mix), and outcomes. RQ2 was indented to find out how Taiwanese bank used the RM mix (interaction, emotional contents, CLV, and customisation) to achieve the Aims of RM (creation, enhancement, maintenance), and also to recognise the outcomes (long-term and profitable relationships, customer share not market share, and relationship termination) after applying RM.</p>
<p>RO3: To investigate how <i>guanxi</i> impacts on relationship marketing concepts and practices and their interrelation within Taiwanese banks</p>	<p>RQ3: What did the role of <i>guanxi</i> play in RM concepts and activities?</p>	<p>P3: The importance of <i>guanxi</i> was reported in previous studies and also this was an important factor in Chinese-based business and culture. Therefore, according to the conceptual framework of RM, it was deemed appropriate to further investigate <i>guanxi</i> in the context of the implementation of RM in Taiwanese banks.</p>
<p>RO4: To develop a conceptual framework based on the empirical findings of this research that that simultaneously connects and illustrate the position of each relationship marketing component.</p>		<p>P4: After RQ1, RQ2, and RQ3 were answered, RO4 was where the researcher intended to draw a conclusion and develop a framework that could be used for further research areas, and to provide a clear framework for business considerations.</p>

Before performing any interviews, the researcher prepared an interview checklist as a guide to help focus on the central issues related to the research questions (Appendix 5). The advantage here was that the researcher could carefully decide how best to use the limited time available and ensure that the interviews could be arranged with a number of different participants in a more systematic and comprehensive way (Patton, 1990). Semi-structured interview questions were used in this exploratory study in order to understand the relationships between variables (Saunders *et al.*, 2003). Therefore, a semi-structured, as opposed to an unstructured interview, structure was more appropriate for this study, but it also allowed the interviewer to ask extra questions if any new ideas were raised by respondents during the interview (Collis and Hussey, 2003). In this case, the interviewer could then follow up the suggested area through further questions (Yin, 1994). In addition, these new questions could also then be applied to subsequent interviews. The interview questions were open-ended to explore answers in more depth. However, in deciding which questions to ask, it was important that respondents were not given any cue in providing a desired response (Collis and Hussey, 2003). The usual practice was to ask general questions in the hope that themes would emerge during the conversation (Strauss and Corbin, 1992).

A copy of the in-depth interviewing guide is provided in Table 4.2. There were three major sections that comprised the interview. The first section concerned respondents' concepts and understanding of RM. The remaining sections addressed the theoretical framework of this research. In each section, a general question was asked before any specific questions relating to the components were posed. Indeed, the topic frame covered in each interview was kept constant, but the sub-questions used during each interview were changed. Questions were developed in light of the reviewed literature (Table 4.2). Therefore, semi-structured interviews with open-end questions were deemed the most appropriate method as they were an effective means to providing insight.

Table 4.2 The design of interview themes

Research Question (RQ)	Interview Themes (IQ)	My definition for this study	Previous literature support
RQ1: How is RM interpreted by Taiwanese banks?	IT1.1. Are Taiwanese banks familiar with the term RM? IT1.2. How do Taiwanese banks define and understand RM?	Relationship Marketing: Marketing activities carried out in order to attract, maintain, and enhance long-term committed and profitable relationships with potential and existing customers through interactions, customisation and identification CLV to gain a bigger purchase of customers.	Harker (1999)
RQ2: What aspects of RM are Taiwanese Banks implementing?	IT2. How do Taiwanese banks create relationships with potential customers?	Creation to attract or establish relationships with potential customers in early stage	Sheth and Parvatiyar (2000)
RQ2.1: How do Taiwanese banks implement RM in the different stages (relationship creation, enhancement, and maintenance)?	IT3. How do Taiwanese banks enhance relationships with existing customers? IT4. How do Taiwanese banks maintain relationships with existing customers?	Enhancement to enhance, strengthen, and extend the relationship with customers Maintenance to sustain and keep stable relationships between firms and customers	Gummesson, (2002a); Grönroos, (2000a) Gummesson, (2002a); Grönroos, (2000a)
RQ2.2: What are the key activities which Taiwanese banks undertake to engage RM approach?	IT5.1. What are Taiwanese banks doing about interactions? IT5.2. What are Taiwanese banks doing about emotional contents?	Interaction: the process by which the parties exchange, communicate, in a mutually collaborative manner, in order to identify needs and find solutions Emotional Content: a willingness to trust, believe in the integrity of the other to keep their promise and to deliver on promises to satisfy the parties	Walsh <i>et al.</i> (2004); Chang and Tseng (2005) Gruen (1997), Little and Marandi (2003)
RQ2.3: What is the outcome from RM implementation in Taiwanese banks?	IT5.3. What are Taiwanese banks doing about customer relationship management? IT5.4. What are Taiwanese banks doing about customisation? IT5.5. Growth Customer Share	Customer lifetime Value: the total net revenues obtained from a customer over the lifetime of transactions, taking into account the time value of money Customisation: an approach which attempts to take into account the customer requirements and needs through flexible processes to create added value Growth Customer Share: to increase the value of a customer's purchases	Steward and Durkin (1999) Rao and Perry (2002) O'Malley and Tynan, (2000); Little and Marandi (2003) Henry and Razzouk, (2006) Steward and Durkin (1999); Gummesson (2000) Pritluck (2003)
RQ3: What role does <i>guanxi</i> play in RM activities in Taiwanese banks?	IT6: Long-term relationships Profitable relationships Why do Taiwanese banks terminate relationships with existing customers? IT7. Is personal relationship (<i>guanxi</i>) part of RM implementation?	Long-term relationships: the concept of duration and emphasis on long-term relationship Profitable relationships: the outcomes of RM which result in profitable, effective, and rewarding relationships Relationship termination: the outcomes of RM in which the firm may no longer view the relationship necessary to be continued as a result of a lack of customer profitability and/or where one certain period of product/service has been discontinued or completed. <i>Guanxi</i> (personal relationship): a particularised and personalised relationship based on the reciprocal exchange of favour.	Roos (1999); Grönroos (2000b); Hocutt (1998) Ganesh <i>et al.</i> , (2000) Lee <i>et al.</i> , (1999); Yeung and Tung, (1996)

4.5.2 Stage Two: Participant Selection

The second step in the interview process was to decide who to interview and the number of interviews to be conducted. The participant's selection was critical. To achieve the aims of this research and consider the dynamic financial service market, it was necessary to identify which Taiwanese banks provided consumer banking services and also undertook RM, so searching and updating information about Taiwanese banks were important in this stage. The information search involved accessing each bank's website and also annual financial reports. According to the Taiwanese Financial Supervisory Commission⁸ (2007), there were 41 domestic banks in Taiwan, but only 34 banks were active in consumer banking (Appendix 7). Experienced researchers will know that potential participants are not always easy to access (Darlington and Scott, 2002), and especially for financial companies since the interview questions concerned the application of RM initiatives where the data might have involved disclosure of sensitive and private information for banks. Hence, the researcher had the duty to explain and consider in advance the likely consequences of participation and to take measures that protected the interests of those who participated in the research.

The aim of this research is to explore the concepts and practices of RM in Taiwanese banks, so this empirical investigation was conducted in Taiwan. However, these potential participants were located in Taiwan and the interviewer was in Bournemouth, so the initial contact was necessary for this stage. The interviewer tried to access all 34 Taiwanese banks by email (Appendix 6C) or telephone. One reason for this pre-interview contact was to identify if these banks had adopted RM and understood their RM practices within their consumer banking division, and another reason to understand which prospective participant is willing to take part in this investigation. Meanwhile, it was reasoned that this procedure would help banks to understand the interview purposes and processes.

⁸ Source: Taiwanese Financial Supervisory Commission, Executive Yuan. There are 14 Financial Holding Companies, 41 Domestic banks, 32 local branches of foreign banks. (<http://www.banking.gov.tw/lp.asp?ctNode=2022&CtUnit=483&BaseDSD=41>)

During the selection process, the researcher needed to determine the number of interviews to be conducted. This depended on what the researcher wanted to know, why the information was needed, how the findings would be used and what kinds of resources were provided (Patton, 1990). Carson *et al.*, (2001) also suggest that the researcher has to consider sample size within the context of time and other resource constraints. The interviewer reasoned the most important consideration was to find banks willing to provide their understanding and experiences of RM. Therefore, the non-probability sampling technique was deemed the most appropriate for this research.

The pre-interview letter or email (Appendix 6A and Appendix 6B) was sent to the participants to provide prior knowledge of the study. Employees from all 34 banks in Taiwan were invited to participate in the interviews. Although the researcher contacted all 34 Taiwanese consumer banks, not all banks responded and agreed to participate to this research. In order to obtain rich and in-depth data for this study, a snowball sampling technique was used. After each interview, the interviewee was asked to recommend another potential research participant in their bank. This was one of the effective approaches for locating information-rich key information (Patton, 1990) as the interviewee was able to guide the selection of the next appropriate potential participant from his/her individual network (Ghauri and Grønhaug, 2005). As a result the sample frame was not a purely randomised sample from the complete population set of Taiwanese banks. Consequently, 14 banks did not reply and 3 refused to be interviewed, 17 banks kindly accepted this invitation and agreed to participate for this research.

In addition, the researcher considered the issue of personal safety and convenience when arranging the interview time and location. All prospective participants were asked for their permission to audio-tape the interviews. This also allowed for a cooling off period, in which they might have changed their mind about participation. In order to achieve the purpose of this study, the interviewer asked if their banks had implemented RM. Consequently, there were mainly two types of interviewees (see in Table 4.).

Table 4.3 Interviewee's profile

Bank /codes	Informants/codes from Head office	Informants/ codes from Branch
Bank 1	1CH: Senior Manager of Marketing Communication Dept. has 14 years work experience in marketing. (Taipei)	1AB: Sales Senior Manger of Personal Banking Dept. has 8 years work experience in marketing. (Tainan) 1BB: Senior Executive of Marketing Management Dept. has 27 years work experience in marketing. (Tainan)
Bank 2	2AH: Senior Vice President & Head of Marketing Communication Division has 18 years work experience in marketing. (Taipei)	2BB: Vice President of Consumer Banking Market Division has 16 years work experience in marketing. (Tainan) 2CB: Senior Sales Manager of Consumer Banking Division has 12 years work experiences in marketing. (Kaohsiung)
Bank 3	3AH: Vice President of Communications & Brand Management Division has 17 years work experiences in marketing. (Taipei)	3BB: Manager & Sales Supervisor of Consumer Banking Division has 17 years work experiences in marketing. (Tainan)
Bank 4	4AH: Senior Vice President of Personal Banking Division has 10 years work experiences in Bank4 and totally has 21 years work experience within financial service sector. (Taipei) 4BH: Vice President of Marketing Planning and Communication Division has 9 years work experiences in Bank4. (Taipei)	4CB: Assistant Manager of Personal Banking Division (currently are duty with house loan) has almost 8 years work experiences in marketing. (Tainan)
Bank 5	5AH: Six years work experience in marketing planning and analysis division and responsible for data mining and analysis. (Taipei) 5BH: Section Chief of Personal Banking Division has 16 years work experience in marketing. (Taipei) 5CH: Vice President & Section Chief of Product Management Division. (Taipei)	
Bank 6	6BH: An instructor for financial consultant section in Personal Banking Division, work for Bank 6 for 6 and half years. (Taipei)	6AB: Senior Sales Manager of Personal Banking Division has 16 years work experiences in marketing. (Kaohsiung)
Bank 7	-	7AB: Vice President & Section Chief of Personal Banking (House Loan) in Southern of Taiwan has 24 years work experiences in marketing. (Kaohsiung)
Bank 8	-	8AB: Vice President & Branch Manager has 16 years work experiences in marketing. (Taipei) 8BB: Vice President & Branch Manager has 21 years work experiences in marketing. (Tainan) 8CB: Senior Sales Manager of Consumer Banking has 9 years work experiences in marketing. (Tainan)
Bank 9	9BH: Manager of Department of Personal Banking has 20 years work experiences in marketing. (9BH)	9AB: Manager of Marketing Planning & Communication has 9 years work experiences in marketing. (Tainan)
Bank 10	10BH: Vice President & Section Chief of Personal Banking Division has 24 years work experiences in marketing. (Taipei)	10AB: Vice President of Personal Banking Division and has 17 years work experiences in marketing. (Kaohsiung)
Bank 11	11AH: Vice President of Consumer Banking Dept. has 8 years work experience in marketing. (Taipei)	11BB: Senior Vice President in Bank 11 and has 24 years work experiences in marketing. (Tainan)
Bank 12	-	12AB: Vice President & Branch Manager has 31 years work experiences in marketing. (Taipei)
Bank 13	13AH: Vice President & Section Chief of Personal Banking Division has 23 years work experiences in marketing. (Taipei)	
Bank 14	14AH: Senior Manager of Marketing Dept. has 15 years work experience in marketing. (Taipei)	14BB: Vice President & Branch Manager has 35 years work experiences in marketing. (Tainan)
Bank 15		15AB: Vice President & Branch Manager has 23 years work experiences in marketing.(Tainan)
Bank 16	16AH: Senior Manager of Consumer Banking Division has 19 years work experiences in marketing. (Taipei)	
Bank 17	17AH: Vice President & Section Chief of Personal Banking Division has 20 work experiences in marketing. (Taipei)	

The first type was conducted with the marketing manager/research managers within the marketing division or departments in which their head office was located, because these people were seen as the most familiar with their RM strategies. For example, the interviewee 2AH worked in Bank2 for 18 years and his job title was the Senior Vice President and Head of Marketing Communication Division. Interviewee2AH has rich experience in marketing planning and implementation (also see in Appendix 8A). 2AH also had the authority of decision-making for their marketing direction and strategy. The second type of interview involved discussions with branch leaders, who had direct customer contact. For example, interviewee 8BB has 21 years marketing experiences and his job title is Vice President and Branch Manager in Tainan Branch of Bank 8. Although interviewee 8BB works in the local branch, he had rich experience in dealing with customer services and conflict and their marketing implementation (also see in Appendix 8B).

Regarding to the informants criterion, justifications are provided below from both a practical and an academic perspectives. Practically, both types of bank managers had rich experiences in their marketing activities (Saunders *et al.*, 2007, pg.133). It is important for this research to understand if these banks implement RM in their consumer banking sector and recognise these informants are capable to provide their understanding and experience about RM. In addition, from an academic perspective, the concepts and practices of RM within Taiwanese banks need to be investigated because the majority of previous studies about RM were conducted in Western context. In another word, the review of the RM subject reveals that Western interpretations have not yet managed to explain Asian, (and more specifically Chinese or Taiwanese) contexts (e.g. So and Speece,2000; Leung *et al*, 2003). Therefore, in light of the above reasons, these bank managers from several Taiwanese banks were chosen for this study.

4.5.3 Stage Three: Implementation of Semi-Structure and In-Depth Interviews

In-depth interviews allowed the interviewees to express their experiences using their own descriptions (Carson *et al.*, 2001). There were three major types of qualitative research methods that could have been used to address the aim of this study, namely focus groups, case studies, and in-depth interviews. Focus groups were not selected. Although focus groups would have been potentially advantageous in that they might have provided a chance to listen, steer, and moderate a group discussion, (Churchill, 1995), it was reasoned that participants would not want to disclose potentially sensitive information in front of their competitors. Moreover, Saunders *et al.*, (2003, pg.250) also report that managers are more likely to agree to be interviewed, rather than complete a questionnaire, especially where the interview topic is seen to be interesting and relevant to their current work. Therefore, also considering research ethics issues, the required information would be better gained in personal interactions as opposed to a group discussion. In addition, the case study was not adopted because it involves a researcher exploring a single entity or phenomenon and collecting detailed information to explain the situation (Yin, 1994). Some researchers however (e.g. Perry, 1998), indicate that prior theory and pre-structure are desirable before conducting any interview. In other words, prior to the interview, the researcher developed the questions in order to ensure sufficient information would be gained. Furthermore, since RM within Taiwanese banks has not been fully investigated, a more in-depth understanding of the phenomenon, afforded by interviewing was required.

The third step concerned the ways a researcher conducts interviews. In-depth interviews were an appropriate method to use in this study as this would allow for a deeper understanding of RM and its implementation (Strauss and Corbin, 1998). Initial contact with potential interviewees was established via e-mail and telephone calls. A brief overview of the research and the purpose of the interview were then presented once contact was made. All interviewees had the right to opt for either interviews conducted in person or by telephone. The participants were informed that the interview would last about an hour in duration. All face-to-face interviews were conducted at the interviewees' work places because it was a convenient location for

the interviewees (Collis and Hussey, 2003). However, the practicalities of the situation sometimes necessitated telephone interview (i.e., when the participants preferred to have the interview by telephone). In total, twenty-five interviews were conducted in person, and nine were carried out by telephone.

At the beginning of each interview, a few minutes were spent to make the interviewees feel comfortable and at ease, where a brief explanation of the purpose of this research was provided. Before the interviews, all participants were informed that their right to anonymity would be upheld. In addition, participants were asked for their permission to record the interview. A friendly demeanour and assurance of anonymity encouraged participants to answer questions openly and freely. The interviewer also made sure to use '*simple*' and '*understandable*' language, being extra careful when using certain concepts or subject-specific terminology (e.g. customer lifetime value, customisation) because it is quite possible that the participants may have not been familiar with these terms (Ghuri and Grønhaug, 2005, pg. 137). Ideally, each interview took place on a separate day in order to give the interviewer and interviewee time to follow-up any further questions that may have arisen. The semi-structured nature of the interview allowed for comparisons to be made across and between interviews, and the questions were set before the investigation. This question type also allowed the interviewer to add extra or take further questions when new ideas or issues were raised by the interviewees. For example, when the interviewee placed lots emphasis on acquiring market share, the interviewer took further questions such as, '*why does your bank focus on market share*', '*has your bank consider the customer share*', or '*could you please tell me more about it or any particular example*', and so on.

During the interview process, the interviewer also took notes in order to memorise important information and ask extra questions if any new ideas were raised. Note-taking was discretely performed to avoid distracting the interviewees. The interviewer asked a series of open-ended questions that varied from participant to participant (Ghuri and Grønhaug, 2005), where the flexibility in questioning style would lead to further questions, and also to address the nature of the topic without placing boundaries on the responses (Sekaran, 2003). For example, during the discussion, a few prompting questions were used such as, '*can you tell me more about*

that?’, ‘*can you give me an example?*’, and ‘*why is that important to you?*’ These prompting questions enabled interviewees to clarify any uncertain areas.

However, not all interviews progressed smoothly. For example, two interviewees seemed unable, or unwilling, to give anything more than monosyllabic answers. In this ‘*difficult*’ interview situation, the interviewer followed the suggestions provided by King (1994), where the first thing to check was whether the questions were being phrased in as open a way as possible in order to elicit expansive replies which would help ‘*lead the respondent to give specific, concrete examples...*’ (King, 1994, pg. 23). However, it was also important to ensure that leading questions were avoided and to keep the interview on track (Cassell and Symon, 1998). For example, seven participants frequently asked questions about the interviewer’s own opinions. While this was seen as a good sign that the interviews were conducted in a cordial atmosphere, it would have been risky for the interviewer to state her personal opinions as this would possibly have led to the interviewer being influenced by such views. The interviewer therefore adopted King’s (1994, pg. 24) suggestion that the appropriate strategy in this kind of situation was ‘*to say to the interviewees that you will be happy to answer any of their questions at the end, but for now you would like to concentrate on their views*’.

Lastly, the interviewer had to ensure that all the planned questions were asked and then thanked the respondents at the close of interview. The next section will address the strategy and techniques used for data analysis.

4.6 Research Ethics

In data collection, the process of analysing the data and the dissemination of findings, all researchers should consider potential ethical issues. Denscombe (2004, pp.136-138) provides three ethical principles that ideally should guide the research activities, namely that:

Principle 1: participants' interests should be protected

Principle 2: researchers should avoid deception or misrepresentation

Principle 3: participants should provide their informed consent

According to principle 1, this study had the duty to consider in advance the likely consequences of participation and to take measures that protected the interests of those who participated. The pre-interview letter or email (Appendix 6A and Appendix 6B) was sent to the participants to provide prior knowledge of the study. In addition, the researcher considered the issue of personal safety and convenience when arranging the interview time and location. Thus, all face-to-face interviews were conducted in interviewees' offices. Since the interview questions involved potentially sensitive and private information associated with RM implementation, the researcher sought to protect participants' identities by ensuring anonymity and also by avoiding questions that could cause discomfort. The interviewer also assured potential participants that the findings would only be used for this research.

Principle 2 is a general expectation that the researcher should operate in an honest and open manner. When conducting the interviews, all participants were informed again about the purpose of the investigation, so that they could understand the nature of the research and its likely impact upon them. The researcher also sent the transcripts to the interviewees so that they had the opportunity to review accuracy. The maintenance of objectivity was vital during the analysis stage to make sure that the data was not misrepresented. In other words, the participants had the right to ask questions, obtain a copy of the results, and have their privacy respected. Participants were also regularly updated with regards to the progress of the study. This progress

helped participants feel willing to provide their comments and feel respected and valued for the information they provided.

According to principle 3, there is general agreement that the participants in this research would never be forced or coerced participation. They also were assured of their right to anonymity. For example, they were given a code number (1CH). All the data was collected and analysed for the purposes of this study only. During the interview, the participants were reminded that they had the right to participate voluntarily and withdraw at any time. Thus, the participants could refuse to answer the uncomfortable questions during the interview, so that they were not coerced into participation.

4.7 Transcription and Translation

The researcher always recorded the interview process in full to ensure that no relevant information would be lost. All interviews were conducted in Mandarin. All dialogue was translated as closely as possible to English. Although this was a very time-consuming process, all interview data was nevertheless transcribed by the researcher because it was important to remain close to the data and develop familiarity with the recordings. Also all the conversations were written down and each recording took around four hours to transcribe for every recorded hour of tape. After all data had been translated, the researcher also consulted with two bilingual colleagues to assure the adequacy of the translations of transcriptions into English words and perspectives. Once the data was transcribed into text, data analysis was conducted. The following sections outline the data analysis procedures.

4.8 Data Analysis Process

The researcher sought to let the data speak for itself without anticipating conclusions (Collis and Hussey, 2003). The procedures of data analysis here were to reduce data, display data, and draw and verify conclusion from the data (Miles and

Huberman, 1994). Before starting to analyse the data, the researcher listened to the recorded interviews and compared these to the English text translations.

In this early stage of the analysis, the interviewer considered using the computer as a tool to facilitate data reduction which refers to '*the process of selecting, focusing, simplifying, abstracting, and transforming the data that appears in the transcription*' (Ghuri and Grønhaug, 2005, pg.206). The interviewer used this approach to code text data into categories and labelled those categories with components of RM applications and experiences. The researcher decided to use thematic coding/analysis, which is the process of developing categories of concepts, and themes emerging from the data. Furthermore, this kind of coding is an 'open' process in that the researcher explored the data without making any prior assumptions about what would be discovered (Strauss and Corbin, 1990, pg. 61). After the first interview was analysed, the developed categories underlying the analysis of further cases was noted in order to increase comparability across the interview transcripts (Flick, 2002). For this reason, the template coding process was employed and the data was broken down into RM concepts, aims and outcomes. The words (codes) were formulated by using respondents' language. Once the data was reduced, it was useful at times to bring the data back together into precise components of RM.

During the interview, the questions about 'what, who, where, why, how, with what result' were asked to get more understanding of the data. In this study, all the data from bank interviews was transcribed. Through reading the transcripts over and over again, a word, a phrase, or a sentence, had been reviewed for significance. Hence, material was optically scanned, and field notes were typed up, where overall, data was sorted and arranged into different categories depending on the finding from the literature identified in chapter two. However, the researcher needed to go through the field notes, transcripts or texts, and added comments and reflections in the margins alongside the raw data. As the analysis proceeded, new features emerged or new interpretations were provided to the same extract. Miles and Huberman (1994) suggest that the analysis process involves reducing and displaying the data, as well as drawing and verifying conclusions.

In addition, terms like ‘always, must, and have to’, from the transcripts received close attention, as they might indicate the beliefs or assumptions participants had in mind regarding their understanding or experiences (Strauss and Corbin, 1998). Also, as it is important to clarify what decisions were made and actions were taken during the analysis, a simple decision rule was adopted outlining ‘two confirmations and no contradiction’ (Miles and Huberman, 1994, p.131). This means the analysis regarded a concept as important if it was confirmed by at least two interviewees and not negated by others. However, if there were some extreme cases from interviewees interesting to be explored or discussed, they would also be presented. This study classified events and objects in participant’s RM implementation to explain how components of RM were used. During the analysis process, the ideas about themes and their interrelation were recorded in order to help to move from empirical to the conceptual level of data analysis and towards developing propositions. Once propositions were drawn, this study integrated data into a more meaningful and coherent picture through drawing and verifying conclusions (Punch, 2005). For example, MGM (member gets member) was used frequently by interviewees. Through more comparison how MGM was used between these interviewees, the propositions were formed suggesting MGM was applied for the relationship creation. On the other hand, the propositions for banks that MGM represented as personal recommendations/referrals are often taken most seriously in consumer purchase decision, so banks often considered this activity to increase their customer base.

This study also compared the similarities and differences across the descriptions from the interviewees (Strauss and Corbin, 1998), for example MGM (member gets member) was used by most of participants, others such as referrals and recommendations also represented the similar meaning that the existing customers introduced new customers from their *guanxi* network. The overall analytical approach largely followed the conventions of template analysis, where the researcher produced a list of codes (a template) representing themes identified in the textual data (King, 2004). Therefore, after transcription, the interviewer used a coding process to generate a description of the setting or people as well as categories or themes for data reduction in order to engage in further analysis. Through conceptualising and explaining, data was developed to formulate abstract concepts, and finally, the finding was constructed

to integrate various concepts through statements of relationships (Strauss and Corbin, 1998, pg.25).

4.9 Template Analysis

Given the social constructivist perspective taken in this research, template analysis was an appropriate epistemological stance (Kiely, 2005) because it involves thematic analysis of qualitative data (Hussey and Hussey, 1997; King, 1998). Template analysis has produced useful results many times in marketing research and it has been defined as a systematic, replicable technique for compressing many words of text into categories based on explicit rules of coding (Krippendorff, 1980; Weber, 1990; Kiely, 2005).

The template analysis in this study is based on the work of King (1998) who essentially provided a list of the codes or categories that represented the themes revealed from the collected data. The hierarchical coding system consists of pre-defined codes and new codes that were added during the analysis process. It is noted that when there are a high number of codes, that a theme has some external validity and is not just a figment of the investigator's imagination (Guba and Lincoln, 1994). One justification for using pre-defined codes was that the importance of certain issues in relation to the topic being researched was so well-established that one could safely expect them to arise in the data (King, 1998). The pre-defined codes of this study, as higher-order codes, were derived from the academic literature (e.g. Berry, 1983; Harker, 1999; Rao and Perry, 2002; Little and Marandi, 2003) which later outlined the conceptual framework (Figure 3.5). These pre-defined codes included terms, such as '*the concepts of RM*', '*the practice of RM*', '*aims of RM*', '*RM mix*', and '*outcomes of RM*', which were organised into the initial template (Table 4.4). Another reason for using pre-defined codes was that they could help to accelerate the initial coding phases of analysis and save time. Thus, certain issues in relation to this topic were carefully expected to arise from the data collection.

Table 4.4 Initial template

I. The concepts of RM

- A. Relationship creation, enhancement, maintenance
- B. Interaction
- C. Emotional contents
- D. Customer life time values
- E. Customisation
- F. Long-term relationship and profitable relationship
- G. Growth customer share
- H. Relationship termination

II. The Practices of RM

A. Aims of RM

- i. Relationship creation*
- ii. Relationship enhancement*
- iii. Relationship maintenance*

B. RM mix

- i. Interaction*
- ii. Emotional Contents*
- iii. Customer Lifetime Value*
- iv. Customisation*

C. Outcomes of RM

- i. Long-term relationship*
- ii. Profitable relationship*
- iii. Growth Customer share*
- iv. Relationship termination*

III. Other key components of RM

As can be seen in Table 4.4, the initial template consisted of three high-order codes, sub-divided into one level of lower-order codes. The first level-one code was *'the concept of RM'* which was tangential to the main research question in order to understand how RM was being interpreted and conceptualised. According to previous Western studies about RM (e.g., Grönroos, 1991, 2000b; Harker, 1999; Sheth and Parvatiyar, 2000; Little and Marandi, 2003), this theme could consist of relationship creation, enhancement and maintenance, interaction, emotional content, customer lifetime values, customisation, long-term and profitable relationships, growth customer share, and relationship termination.

The second level-one code *'Aim of RM'* consisted of three level-two codes index references to the different aim for the Taiwanese bank which includes relationship creation, enhancement, and maintenance with their customers. *'RM Mix'* is the third level-one code which encompassed RM activities on level-two codes – *'interaction'*, *'emotional content'*, *'customer lifetime value'*, and *'customisation'*, used to index accounts of the key activities that were involved in RM applications. The fourth level-one codes were *'the outcomes of RM'*. This area was incorporated not only to understand RM concepts in Taiwanese banks, but also to identify their expectations and results after implementing RM. On the initial template, the code was sub-divided only as far as two second-order codes in which references were indexed to the factors influencing continued relationships with customers.

Using an initial template (King, 1998), the transcripts were coded into broad themes based on the research objectives and interview questions. This study avoided possible dangers associated with the use of pre-defined codes through careful evaluations of the material and not to overlook any information (Weber, 1990; King, 1998; Carson *et al.*, 2001). Here, this study restricted the number of themes in the initial template and focussed on the concepts and practice of RM in order to gain rich information and avoid the potential dangers of pre-defining too many themes was limited. The benefits of having an initial template included being able to develop a general overview of the direction of the interviews and this also allowed the researcher to analyse texts at different levels of specificity (e.g. aim, mix, and outcomes of RM) without overlooking any information that did not relate to these pre-defined themes.

After each interview, the interviewer transcribes the recording verbatim and files its material according to three main themes including the concept of RM, the practices of RM, and other key components of RM. The material was typically in the form of paragraphs that were possible to cross-classified into several categories. For example, interaction was considered as one key notion in their concept of RM and also implemented as one important strategy in their practices. Thus, when coding the initial template, the segments that appeared to show something of relevance to the research questions were marked. Where the segments corresponded to the initial template, they were coded as such (King, 1998). Otherwise, new themes were defined to include the relevant material and organised into an initial template. Hence, the initial template was modified and revised and new themes if necessary were added in analysis to each subsequent transcript. This initial template (Table 4.4) was then applied to the whole interview data set, and modified following consideration of each transcript. The final hierarchical template version developed is presented in Table 4.5.

Table 4.5 Final template

<p>I • The concepts of RM</p> <ul style="list-style-type: none"> a. <i>Guanxi</i> b. Relationship creation, enhancement, and maintenance c. Mutual communication d. Trust and bank image e. Customer relationship management f. Long-term and profitable relationships <p>II • The Practices of RM</p> <p>A. Aims of RM</p> <ul style="list-style-type: none"> <i>i. Relationship creation</i> <ul style="list-style-type: none"> a. Integrated marketing communication b. Market Survey c. Word-of-mouth advertising d. Key personnel and <i>guanxi</i> e. Making contact with new customers f. Financial incentives g. Convenient location and service <i>ii. Relationship enhancement</i> <ul style="list-style-type: none"> a. Gathering information and measure customer needs b. Integrated marketing communication c. Interaction and emotional exchange by <i>guanxi</i> d. Financial incentives <i>iii. Relationship maintenance</i> <ul style="list-style-type: none"> a. Profiling and customisation b. Regularly contact and brand image of bank c. Considering the extension of <i>guanxi</i> d. Accessible location with convenient service e. Financial incentives <p>B. RM mix</p> <ul style="list-style-type: none"> <i>i. Interaction</i> <ul style="list-style-type: none"> a. Interaction and <i>guanxi</i> b. Interaction and emotion contents c. Interaction and CLV d. Interaction and customisation 	<ul style="list-style-type: none"> <i>ii. Emotional Contents</i> <ul style="list-style-type: none"> a. Emotional contents and <i>guanxi</i> b. Emotional contents and interaction c. Emotional contents and CLV d. Emotional contents and customisation <i>iii. Customer Lifetime Value</i> <ul style="list-style-type: none"> a. CLV and interaction b. CLV and emotional contents c. CLV and customisation d. CLV and <i>guanxi</i> e. Traditional marketing mix has positive effect on CLV <i>vi. Customisation</i> <ul style="list-style-type: none"> a. Customisation and interaction b. Customisation and emotional contents c. Customisation and CLV d. Customisation and <i>guanxi</i> e. CRM support customisation <p>C. Outcomes of RM</p> <ul style="list-style-type: none"> <i>i. Long-term relationship</i> <ul style="list-style-type: none"> a. <i>Guanxi</i> and long-term relationship <i>ii. Profitable relationship</i> <ul style="list-style-type: none"> a. <i>Guanxi</i> vs. profitable relationship <i>iii. Focus on market share to encourage customer share</i> <ul style="list-style-type: none"> a. Enlarged market share increase bank reputation b. Enlarged market share encourage larger customer share c. Focus on both market share and customer share d. <i>Guanxi</i> encourage both market share and customer share <i>iv. Holding customer relationship and shift service forms</i> <ul style="list-style-type: none"> a. Holding relationships and shift service forms b. <i>Guanxi</i> vs. relationship termination <p>III. Other key components of RM</p> <p>A. The Role of <i>Guanxi</i> plays in RM</p> <ul style="list-style-type: none"> <i>i. <i>Guanxi</i> is a component part of RM</i> <i>ii. <i>Guanxi</i> extends the customer network</i> <i>iii. <i>Guanxi</i> contributes to the customer relationship</i> <p>B. Customer relationship management: People-driven process in CRM</p>
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Comparing the initial template (Table 4.4) and final template (Table 4.5), several new themes/codes were added. For example, the pre-defined code did not include *guanxi* in the initial template because the literature did not consider it as a component of RM. However, after the interviews, the findings indicated that *guanxi* played a very important role in both RM conceptualisations and implementation, so the interviewer added this as a new theme in the second level codes of the concept of RM and in third level codes in the practices of RM. Others, such as people-driven process in CRM, was added into the other key components of RM because the findings indicated that Taiwanese banks used CRM as their RM approach in order to encourage their employees to develop stronger relationships with their customers.

In terms of deleting initial themes, a few codes were subsequently excluded from the initial template. For example, '*relationship termination*' was considered one main code for the concept and the outcomes of RM, which was identified from the literature. After bank interviews, the findings revealed that Taiwanese banks presented different perspectives in which banks continued the relationship with all their customers, but shifted their services from non-profitable customers in order to reduce costs. Thus, the code was deleted because another code 'holding customer relationship and shift service forms' could be more appropriate for interview result. Others such as '*growth customer share*' were revised to '*focus on market share to encourage customer share*'. In the concepts of RM, these two themes had not been provided, but Taiwanese banks declared that CRM could be an important aspect in their understanding of RM. Thus, CRM was incorporated into the concepts of RM. Moreover, some themes overlapped to some extent but taken together provided a comprehensive overview of the interpretations of the concepts and practices of RM. By having more detailed level codes, better understanding of RM within Taiwanese banks could be presented in the findings.

However, the analysis did not seek to make grand claims concerning the perfectly accuracy answer. Throughout this research, this study was concerned with identifying issues in the areas of interest rather than drawing conclusions about the strength or generalisability of such views.

The aim of this study was to use the research findings to provide insights regarding RM and develop an appropriate RM concept and framework for Taiwanese banks in order to improve the effectiveness of RM implementation. After all the transcripts were analysed, the initial template had been revised with the improved template. The final template (Table 4.5) included all the themes from the data as the basis for this study and this was used as the foundation to interpret the findings in the chapter five and six.

4.10 Trustworthiness

An important part of this study was to assess the quality of the data (Denzin and Lincoln, 2005). As this was an interpretivistic exploratory study, it was appropriate to determine the trustworthiness of the data and the interpretative findings. To this end, this research sought to follow the four criteria outlined by Guba and Lincoln (1989) where a researcher should evaluate the quality of research in terms of credibility, transferability, conformability and dependability. This was a helpful reference point to help assess the trustworthiness of the data. Each of these four considerations is discussed respectively below.

Credibility refers to the extent to which the results appear to be an acceptable representation of the data (Strauss and Corbin, 1998) and thus the extent to which the participant's offerings are believable and accurate representations of what is actually taking place. Since the purpose of this study is to explore the concepts and practices of RM within Taiwanese banks, the participants from Taiwanese banks are the only one who can legitimately judge the credibility of the results. Hence, this research adopted several techniques suggested from Collis and Hussey (2003) for checking credibility. First, during the interview, the researcher amended the interview questions to be more appropriate according to the respondents' answers and also used self-checks method, so that the subject of the enquiry was substantive validity identified and described by the participant's expression (Collis and Hussey, 2003). Also, if any interesting issue emerged, the researcher would take further investigation in order to enrich the information. Second, the sources of data were triangulated by coordinating the statements of different interviewees. This was done by directing the

same questions to different participants and also by comparing data for a phenomenon across a wide range of participants during the analysis phase (Carver, 1998). The researcher in this study also continuously acquired other sources of information, such as banking news and reports to verify and update the findings. Another possible way to assist in checking for credibility was to remove any misunderstandings during the interview. For example, the interviewer would repeat back the reply to the interviewee to check that the initial answer was clearly understood. This provided the interviewees with the opportunity to clarify, explain, refute, or approve the interviewer's understanding of what was being said. Moreover, for checking the accuracy of the descriptions, after the interview transcripts were drafted, the researcher sent electronic copies of the transcripts through emails for the approval of the interviewees. Consequently, the researcher received positive comments and none of them replied with objections concerning transcript content.

In order to check the accuracy of inferred meanings, multiple listening of audio recording with transcripts was done to ensure the accuracy of the translation of the interview transcripts. As the interpretation developed, this researcher checked any interpretation was rooted in the interviews themselves (Gaskell, 2000, pg.54). Hence, after the conclusions of this study were drawn, they were also validated by comparing both audio recording and transcripts of interviews of consistency. In addition, at the completion of this study, the researcher also sent the findings to the interviewees and required them do assess accuracy and/or provide corrections as well as further elaboration on the conclusion. The purpose of this was to observe whether the conclusions were recognisable from their perspectives. Although the analysis might not fit every aspect of participant's cases, the larger concepts should apply (Strauss and Corbin, 1998, pg.161). However, it is noted that not all the finding chapters were sent to interviewees as they might not read them when it is too long. Another consideration is this study has not been published yet, so for protection the copyright of the work, only the statements of conclusions were sent to interviewees and not all the quotes.

As a researcher in a qualitative study, transferability should be concerned into by describing the research context and the assumptions that were central to this study, so if other researches wish to transfer the result to different context should make the

judgement of how sensible the transfer is (Guba and Lincoln, 1985, pg. 298). Although this study determined the assumptions about the components of RM, similar to those found in Western studies can be found in a different contextual setting (transferred) of the marketplace into Eastern marketplace. This study also proposed the assumptions to consider Taiwanese banks as differ from Western banks about RM implementation. This difference is predominantly attributed to cultural differences. If evidence that offers support for the RM components was found within Western RM theories, it would be interesting to see within Taiwanese banks for the primary identify. For example, do those RM components transfer to all Taiwanese banks in the consumer banking marketplace? The present absence of transferability was explored by using both theoretical and theoretical questioning. The researcher selected different participants and posed questions at different banks to allow the participants to offer input into the notion of transferability.

Conformability should be used as a criterion *'where the study has described the research process fully and it is possible to assess whether the findings show from the data'* (Collis and Hussey, 2003, pg.278). In other words, conformability can be considered as objectivity that the ability to retrace a researcher's steps and to analyse the data (Carver, 1998). This entails that complete records were kept of the all phases of research process – relevant information collection, selection of research participants, fieldwork and interview notes, data analysis and decisions, and so on. Another feature of this study was that it used thematic coding based on participants' exact words or statements. The purpose of this is to demonstrate how findings can be confirmed through the data itself. This is an important point as the wording used by the respondents was employed in this study to code and reference the participants' notions and experiences which facilitated a higher level of conformability (Glaser and Strauss, 1967). This study followed clear procedures and steps, which can readily be retraced by other researchers. For example, this research followed Harker's (1999) study in examining the definition of RM. Furthermore, this study used multiple sources of evidence such as information from websites, government reports, previous studies and interviews. Conclusion, interpretations, and recommendations are to be traced back to their sources (Erlandson *et al.*, 1993).

Dependability refers to the stability of the consistency of explanation over time (Carver, 1998; Guba and Lincoln, 1989). Dependability can be thought of as how the results of this study might be different if the same research was to be carried out by a different researcher and/or at a later time by the current investigator. The interviewer considered dependability to be an important feature, as future research can be potentially built upon the findings of this research. In order to ensure this study was peer reviewed, one way in which the level of dependability can be elevated by having the data interpreted or spot-checked by a different researcher (Miles and Huberman, 1994). One of colleagues, Sophie Yang, who holds a PhD on qualitative research, was asked to be the auditor to check the use of the codes and the interpretations of interview quotes (Robson, 2002). As the initial template was checked first by the auditor, so it could be formed as the basic foundation for both of our coding. In the check-coding, the auditor coded on transcript to compare the differences and/or similarities between the respective analyses (Miles and Huberman, 1994, pg.64). Consequently, the similarities of both our codes were high. Also the auditor was asked to examine whether the processes followed in the inquiry were in order, understandable, well documented, providing mechanisms against bias (Guba and Lincoln, 1989) thus establishing dependability.

This study presented RM concepts and practices from Taiwanese banks through by in-depth interviews. By comparing the findings between this study and previous Western literature, more insights could be gained in understanding the RM implementation from Taiwanese banks. However, it is noted that this research does not attempt to generalise the findings but to seek to present complex and varied accounts of the insight related to Taiwanese banks on their RM concepts and implementation.

4.11 Chapter Summary

This chapter had brought to light some of the considerations and decisions made with regards to investigating the concepts and implementation of RM in Taiwanese banks. This chapter had also provided a detailed discussion of the overall research process, addressing specific areas including research philosophy, research approach,

and the validation of this study. As banks claimed to use RM, it would be useful to understand specific interpretations of RM. In order to obtain relevant information, it was decided to adopt a qualitative approach to allow further exploration of new concepts. A discussion of the research philosophy revealed that the adoption of an interpretive paradigm was most appropriate. One-to-one, semi-structured in-depth interviews were used as a data collection method to strengthen the conceptual framework presented in Chapter three.

On the whole, qualitative data was collected inductively for the development of a new theory. Therefore, after gaining detail and in-depth understanding of the phenomena of RM within Taiwanese banks, the whole conceptual framework presented in chapter three would be further strengthened. The following chapters will present a summary of the data associated with each theme. In the final discussion chapter, the interviewer will review the implications of the analysis presented in relation to the key objectives. This study analysed the data systematically in order to be able to analyse the data rigorously and to draw verifiable conclusions. Thematic coding and template analysis allowed a clearer understanding of the topic, and finally refining the questions. The next two chapters present a discussion and analysis of the key findings obtained from the executive interviews.

Chapter Five

Analysis of the Concepts of Relationship Marketing

5.1 Chapter Overview

Chapter four described the methodology used to collect data as well and presented a discussion of the data analysis strategy and techniques to be adopted in this study. The data is analysed using template analysis. When the researcher contacted the interviewees, several bank managers requested that their names were not disclosed. Therefore, to protect anonymity, each respondent is provided with an interview code, so the bank managers according to their office location are labelled “B” for branch and “H” for head office in combination with numbers to identify thirty-four different Taiwanese banks (Appendix 6A and Appendix 6B). The purpose of this chapter is to present analysed data from the interviews conducted with bank employees. The findings aim to offer insight into Taiwanese bank managers’ familiarity with relationship marketing (RM). In addition, the findings will lead to a description of the concepts and an understanding of RM shared by the interviewees in this study related to the research question: ‘How is relationship marketing interpreted by Taiwanese banks?’ The notions presented here can be introduced as themes which provide a common platform and may be considered as a part of the relationship marketing implementation by Taiwanese banks.

As one consideration in this chapter, it is important to note that the broader environmental conditions and elements are basically the same for all the interviewees in this study. For example, all interviewees who are Taiwanese bank managers possess consumer banking experience in the financial marketplace. However, the interviewees may react to and interpret these situations differently according to their RM experience and concepts, so they may provide differing accounts of similar occurrences. For example, interviewee 5BH and interviewee 5CH both work in the same bank which means they work under similar environmental and organisational situations. Although both agree *guanxi* is the essential basis of relationship creation, interviewee 5BH has a strong positive attitude toward the influences brought by

guanxi, but interviewee 5CB thinks *guanxi* might result large expense because of relationship pricing and gift-giving. Thus, in a very real sense, each participant in this study has his or her own unique RM concepts and application.

This chapter seeks to give consideration to the Taiwanese banks as a whole and to understand their RM concepts. This thinking recognises the familiarity of RM within Taiwanese banks. There are two main sections in this chapter; namely an analysis of the concepts of RM as well as an assessment of their familiarity with the term, relationship marketing, and its definition. The following section discusses the level of familiarity with the term relationship marketing from the interviewees' perspectives.

5.2 The Level of Familiarity with the term 'Relationship Marketing'

Only several interviewees indicated they are familiar with the term relationship marketing. Few interviewees even indicated that they had never heard of RM. It has to be mentioned, however, that when this researcher contacted these Taiwanese banks and explained the purpose of this study, none of these interviewees mentioned demurred, but willingly agreed to be interviewed. Therefore, this changed attitude shows that the participant's subjectivity of the notion of RM has become an interesting face in this thesis. The purpose of this section is to gain insight into these bank managers' familiarity with and use of RM.

5.2.1 Limited Uses of the Terminology

Despite this apparent level of familiarity with the term, relationship marketing, 'only several interviewees actually think they are familiar with this terminology. With others, by continuous engaged dialogue between the interviewees and the interviewer, the more figural notions emerged into the topographical structure. In other words, the majority of interviewees' did not use the precise words, relationship marketing, and this term was not concretely indicated in their marketing strategies, despite their insistence that they had implemented RM. For example:

“We don’t especially use the exact term ‘relationship marketing’... We just call it ‘marketing’; but actually, our marketing activity is relationship marketing” (Interviewee 6AB).

This quote indicates that relationship marketing could be an ambiguous marketing terminology for these bank managers, where they generally described RM as ‘marketing’. Moreover, the investigation also discovers that some interviewees interpreted relationship marketing based on its literal meanings without actually realising they are doing so. For example, interviewee 13AH asserted that:

“We don’t use this precise word (RM), but according to its literal meaning...banks have been applying RM for a long time”.

One interesting finding has been discovered that some interviewees regard customer relationship management (CRM) as RM. For example, when the researcher asked interviewee 3AH about his understanding of relationship marketing, he responded that relationship marketing plays an important role in their financial holding bank, but afterward, he changed the term RM to CRM. Although ‘*CRM is technology-enable RM*’ (Little and Marandi, 2003, pg.197), this study adopts this description and deems that the CRM system is an information technology (IT) to support and help relationship marketing in building a long-lasting relationship with targeted customers. However, CRM has been applied in Taiwanese banks for many years. The purpose of CRM is to manage mass customer portfolios with data warehouse and data mining, so its influence cannot be an excluded factor for the interviewees’ understanding of RM, especially when both literal meanings in Mandarin have many similar facets. Thus, few interviewees asked if there is any similar aspect between RM and CRM. Despite there being a possibility that some interviewees might not be familiar with the term, relationship marketing however, during the interview, they still expressed their belief that RM is important and also forms the core activity of their marketing strategy.

Moreover, this study discovers that the bank’s location (both head office and branch) may exert decisive influences on the interviewees’ familiarity with the term RM. This finding implies that interviewees from Northern and Southern locations and

urban and rural areas (i.e. Taipei and Tainan) hold different perspectives. The interviewees from Northern or urban locations have relatively higher familiarity with RM than others from Southern or rural areas. In other words, the interviewees who think they are familiar with the term RM mostly come from Northern and urban locations. However, it should not be interpreted that interviewees from Southern or rural locations lack knowledge of RM, but rather that their perspectives are more concerned about interpersonal relationships; so-called 'guanxi'. For example, interviewee 10AB stated that:

“We don't have the formal terminology of RM, but I think all Chinese are concerned with guanxi when they promote business, and guanxi is a kind of relationship marketing”.

Thus, evidence demonstrates that these interviewees from Southern or rural locations implement RM, and some interviewees even state declare they have implemented RM for many years. For example, 15AB stated his bank had just started applying RM, but during the interview, he withdrew his statement and insisted his bank had implemented RM for a long time, because RM refers to a particular form of *guanxi*. The reason for this change can be interpreted in that these interviewees are implementing RM, without actually realising its meaning. Particularly, 6AB indicated he had never heard about the term RM, but during the interview, he changed his admitted his bank implemented RM, especially within its customer services. The following example from interviewee 6AB is a case in point,

“Technically, our bank does not implement specialised relationship marketing, but we include all these activities into 'marketing'. I have heard about marketing but never about relationship marketing. The concept marketing is to understand which product is appropriate for specific customer segments, groups or levels. Thus, the concept relationship focuses on product and then customer segmentation... [Afterwards]We have implemented RM for a long time and its core concepts are service and people”.

Therefore, this study concludes from these findings that firstly, there is widespread familiarity with the term, relationship marketing (i.e. 'catch all' expression or an embracement of other marketing concepts to explain their understanding of RM from interviewees), and secondly, the understanding of RM appears quite superficial (i.e., RM interpreted from its literal meaning). However, the findings still show that Taiwanese banks have a high awareness of the importance of RM, and this will be discussed in the following section.

5.2.2 Increasing Awareness of the Importance of Relationship Marketing

Although many interviewees in this study described their ambiguous understanding about the term RM, the findings still demonstrate that all interviewees have great awareness of the importance of RM in their marketing strategy. For example, interviewee 1BM explain that their bank understand the importance of RM without actually using this term on paper. Some interviewees even highlighted their core marketing concept as RM. For example, interviewee 14AH presented that RM should be every staff member's responsibility and he also explicitly showed that their bank used this to maintain customer relationships. Thus, this finding implies that most Taiwanese bank employees had an awareness of the importance of RM and also had faith in the use of RM to effectively advance their marketing strategy. However, the findings reveal Taiwanese banks' desire to better comprehend RM. A good example is offered by interviewee 8BB:

“Our bank does not have a concrete RM system in our marketing strategies...Substantially, from an academic view, I think we can implement RM systematically, but actually, there is not such a particular rule to follow...In other words, we do not use this precise term, RM, but we do apply RM relatively in our marketing activities...We don't have or we can say, the bank does not know how to use better RM activities to help our customers or to develop and maintain customer relationships... In other words, we lack a systematic reference book to guide us in how to implement RM”.

Interviewee 8BB offers a good general description of the thinking of relationship marketing within Taiwanese banks and follows up by describing their familiarity with

the term. The description also shows an interesting phenomenon within Taiwanese banks that they do apply RM in their marketing strategies, but without following formal principles, or using the precise term of relationship marketing despite great awareness of the importance of RM in their marketing concepts.

Many other interviewees also revealed their strong interest and desire to know more about relationship marketing and how to apply this concept into their marketing strategies. Hence, some indicated that their banks employed the new member staffs with overseas education background from Western countries (e.g. Europe and North America). For example, interviewee 14AH expressed that their new CEO has an educational background from the United States, so their bank has been introduced to a number of new operation concepts including RM. These new employees at the bank introduced the Western conceptualisations of RM into their current marketing strategy which has revolutionised for their marketing implementation. In addition, this study finds that several banks are gradually developing an interest in collaborating with international marketing companies (such as IMG group and Mckinsey) in order to acquire a better acknowledge of customer relationships. For example, interviewee 3BB provided that their bank is part of cooperation alliance and applied GE McKinsey 'Seven S' Matrix to manage their competitive advantages and maintain customer relationships. Respondent 5CH indicated that their bank has a collaborative alliance with ING groups⁹ in order to develop and improve the RM concepts in their marketing strategies. In brief, the phenomenon suggests a possibility that Taiwanese banks are becoming increasingly aware of the importance of building, strengthening, and maintaining customer relationships without fully comprehending RM meaning and approach.

There are 17 Taiwanese banks involved in this investigation. The findings show that the majority of bank managers insist they adopt RM, but most of them also acknowledge they tend not to use the precise marketing terminology, relationship marketing, so it would be useful to understand exactly what Taiwanese banks

⁹ ING is a global financial services company providing banking, investments, life insurance and retirement services. Source from: <http://www.ing.com/group/index.jsp>

themselves think RM is. Therefore, the next section will further analyse what these interviewees understand about the meaning and definition of RM.

5.3 Defining Relationship Marketing from Taiwanese Banks

After the preliminary analysis of the interviewees' familiarity with the term, relationship marketing, the researcher posed further questions about the definition of RM. Although many interviewees indicated they did not use the precise term within their marketing strategies, they were nonetheless asked to describe and outline RM definitions (Appendix 7). These definitions were not intended to be correct responses, but rather to represent their conscious concepts of RM. The findings indicate that there is widespread familiarity with RM and that those participating banks do apply RM within their marketing concept.

The thirty-four interviewees provided their definitions of RM. According to these definitions, the common notions relating to RM have been raised and identified. Following the approach adopted by Harker (1999), this study locates RM in conceptual categories (Appendix 10). While there was considerable diversity in the responses to this open-ended question regarding personal definitions of RM, the interviewees tended to fall into eight general categories.

5.3.1 Category One: *Guanxi*

Category one consists of the majority of responses that mentioned personal relationships or connections in RM. Unsurprisingly there were some similarities to the unprompted responses from these interviewees. Evidence offering support for this aspect of RM seems to be highly connected to a variety of deeply seated *guanxi* (interpersonal) relationships. Many interviewees in this study referred to RM should consider undertaking to adopt personal relationships or connections, so-called *guanxi*. In Chinese society, *guanxi* can exist not only within personal relationships (e.g. lifeblood, friendship) but also within business relationships. Different terms have been used by these interviewees to explain *guanxi* within interpersonal or personal

relationships, such as friendship, and *ren-mai*. Interviewee 4CB provided an example from the various definitions relating to RM in that RM consists of different interpersonal relationships such as friendship, colleagues, and even familial relationships. Interviewee 1AM concluded their RM promotes various kinds of relationships (*guanxi*).

A review of these RM definitions reveals that the concepts of RM from Taiwanese banks focus on people and its extension. They highlight that *guanxi* plays an important role within their RM concepts, where the nature of interpersonal relationships encourages sales. Thus, 11AH stressed, “*the core notion of RM is people and through people to promote the product*”. One interesting aspect was provided by some interviewees where, for them RM involved the use of *ren-mai* to extend the customer base. For example, interviewee 4CB implied *ren-mai* refers to the network connections:

“We can extend our customer relationship to each customer’s ren-mai, through his connection network and increase our customer base”.

Nevertheless, the findings from these definitions demonstrate that *guanxi* is a key notion feature of RM. Taiwanese banks apply *guanxi* to their RM implementation because it is a part of Chinese culture, even within business exchange. A good example is provided by interviewee 3AH who explains the difference between Western and Eastern notions of RM:

“I believe Chinese RM is different than Western RM. For example, the relationship between financial advisers and customers [is closer]... they exchange information every day and privately they becomes friends”.

The findings indicate that Taiwanese banks cannot develop customer relationships independent from personal relationships. Some interviewees additionally stressed that *guanxi* has a decisive positive effect on RM implementation. For example, interviewee 11AH thought *guanxi* had a positive effect on their marketing implementation without cause of any negative example happened in their bank. Therefore, according to these RM definitions from Taiwanese banks, *guanxi* is a core

notion of RM. Further discussion regarding how *guanxi* exerts a decisive influence on RM will follow in section 6.3.1.

5.3.2 Category Two: Relationship Creation, Enhancement, and Maintenance

The literature addressing RM has identified its aims as including relationship creation, enhancement, and maintenance. The interview findings indicate that relationship creation seems to be more popular than relationship enhancement and maintenance. Many interviewees believe all customer relationships start from creation, so their RM is more likely to focus on how to create and establish customer relationships. For example, interviewee 2CB stated that *“the aim of relationship creation is to look for rich people”*. It is this customer segment that can be interpreted as potential valuable customers.

This study also finds that enhancement is often cited and tied simultaneously with relationship creation. The author believes banks constantly seek for potential valued customers from both new and existing customers to gain maximum benefits. Consider an example provided by interviewee 3AH:

“After building the relationship, we can sell our financial products easier...the most important notion of RM is to increase and enhance the relationship with our existing customers...to gain more profits”.

This definition also includes the relationship maintenance perspective. Underlying the definitions of RM, this research finds that some interviewees have recognised that RM should focus on customer retention in order to develop long-term relationships. Although not all the interviewees showed their concern about relationship maintenance in their RM definition, most interviewees who cited relationship maintenance would also point out that the ongoing relationships with customers were seen as crucially important for RM. A good example is provided by interviewee 1BB about the aims of RM based on his definition:

“The key of RM implementation is the consumer...the most important activity is to establish, maintain, and strengthen relationships with customers. It has to be a long-term win-win relationship”.

This RM definition sufficiently describes the aims of RM that include not only establishing, maintaining, and strengthening the relationship with customers, but also implies that the relationship should be considered as one of long-term and mutual benefit between the bank and its customers.

5.3.3 Category Three: Mutual Communication

Category three presents Taiwanese banks' concerns with mutual communication as a tactic for RM. Many interviewees believe good interaction through communication can increase understanding and limit misunderstanding with customers. For example, interviewee 5AH stated that:

“We have good communication and interaction with our customers, so the customer relationship could be strengthened because we know what our customer's needs”.

Few interviewees think RM should be presented as an integrated set of marketing activities which combine all the marketing channels to promote their products and increase sales. In particular, 3AH proposed integrating all marketing communications (IMC). It was interpreted that RM should cooperate with other marketing channels in the bank, such as advertising, direct marketing, sales promotion and public relation into a two-way integrated marketing communications perspective. Others such as interviewee 14AH thought interaction was a kind of information exchange because mutual communication could increase the understanding of customers' needs. However, this study reveals that most interviewees regard interaction as mutual communication or two-way dialogue in which the purpose is for information to be exchanged between the bank and its customers. Thus, interviewee 14AH proposed that *“RM should constantly update information to customers”*. More than half of the interviewees think RM should focus on interpersonal interaction, such as interviewee

11BB, who stated that provided that through interpersonal relationships and interaction, the bank is able to recognise the needs of its customers. Thus, interviewee 11BB provided a particular definition for RM which is:

“RM is interpersonal interaction”.

Moreover, some interviewees reveal that emotional content is necessary within communication because sharing information is a token of trust. The following section will discuss trust, a kind of emotional content, within definitions of RM from Taiwanese banks.

5.3.4 Category Four: Trust and Bank Image

Another emergent category from interviewees' definitions of RM was trust. Many interviewees indicated their consideration in trust which should be incorporated within RM because it is the foundation upon which transactions are made. For example, 9AB stated that: *“RM should be based on trust. When the customers trust our bank, they will believe what I say and recommended to them”*. However, this is also interpreted as another reason why *guanxi* has become so important for RM. *Guanxi* could encourage the development of trust, hence the description from 17AH:

“RM aims to establish the trust between the bank and customers and because of interpersonal relationships, we can sell our products”.

Thus, *guanxi* retains its importance for RM and there is a interrelation between *guanxi* and trust. In other words, *guanxi* (e.g. friendship) can encourage the establishment of trust and more specifically, banks can build trust prior to the customer relationship through various ways, such as historical cognition of good brand image. For example, 8BB highlights their good brand fame and trust in the customer's mind because Bank 8 focuses on the brand image and friendly service in its marketing strategy.

5.3.5 Category Five: Customer Relationship Management

The majority of interviewees included customer relationship management (CRM) in their definition of RM. Several interviewees expressly indicated that CRM is the approach of RM in their definitions. For example, 8BB stated that:

“...complete RM should contain a CRM system”

Other interviewees indicated that they adopted CRM to promote different products to different customer segments. This phenomenon can be interpreted in that RM is a kind of activity to look for valued customers. However, in reality, CRM and RM remain slightly different notions, where CRM is information technology that enables RM, so the practice of RM has been greatly facilitated by several generations of CRM software that allow tracking and analysis of each customer's preferences, activities, tastes, likes, dislikes, and complaints. More specifically, RM focuses on customer relationships, but CRM focuses on customer segmentation to identify their profitable customer segmentation. According to the findings, the majority of interviewees indicate ambiguous attributes between RM and CRM. However, there are two explanations why many interviewees included CRM in their definitions of RM. First, Taiwanese banks have introduced CRM into their management systems for a long time, so they show their familiarity with this term. Second, both notions have so many similar aspects. For example, both focus on customer retention and sustaining long-term relationships. One interviewee (2AH) highlighted that:

“RM aims to maintain long-lasting relationships and then...use CRM to analyze the customer segmentation...our marketing strategy is RM...”

This description reveals the ambiguous understanding of concept between CRM and RM in Taiwanese bank. Also this study discovers that Taiwanese banks generally known about CRM and implement CRM within their customer segmentation. However, the findings also show that Taiwanese banks may confound the meaning between RM and CRM. Despite that, the author nevertheless noted that most interviewed employees have a reasonable understanding about RM.

5.3.6 Category Six: Long-term and Profitable Relationships

Some interviewees indicated that RM encourages long-term customer relationships and this notion is one of the main components of RM. An example is provided by interviewee 1BB:

“RM has to ensure lasting relationships. We [Bank1] need to identify who is the key man of the target market. We [Bank1] keep very good and long-term relations and maintain relationships with this key man in order to create mutually beneficial situations...We [Bank1] usually are aware of the importance of relationship marketing, but we don’t write these words on paper. However, we [Bank1] apply relationship marketing at any time necessary”.

Although 1BB highlights that they do not use the term RM in their marketing strategy, this definition however presents a more complete view of RM than other definitions. Several key notions of RM have been proposed in this definition, namely maintaining lasting relationships, identifying the key man, and continuously applying RM. This finding indicates that Taiwanese banks possess a basic notion of RM which focuses on long-term customer relationships.

Furthermore, banks form part of the commercial service industry which comprises not only financial services but also their role in developing profitable relationships. The finding demonstrates this aspect that, for example, 14BB referred to as follows:

“RM develops long-term and profitable relationships”.

Therefore, this study classifies long-term and profitable relationship within the conceptual category.

5.3.7 Summary of the Definition of Relationship Marketing

This thesis defines RM as:

‘Marketing activities carried out in order to attract, maintain, and enhance the long-term and profitable relationships with potential and existing customers, through interaction, commitment, customisation, and identification of customer lifetime value. Where necessary, unprofitable relationships, may be terminated’
(section 2.2.2).

However, this definition was based on Western RM theory. In reality, Taiwanese banks possess different notions of RM which include *guanxi* and CRM. In other words, RM definitions from Taiwanese banks provide the basis on which marketing is viewed as an integrative activity involving *guanxi* (personal relationships or connections), with the emphasis on creating, maintaining, and strengthening customer relationships over time. *Guanxi*, interactions, and trust are the key features underpinning the definition of RM in Taiwanese banks. However, there are three main components that are overlooked in the RM definition from Taiwanese banks; namely customer lifetime value (CLV) for the RM mix, growth customer share and relationship termination. Despite these three components not featuring in their definition, there is not enough evidence to prove that Taiwanese banks implement RM without adopting these components. However, according the RM definitions which provided from the interviewees, this study identifies the RM definition from Taiwanese banks that:

“RM extends the concept of customer segmentation which takes effort to develop a long-term and profitable customer relationship through by interaction and trust for mutual benefit”.

This study will further explore their practices of relationship marketing within Taiwanese banks as presented in the next chapter.

5.4 Chapter Summary

The findings of this study are paradoxical. On the one hand, there is widespread familiarity with the term RM, so RM has become something of a 'catch all' expression for these interviewees. On the other hand, many interviewees think RM is largely an academic concept, although the majority of interviewees are actively pursuing some of the concepts associated with RM themselves.

This study believes there are several factors which explain this situation. First, Taiwanese banks are historically influenced by Chinese culture where *guanxi* is part of their marketing strategy. Second, Taiwanese banks have gradually realised the importance of RM and customer retention. Third, Taiwanese banks also recognise the importance of managing customer data through information technology and further providing customised financial products and services to their customers. Perhaps Taiwanese banks have not fully understood the implications of RM philosophy because they do not have academic background which incorporates RM. However, the evidence shows these bank managers are implementing RM but without using the RM terminology. A possible reason is that most of the interviewees were promoted to their senior positions rather than entering them directly from basic level. In other words, these interviewees might not have an academic background but apparently had plenty of marketing work experience. Thus, although these interviewees might show their unfamiliarity with the RM terminology, they could still identify the RM concept based on their experience about RM within banks. Thus, Taiwanese banks are implementing relationship marketing.

On a more positive note, despite the obvious difficulties outlined above, all interviewees believed that RM had a role to play in their marketing strategy. Evidence shows that most Taiwanese banks have a reasonable understanding of RM although the majority of bank managers' responses did not include the precise words and terminology associated with RM. Most interviewees reflected a number of different types of RM activities to present their understanding of RM. Several interviewees admitted their understanding of RM was according to literal meanings. However, most bank managers still asserted that they had implemented RM. The next chapter

present an analysis of the findings associated with the practices of RM in order to address how Taiwanese banks implement RM.

Chapter Six

Analysis of the Practices of Relationship Marketing

6.1 Chapter Overview

The purpose of this chapter is to investigate the interview data from the different perspectives and applied experiences about RM shared by Taiwanese bank managers. Each manager interviewed for this study was asked to describe the primary components of their RM implementation experiences. The analysis of this finding chapter are based on the understanding from the previous literature (e.g. Harker, 1999; Grönroos, 200b, 2008; Gilbert and Choi, 2003; Wang, 2007) which has identified that RM practices consider the aims, approaches, and outcomes of RM. This chapter also reviews the research data from the previous chapter in relation to the conceptual framework. The outcome of this chapter leads to the completion of the finalised conceptual framework.

According to the existing literature, this research develops the conceptual framework to develop a systemic understanding of RM which can be applied into the data analysis from these thirty-four interviews. This chapter will also present the study findings related to the questions outlined in chapter one. The purpose of this primary analysis chapter attempts to provide a framework that will address the two research questions proposed for this thesis, namely:

- What are Taiwanese banks doing about relationship marketing?
- What role does *guanxi* play in Taiwanese bank RM activities?

This chapter is comprised of four main sections. The first section will offer present a discussion of the conceptual framework characterised by aims (relationship creation, relationship enhancement, and relationship maintenance), RM mix (interaction, emotional contents, customer lifetime values, and customisation), outcomes (long-term relationship, profitable relationship, customer share not market share, and relationship termination) of RM and *guanxi*. In adopting this approach, it is

anticipated that a deeper understanding of Taiwanese banks' practical interpretations of RM can be presented. Respondents were asked to indicate those activities which they felt to be part of their RM practices. The following section, (the components of creation, development, and maintenance) are introduced as themes that provide a common platform and each of them can be considered as aims for RM implementation.

6.2 Aims of RM

Morgan and Hunt (1994) assert that RM should be comprised of all marketing activities leveraged toward establishing, developing, and maintaining successful relational exchanges. These three aims have been identified in RM and shown on section 2.2.1. This thesis also develop its own definition for these three aims which include relationship creation refers to marketing activities that serve, *'to attract or establish relationship with the potential customers in the early stages'* (section 2.3.1), relationship enhancement is concerned with the marketing activities *'to develop, strengthen, and extend the relationship with customers'* (section 2.3.1), and maintenance is recognised as helping *'to sustain and keep stable relationships between firms and customers'* (section 2.3.1). In this study, creating, enhancing, and maintaining customer relationships, are aims of RM, but this also implies that the marketing situation is different depending on how far the customer relationships have been developed. In the following sections, the notions of creation, development, and maintenance are introduced as themes which can be considered as an aim of RM practice.

6.2.1 Creation

Clearly, before building any customer relationship, banks will aim to attract customers and seize any opportunity to establish favourable relationships with potential customers. Hence, relationship creation is the primary aim of RM. Interviewees highlight several marketing activities used to create relationships. This research has identified the purpose of relationship creation *'to attract or establish relationships with potential customers in the early stage'* (section 2.3.1). Mainly, there are eight categories of activities involved from the interviewees' perspectives, including integrated marketing communication, market surveys before promotion, relationships via referrals, word-of mouth advertising, key personnel and *guanxi*, making contact with customers, financial incentives, and convenient location and services as shown in the following sections.

Integrated Marketing Communication

The majority of interviewees, (similar to academic definitions of RM) integrated various marketing communication activities to attract new customers. However, only few interviewees proposed the term, integrated marketing communication (IMC). Considering the example provided by interviewee 3AH,

"'IMC' which is an abbreviation of 'Integrated Marketing Communication' plays...a very important role in our marketing strategies...through these communication activities; we can have more interaction with our customers and also understand what and where their demand is".

Also, advertisements were cited most commonly as the means for building new customer relations. For example,

"...most our customers came because of the advertisements...for example through TV commercials [and] advertising on facial tissue packages..."
(Interviewee 6BH)

However, some bank managers highlighted the importance of the two-way dialogues involved, not only between senders or receivers. In other words, all marketing activities for communication should be based on the mutual actions in both directions between two parties. However, this study also discovers that at the early stages of relationship creation, banks may not only seek on two-way information flows with customers, and they often move into one-way direction and generally target a large market customer segment, as opposed to a single individual.

Despite the importance for relationship creation via advertisements, the findings also indicate that promotion (usually new products offering favourable interest rates) is also the commonly applied method to attract new customers. Banks also advertise in different marketing channels. Some branch managers indicated they like to advertise in the local newspapers and have done so for many years. Interviewee 4CB emphasised that,

“The main purpose is to provide easy access and advertise promotions [new loan interests] to the local people because we are a branch of this advertising bank...”

Thus, advertisements and service and product promotions serve to help banks to increase their customer base and market share, as well as strengthen customer recognition of their brand. Consider a following example provided by interviewee 15AB,

“To attract new customers...if we are going to promote new financial products or services, we will use TV commercials, the Internet, branch displays, or send out facial tissues with our bank’s print...etc. We target the general market, not [particular] individuals. Moreover, one of the purposes of this kind of advertising is to increase awareness of our bank. Maybe lots of people never heard about our bank’s name, but commercials can strengthen their impression about us. Sometimes we also want to establish or transmit favourable images through [commercials]”.

Thus in reference to the above quote, interviewee 15AB draws attention to how the bank actively seeks to establish and strengthen their brand image in the customers' minds. Interviewee 15AB also indicated that his bank applied a variety of advertisements to transmit messages and attract new customers. Employees from other banks also highlighted pursuing similar activities. For example, interviewee 5AH thought their RM should focus on establishing a good brand image as a means to fostering a favourable context for relationship creation. Some interviewees (e.g. 11BB, 6AH, 8BH) identified advertising as the most commonly used strategy to create awareness and stimulate interest in the service offering. Interviewee 11BB, for example, cited how a successful television advertisement led to the widespread uptake of a new cash card. The success of this particular product might be more attributable however to the fact that this was the first offering of its sort on the market (Bank 11). Interviewee 11AH stated that,

“Our bank was the first to introduce the cash card...Regarding successful advertisements, cash cards have been accepted by many customers and these cards have served to open this market quickly...our bank is still the market leader for cash cards”.

Thus, this finding supports the view that if banks introduced or designed a new financial product that successfully anticipates or responds to customer needs, may thus occupy the largest share of the market as a result of *'first-mover advantage'* (Porter, 1990). Other banks such as interviewee 10AB also supported this argument and claim that banks should not merely promote their newly developed financial products and services, but more importantly, they should ensure that any new offerings are appropriate and relevant to meet customer needs. Thus, the financial products and services should focus on fulfilling customers' practical needs.

Market Survey

Some bank managers indicated that prior to relationship creation they have a market survey system that is used to investigate market trends and customer needs. Thus, for example, interviewee 13AH emphasised that,

“Firstly, we will investigate our customers’ needs, then, our bank has a so-called marketing planning department to implement the survey...we also have a trial duration in order to collect customer responses and data...the purpose of the survey is to understand the customers [so that we can] amend...this new product [if such initial feedback is not favourable]”.

The above quote emphasises how banks had sought to be market driven, in that when introducing new products and services, they had carried out initial trail runs to evaluate their new offering before widespread public introduction. Interviewee 13AH also indicated that their bank conducts exploratory interviews and focus groups to gain insight into consumer motivations, attitudes, and behaviour. These insights then form part of the preparation for new financial products and services. Moreover, the result of this kind of market survey also represented the latest information of customer purchase trend. Few interviewees added that every financial product and service should have its own feature for particular customer segment which is capable to attracting new customers. For example, interviewee 15AB proposed their new financial product, farmer security fund, which particular designed for those farmers, so it attracted many farmers to invest. In other words, it is suggested that if banks introduce appropriate products to customers earlier than other banks, this will contribute to the aims of relationship creation.

Relationship Extension with Referrals

Some interviewees indicate that customer relationships are often developed through referrals. Specific strategies need to be devised to reward the referral sources that generate the most business. Some interviewees indicated that their traditional approach involved contacting service organisations. For example, interviewee 7AB stated that “*many of our customers...such as those needing house loans, are recommended from the estate agents and building contractors*”. Banks cooperated with these agents in order to extend their customer base and access to different customer groups. It is through referrals, that banks had reduced the cost for searching and advertising. In particular, banks were more likely to cooperate with agents. Accordingly, the *guanxi* network did not necessarily involve with friendship although friendship is more preferred by customers. Banks therefore were able to increase their customer base through by these agents’ *guanxi* network.

Word-of-Mouth Advertising

Additionally, nearly every interviewee believed that word-of-mouth recommendation and advertising are two the most effective means for generating new customers. In addition, most believed that word-of-mouth is a very powerful information source for potential customers because “*it typically involves advice from trustworthy friends*” (interviewee 9AB). This study also discovers that the interviewees who commended from the word-of-mouth advertising showed that they are confident about their financial services and products. Bank managers believed the high quality services had decisive positive influence on their existing customers to actively recommend their *guanxi* network (e.g. friends, relatives, colleagues). For example, interviewee 8CH indicated that relationship creation should not only focus on the image of the service staff, but also need to expand this image through by word-of-mouth on the entire of whole bank image. Thus, many interviewees placed lots emphasis on the advantages leveraged from their brand image. This image is not only for personal but better referring to the whole banks. In other words, the personal influence should not be negative in relationship creation, especially for those front-line service personnel.

Word-of-mouth recommendation is certainly known to be an important subject area for information searching undertaken by consumers before any purchase. Recommendations may also be used by consumers as a convenient way to reduce choice between many seemingly similar financial products and services. Similarly, the financial product or service in question may be complex or difficult for customers, so they were more likely to seek advice from trusted third parties to reduce the perceived risks associated with the purchase. In the early relationship creation stage, trust is more difficult to establish if it is not encouraged (i.e., referrals and word-of-mouth). Some interviewees identify advertisements as a good method to establish brand image and build customer trust.

Another additional offering from some interviewees was to manifest the advantages of newly developed financial products or services. In other words, if a new product is more profitable for investment, customers are more likely to use this product over less profitable alternatives. However, it should not be assumed that the customer would develop a close relationship with the bank. It is possible that customers are becoming increasingly cynical about RM, especially in the relationship creation stage. For example, some interviewees revealed that recently there have been many swindles which have understandably resulted in consumers being more alert and also more likely to increase the difficulty of the 'cold visit'. Therefore, trust is an extremely important prerequisite for relationship creation between bank employees and account holders.

Key Personnel and Guanxi

Contact personnel feature prominently in Taiwanese banks and are perceived as being part of the service and product. Where this is the case, customers often consider the appearance and manner of service employees as a first point of reference when deciding to make a purchase. Findings indicate that nearly all 34 interviewees highlighted their bank's image and reputation for relationship creation with new customers. Hence, banks strive from internal staff training (i.e., professional skills and

manner for courtesy) to external marketing activities (i.e., layout seminars of financial investment) in order to impress their customers.

Some interviewees asserted their concern with the total ethics management in their staff straining. They required their employees should follow their employers' regulations even in their personal life. For example, interviewee 14BB noted that good ethics means good business, so some banks required their employees join the public service (e.g. charity activities) in order to improve their bank image. Interviewee 9AB stressed that good brand image needs to be established and operated over the long run, and the customers can trust their bank. Accordingly, these findings demonstrate that the attitude of consumers has shifted from "*show me the money*" to "*show me the ethics*" (interviewee14AH). Adherence to principles of corporate responsibility has increased after several Taiwanese banks experienced financial crises.

In addition, interviewee 6AB indicated that many customers had more positive feelings towards financial advisers with the executive titles, because these employees are perceived to be more decisive in managing problems. Interviewee 6AB also further indicated the financial advisors or sales representatives believed that their job title could reduce the difficulties associated with cold visits.

Bank managers believed that *guanxi* enabled them to develop the relationships they had with their customers. When *guanxi* (i.e., the personal relationship) has been strengthened, the business-customer relationship can also be enhanced. For example, bank managers think *guanxi* positively influences customer relationships, because *guanxi* and customer relationship are reciprocal. However does, *guanxi*, a personal relationship, need to exist before a business relationship can develop? It would seem that by contrast, relationship marketing activities can promote *guanxi*:

"The relationship between a bank and a customer may be purely a business relationship in the beginning. However, after continuous interactions, guanxi may grow between the bank and the customer" (interviewee 1BB).

Furthermore, many banks imply that most of their business grows from positive word of mouth. This finding suggests that recommendations can be made via some very involved routes – through *guanxi* networks (*i.e.*, friends, relatives, neighbours). Nearly all interviewees indicated MGM (member gets member) as one of most common methods to expand customer bases. MGM is a type of referral through existing customers' connection network. Customers interact with acquaintances by word-of-mouth, and acquaintances refer to impersonal relationship (*guanxi*). For example,

“if A is one of their customers, B has guanxi with A, and then A can introduce or recommend B to us, so then both A and B become our customers” (interviewee 6AB).

The banks described this activity as “*Member gets Member*” (MGM) and used it openly to extend the *guanxi* network. This is because *guanxi* is viewed as transferable, enabling the bank to increase their customer network. Evidence demonstrates that referrals (e.g. MGM) and word-of-mouth are key features setting a favourable context for developing trust and also relationship creation.

Making Contact with New Customers

Several participants proposed that making regular face-to-face visits to be the most effective methods to establish relationships with new customers. With this in mind, interviewee 11AH noted that

“financial products still need human beings to promote them, because TV commercials cannot transmit the information about how to withdraw the cash and how to calculate the interest... so [bank employees are needed] to constantly explain [the product to customers]”.

Thus, personnel play an important role in relationship creation. Interviewee 13AH also revealed that many customers like to come to the branch and chat with staff. It is generally accepted that a series of initial transactions (where the supplier

and buyer do not really know each other), does not yet constitute a relationship or *guanxi*. However, if banks have no any specific way to locate customers, they might choose to cold visit in person or by telephone. Thus according to interviewee 14BB:

“If we [Bank14] don’t have any kind of guanxi to access potential customers, we choose cold visits and look for new customers by random sampling. We may select one community to promote our financial products, and because we may pay a cold visit in person, we have more chance to get to know more customers”.

This finding suggests that cold visits form one marketing activity to gain access to new customers. Banks were more likely to access new customers through interpersonal relationships than cold visits, although some interviewees believe their good brand image had a positive impact on relationship creation. Some interviewees also highlighted that the cold visit is obviously more difficult if there is no existing support provided by the *guanxi* network. This study interprets this situation as a kind of interaction between customer and customer (C2C). In reality, more than half of interviewees proposed this marketing activity as ‘MGM’, which according to them has demonstrated effectiveness in creating new relationships.

Nevertheless, not all banks would choose to go out and intercept people in the street or knock on doors as a means to creating new customer relationships. A good example is highlighted by interviewee 9AB, who outlines how cold-calling depends on the size of the bank:

“My previous employer is a small-scale bank. At that time, we had to go out to look for customers. [Now], in our bank, customers are like endless streams that come in on their own initiative”.

This description could likely help to explain how relationship creation might be more important for smaller and/or newer banks with smaller customer networks. 7AB indicated that larger banks usually give the impression that they are more trustworthy, and this will increase the emotional contents for some customers. One reason that may possibly explain this situation is that consumers are more likely to have business transactions with those large-scale banks (e.g. financial holding or state-run banks).

For instance, interview 7AB was proud to express that his bank is a state-run bank with a long history, so he believes trust from customers will be the most important factor when consumers make their decision. Moreover, banks are also discovering that they need strategic partners if they hope to be effective in relationship creation:

“[It is through] forming strategic alliances, [that] we can complement our capabilities and resources...for example, we [Bank 3] cooperate with other banks to promote [our] credit cards and insurance...[these alliances help] expand our customer bases” (Interview 3AH).

In this context, strategic alliances involve the products and/or services by one company, which are then licensed to another company (Kotler, 2002). Interviewee 3AH also highlighted that the strategic alliance should be applied by head office in order so that customer information can be exchanged, whilst, branches on the other hand, should focus on attracting new customers through visits. Moreover, banks may seek partners who might complement their strengths and offset their weaknesses. For example, Bank 8 over the last three years has merging with some small-scale local banks in order to expand its branch location.

Financial Incentives

Some interviewees also raised the influence of financial incentives. The findings show that because of improved technology (e.g. Internet), customers perceived fewer real product differences and exhibit less brand loyalty. For example

“Consumers can obtain extensive financial product information from the Internet and other sources [e.g. newspapers]; permitting them to search more intelligently... they [customers] are showing greater price sensitivity in their search for value”. (Interviewee 10AB)

The findings also indicate that banks rewarded MGM customers with service charge discounts in order to encourage further referrals. For example,

“if your [current customers] recommend one new customer... we [Bank 4] can give you [the introducer] certain benefits such as lower...loan interest rates...it does attract them [current customers] to spread our promotion via word-of-mouth”. (Interviewee 4CH)

Customers were more likely to interact with other customer as word-of-mouth advertisers when they are motivated by financial incentives. This finding suggests that financial incentives still play a role in RM activities.

Convenient Location and Service

Convenience is found in relationship creation throughout the interview transcripts. Nearly half identified convenient location and service encourage relationship creation, especially for new banks. For example, interviewee 1BB drew attention to when he first came to Tainan City where,

“...in the new establishment stage, we had to keep a stall in the traditional market because sometimes shoppers needed some change for coins...we offered them convenient service in order to build good brand image, then they [as new customers] would come to our bank”. (Interviewee 1BB)

Others such as interviewee 9BH noted their 24 hours ATM service, whilst interviewee 13BB highlighted their Internet banking service. Therefore, convenient service and location also played an important role in relationship creation. For example,

“We [Bank6] have lots of branches located in different regions...meaning we have geographical advantages compared to our competitors”. (Interviewee 6BH)

This quote suggests that many customers are concerned about being situated closely to accessible locations, (characterised by good parking facilities and ease of access). Also regarding cost and time, convenient location and service encourage the relationship creation. Also, some interviewees (e.g. interviewee8AB, interviewee12BB) added that their banks should set up more branches in order to increase their customer base.

6.2.2 Enhancement

Relationship enhancement is entails enhancing, strengthening and extending relationships with customer (section 2.3.1). Enhancement is one aim of relationship marketing. However, the majority of interviewees in this study used the term 'coherence' instead of enhancement. For example, "*strengthen the customer relationship coherence*", refers to those instances in which there are increased purchases, the customer relationship will be simultaneously strengthened. The purpose of this section attempts to examine the RM activities in order to achieve the aim of relationship enhancement. Nearly all interviewees proposed the term 'increase consistency' instead of enhancement. There are four main categories of marketing activities that emerged from the interviewees' perspectives, namely gathering information and measuring customer needs, integrated marketing communications, emotional exchanges enhancing *guanxi* and business relationships, and financial incentives for target customers.

Gathering Information and Measure Customer Needs

Once the basis for an exchange relationship has been established, the primary goal for the bank is to seek new business opportunities to strengthen the customer relationship. At this time, more than half of those interviewed highlighted having gathered customer information through data warehouses and recording each transaction in order to measure customer needs. In particular, interviewee 5AH states that their bank uses a *marketing intelligence system* to obtain and record all customer transaction information. Simultaneously, his bank is more likely to expect customers

to continue making purchases from them and to receive value in the exchange relationship. For example:

“bank checking account customers become better customers when they set up a savings account, take out a loan, and/or use [our] financial advice services...”(interviewee 2AH).

Hence, banks are applying RM in an attempt to encourage transactions and a long-term relationship with their customers. The focus of RM implementation then shifts from the identification of opportunities to increase business, and the development of systems that support the relationship.

Many interviewees proposed that their first step of relationship enhancement is to segment customers, and this finding also reveals its significance because it is through effective customer segmentation, that banks can identify valued customers and increase the relationship with these customers. Several bank managers proposed that the purpose of customer segmentation was to manage customer data and realise their cognisable criteria of risk (e.g. willingness to take investment risks) in different financial products. Generally speaking, each customer has a certain risk acceptability criterion and different customers have different limits in their perceptions of what risk level is within their range. For example

“Based on their [customers’] investment criteria of risk, we offer them different financial products and services...especially for wealth management customers”
(Interviewee 13AH).

Wealth management is a highly customised professional service in which experienced financial planners help their clients manage their financial resources according to the customer’s background and criteria (Evernsky, 1996). More than of the interviewees asserted that wealth management is the main activity of consumer banking. Taiwanese banks are willing to spend time and invest in staff training in order to attract, enhance, and maintain this segment of banking customer. Moreover, an increasingly popular offering for banking services is to relate the portfolio allocation decision based on customers’ stage of such as life cycle investing. In sum,

the findings indicate how banks have sought to address the different needs of their customers, by developing a range of products and services to meet the needs of specific customer segments.

Some interviewees (e.g. interviewee 1AH, interviewee 4CB) proposed that the ideal guide for customer segmentation is the customer profitability ranking report. The preliminary step is to identify a list of profitable, growing customers. Apart from cognisable criteria of risk and contribution, the majority of interviewees applied traditional customer segmentation. The major segmentation variables included geographic location (e.g. region), demographic (e.g. age, income), and psychographic (e.g. lifestyle and personality). Banks thus have organised their customers into different segments in order to develop suitable financial products in light of these characteristics. For example, interviewee 15AB indicated that

“Customer segmentation aims to find the VIP customers and offer them customised service and treatment, such as service charge discounts in order to encourage more transactions”.

Others such as interviewee 5AH outlined applying a customer relationship management system as part of their customer segmentation initiatives:

“... if this customer’s contribution is greater than other customers, we offer him better services...we classify our customers according to their contribution...this...is a type of CRM system”. (Interviewee 5AH)

Apart from interviewee 5AH, others indicated that their banks applied CRM systems as a means to gathering and analysing customer data in order to identify their targets and valued customers, so banks can provide the suitable financial products and services to meet the needs of specific customer segments. However, one interesting aspect highlighted by interviewee 4BH is that many banks seek to identify valued customers from the upper income earners, but bank 4’s RM strategy chose focus more on their middle class segment. The reason for this strategy is that:

“The marketplace at the top customer segment is too competitive...we may not have enough competitive advantage to win, but customers from middle segments may have huge potential business opportunities for us to explore” (Interviewee 4BH).

This strategy may be explained by two possible reasons. First, according to their asset and income, customers from the middle social class segments may have the potential ability to upgrade to the upper social class segment. Second, relationship marketing focuses on developing long-term relationships that refers bank to be able to support and develop these customer relationship constantly increasing values (e.g. bank promotes the new enterprise investment to support new pioneer). However, this finding refers not only to banks' focus of their RM activities on the middle segments, but also customers from the upper segment because it is very competitive. Moreover interviewee 7AB added that the contribution from one great VIP valued customer may be higher than hundreds of other general customers. Therefore, banks leverage their resources towards forming closer relationships with these potential valued customers.

Integrated Marketing Communication

After gathering customer information and identifying target customers, many interviewees highlighted their effort to encourage customers to purchase more products, so at this time, banks organise various marketing communication activities such as press conferences and host special events. For example, interviewee 2CB reported that their bank organised a concert or sponsored a sports event to promote their brand, and then welcome those valued customers as free entrants to enhance customer relationships. However, not all feedback from these kinds of activities would achieve their objectives. Interviewee 5BH explained that sometimes they did not always receive the desired feedback as their expectation. However, although these events are costly, more than half interviewed reported that their banks are frequently investing in such activities. There are two possible reasons to explain this phenomenon. First, banks want to show their concern and respect for their valued customers, and second, banks believe these activities have a positive effect on their brand image and expect customers have reciprocal favour return.

Some kinds of one-way information flows (e.g. advertisements, newspapers) might be necessary for relationship enhancement, but many interviewees believed customers would provide feedback after the advertisement releasing:

“TV or magazine commercials establish a good brand image... [they] can [also] transmit new financial information that we want to present or recommend to them [customers]... One of the advantages of TV commercials is that you [bank] can easily spread the information [to customers] which means we don't need to inform each customer on a one-by-one [basis] as you know we have too many customers...of course, we still have to make phone calls or visit our VIP customers, because they are very important to us and they have more potential to increase purchase and make profits for us...” (Interviewee 16AH).

Interviewee 16AH thus draws attention to the role of marketing communication in forming closer relationships with favoured customer segments. Banks build their identity through events sponsorships. For example, 4CB reported that their bank supports the baseball events and also invited baseball stars into advertisements. This helped to impress the bank's image in the public mind. Moreover, the findings imply that these marketing communications motivate bank have better understanding about customers' needs because these activities are an emotional exchange, so when the *guanxi* increases, the customer relationship could also be enhanced.

Interaction and Emotional Exchange by Guanxi

Quality services and products were designed to meet customers' needs, and visiting is a common way for bank employees to exchange their view with and gain better understanding of their customers. For example, 14BB proposed that their bank frequently conducts face-to-face visits as part of their customer services. In addition, the findings indicate that Taiwanese banks capitalise on special events (e.g. Chinese New Year, Moon Festival) to visit valued customers with gifts. Chinese people believe gift giving is one powerful way to strengthen relationships. For example, interviewee 8BB reported that their bank visits customers during Chinese festivals for

gift-giving in order to strengthen *guanxi*. Interviewee 1BB termed this activity as an 'emotional exchange'. The visit is not about simple gift-giving, but rather viewed as important contact with customers to encourage relationships. The finding shows that more frequent contact via face-to-face or voice-to-voice visits results in more positive customer perceptions of their bank. The majority of bank managers believed that frequent visits or contact could increase customer relationships and that *guanxi* also becomes stronger. Particularly, several bank managers would participate in customers' private birthday parties. According to interviewee 5BH:

"I do care about our valued customers. Apart from keeping in touch by telephone, sometimes I also attend their private parties [e.g. karaoke or birthday parties] because you know these customers are also my friends from the Rotary Club...First, [the contact or visit] makes it easier to collect more information [e.g. background or lifestyle] about this customer. Through their guanxi [connection network], we are able to know more customers and that could result in new business opportunities...Also our customers will feel they have been seriously considered ... it strengthens both friendship and business relationships".

Whilst interviewee 5BH thus regards these kinds of interactions as encouraging both *guanxi* (interpersonal) and business relationships, others, such as interviewee 4AH declared the contributions of the social interactions contributing towards business transactions. Interviewee 1BB declared this kind of activity also contributes to the establishment of trust between banks and customers. However, interviewee 10AB further declared the purpose for interaction process is like to searching for any potential business opportunity, because increasing business opportunities (e.g. cross-selling) also refers to enhancing customer relationship. Although it is important that the dyadic relationship between customers and banks are based on the simultaneous exchange of up-to-date information, several bank managers noted that sometimes they require customers to fill in surveys or verbally respond to a long line of questioning, and it is these types of interactions that may be regarded customers as a nuisance. Thus, interviewee 12AB emphasised the importance of conducting frequent and particular types of visits:

“Not just one visit, we should contact the customers several times in order to achieve the objective...frequent visits will let them [customers] recognise our sincere services”.

Furthermore, the findings show Taiwanese banks paid lots attention to *guanxi* (interpersonal networks), and they also believed *guanxi* and RM to be directly related in terms of both social and business relationships. For example interviewee 8AB asserted that relationship enhancement was more likely to strengthen the friendship, and the relationship could be longer when the business relationship between customers and bank associates are friends.

The findings reveal that Taiwanese banks employed a range of different strategies to strengthen favourable impressions in customer minds. These strategies included personal communication (such as face-to-face visits or voice-to-voice telephone contact). Others such as interviewees 10AB and 13BB proposed that frequent visits can help to understand customer backgrounds and needs. Interviewee 1BB emphasised that frequent interactions help customers feel that they are being considered. Interviewee 14BB believed that banks need to show their concern via frequent contact with customer in order to enhance the relationship. Interviewee 17AH also viewed visits as a kind of customer service opportunity to exchange information. All these respective marketing communication activities help banks to develop the appropriate products and services that meet their customer's needs.

Financial Incentives

More than half of the interviewees discussed the effect of financial incentives such as discounts or free service charges, better prices, or gift-giving to encourage their customers to increase transactions (e.g. cross-selling). Interviewee 4CB outlined the reason for discounting where “Taiwanese consumers have high sensitivity to pricing”. Several bank managers indicated that they offered quantity discounts to particular valued customers. Although this concept of quantity discounts is not new, the findings show that many banks still apply financial incentives with their RM

activities in order to encourage business exchange. Considering the following example provided by interviewee 6AB,

“Regarding relationship enhancement...our bank is one subsidiary of the financial holding group, so our services combine insurance, banking, and stock which means we can integrate these services and cross-sell them like a multi-account promotion. For example, when a customer purchases from our insurance company [subsidiary]...in order to promote our banking service, we offer free balance transfer charges to this customer. The insurance price may be lower than for other customers, because this customer relationship is closer than others. We have this kind of promotion activity”.

This description provides a good example that since consumers may be unprofitable in one product (e.g. savings) but use other products (e.g. loans or mortgages) that the overall relationship remains profitable. Banks thus will examine the total relationship profitability before targeting customer segments for price incentives.

However, several interviewees asserted this relationship pricing (e.g. better interest, service charge discount) should concern with the conditions. In other words, the bank's offering should be provided to key opinion leaders within their target segment. For example, interviewee 10AB highlighted that their bank have gift-giving to key man of the community (e.g. chairman of the company) in the Chinese New Year. Although financial incentives encourage the transaction, some participants proposed different opinions regarding financial incentives. Pricing is not always effective in the customer relationship, if this is not underpinned by good quality products and customer services. Good quality services and products are the main reasons why customers may opt to continue their relationship with their bank. For example, interviewee 2CB believed that good customer service could be referred to good interaction and further to strengthen customer relationships. However, the result still indicates that banks cannot ignore the importance of price competition, but that they should seek to complement this strategy with additional methods to build stronger customer relationships. Good quality services and products should be the key notion for relationship enhancement.

6.2.3 Maintenance

Relationship maintenance has been defined as *'sustaining and maintaining stable relationships between firms and customers'* (section 2.3.1). This component of RM has been identified as one aim of RM. The findings show that many bank managers recognised the importance of relationship maintenance with customers, where interviewee 2AH indicated that it costs up to five times as much to make a sale to a new customer as it does to make an additional sale to an existing one. Hence the purpose of this section is to explore RM activities pursued to achieve relationship enhancement. More than half of the interviewees revealed their marketing direction was to maintain the customer relationships and also the findings show that Taiwanese banks recognise the importance of customer relationship maintenance. For example, interviewee 3BB proposed that their bank has one independent department to manage all the marketing activities in order to sustain customer relationships. Therefore, banks are willing to invest substantially to improve the facilities and appliances in order to manage customer profiles and relationships. There are five major categories of activities for relationship maintenance, namely customer and service classification, regular contact and exchange information, maintenance of brand image, convenience and accessible location, and financial incentives.

Profiling and Customisation

In this stage/aim, banks are concerned about maintaining the relationship with customers. Once customer relationships have been established, enhancement and maintenance are the two ways to continue the relationship. Although banks seek for any opportunity to increase the relationship, there are two possible explanations that banks are willing to maintain relationships with customers. First, when these valued customers bring highly contributions (e.g. CLV) the bank will continue to provide good *'after-sales services'*. Second, not all customers want to have close relationships, but there is still potential for further business, so banks may want to maintain the relationship with this potential customer. However, before identification of customer

needs, the findings indicate that the first step for relationship maintenance is customer segmentation and service classification.

Nearly every bank manager indicated that in light of different customer segmentation, banks provided different services to suitable customers because, for instance, interviewee 3BB indicated that the core notion of relationship maintenance is service. Providing classification of service is common amongst Taiwanese banks, and banks are also more likely to pay attention to service quality. Interviewee 15AB suggested that although banks cannot always provide customers with every product they want, they can always offer their customers good service. This suggests that when customers experience high quality customer services, they are more likely to continue the relationship with this bank. Good customer service is thus essential for relationship retention between customer and bank. Considering the importance of good customer service and its relationship to relationship maintenance interviewee 2AH provides the following account:

“The importance of service can be measured by the fact that two-thirds of customers stop doing business with the bank when they have received poor customer service...and that attracting a new customer to replace a lost one takes five times as much effort, time and money as it would have taken to keep the existing one. In brief, good customer service is the key to a successful bank and customer retention. Good customer service will also foster growth because each satisfied customer will tell at least five other people about the business”.

This account suggests the importance of good customer service is able to retain customer relationships. This description also indicates that good quality customer service is capable to encourage positive word-of-mouth advertising from satisfied customers.

Regular Contact and Brand Image

All interviewees presented similar perspectives about the required interactions for relationship maintenance. Basic regularly contact is characterised by sending out

of monthly bank statements. Regarding the advancement of information technology (IT), banks have provided value added services through facilities like e-mail contact, Internet banking, and comprehensive bank statements (included savings, loan, trust, and fund but not with credit card, foreign currency, and cash card). All interviewees commended IT for in that it reduces operating costs and provides a fast (and an additional) communication channel between bank and customers. However, although all interviewees agreed that although IT can increase the frequency of communication, more than half indicated that IT cannot completely replace traditional communication approaches like direct physical interactions noted in face-to-face visits. The majority of interviewees commented that face-to-face contact is the most effective communication approach for relationship maintenance. One possible reason explains this situation. In normal circumstances, Chinese people feel hard to refuse other people's request during the dialogue especially with face-to-face communication. Therefore, the findings suggest that the most frequently applied strategy for relationship maintenance is to visit customers. For banks, it is important to identify and train those staff who come into contact with customers, whether face-to-face and/or by phone. Nearly all bank managers believed that branch employees will determine the quality of customer service.

Moreover, in order to maintain the relationship, banks are likely to continue to interact with the customers. Here, the level of trust often depends on the types of customised product offerings and interactions experienced by the customer. Customers are more likely to stay in the relationship if they feel that the company understands their changing needs and are willing to invest in the relationship by constantly improving and evolving their products and services. Several bank managers further proposed that relationship maintenance should be concerned with providing different products for selected customer segments. For example, interviewee 8CB further indicated that banks should show their consideration and service process based on different financial products, such as providing interactions for loan customers and constant information exchange for wealth management customers. In addition, call centres are another way for banks have interaction with customer. Two banks (Bank 2 and Bank 3) explicitly proposed they have around the clock call centre services in order to provide information and customer support. This

service delivery process allows banks to foster consumer confidence (e.g. trust) and loyalty.

There is a special activity which provided by interviewee 15AB that sometimes the employees who involved in communication and might be necessary to have social intercourse with bank's certain valued customers (e.g. drinking with customers) in order to increase and maintain the customer relationship. Drinking culture is a part of *guanxi* practise in Taiwan, especially when it is involved with business relationships. Interviewee 15AB stated,

“...if this [valued customer] is fond of discussing business when drinking... [and] if you don't go out and drink with these customers, they may move to other competitors...”

Therefore, banks need to demonstrate concern and respect for their customers by participating in various activities such as drinking in order to maintain the relationship. However, it was noted that not all customers need to be contacted, so the findings indicate that each bank has their own contact names list every week, especially for financial advisors because these personnel have to have better understanding of their customers. Bank managers described their customer relationships as needing to be nurtured like friendships. In addition, *guanxi* is the necessary tactic for relationship maintenance in both social exchanges and business relationships. However, this study also discovers their contact list does not include embracing all customers, but rather specific or valued customers. These financial advisors conduct data mining from their customer data warehouse because it saves time and operation costs to seek the customer portfolio and identify the customer segment.

Another aspect provided the most difficulty to apply RM is the staff training programme. Although some banks believe their training program is completely planned, this is never easy because there always some unpredictable situations that occur during the customer service encounter. For example, interviewee 10BH observed that new staff members lacking service experience sometimes experience difficulty in handling conflict. Thus, in order to improve customer service, several interviewees proposed that banks need to focus on developing employees' service

manner and approaches to conflict management. Several bank managers further indicated that each employee should take the ethical responsibility because their behaviour is directly related to the image of bank. Therefore, banks are more likely to think about the customer and deliver good customer service if their employees are well trained and are recruited for their positive attitude to customers.

Considering the extension of Guanxi

Personal interactions (e.g. face-to-face meetings and other communication) enhance *guanxi* with customers whilst also increasing understanding of their customers' needs. This understanding may not only foster trust between the bank and its customers but also make the use of RM more effective. *Guanxi* therefore acts 'like a bridge for relationship marketing' (interviewee 3AH). However, although *guanxi* and RM are both about relationships, the findings suggest that in Chinese culture based on *guanxi*, trust is an important feature of the relationship. For example,

"Although we can't promise our customer that their investment will definitely make a profit...we can provide our best services with updated and honest information...because guanxi should be built upon trust" (interviewee 8CB).

All bank managers in this study believed that *guanxi* helped maintain the relationship. Some bank managers specifically indicated that RM should constantly be implemented with *guanxi* in order to encourage stronger customer relationships. In other words, interviewee 8BB explained that the relationship coherence with bank indicated that customers relied on their bank, sometimes it may restrict to the particular service staff. One possible explanation here is that the maintenance should focus on including both customers and bank personnel. Therefore, the evidence here exhibits that when the customer relationships are underpinned or supported by *guanxi* (such as friendship), these relationships are strengthened.

In addition, *guanxi* not only can be applied to maintain relationships with existing customers, but also several interviewees (e.g. 5CH, 13AH, 1AB) also discussed the importance of regaining lost customers. For example, according to interviewee 5CH:

“We are only concerned with how many new customers come to our bank...without noticing the gradual loss of customers...I think that is a big issue that we need to be concerned with”.

Therefore, *guanxi* appears more important for banks when they are maintaining customer relationships.

Accessible Location with Convenient Service

The findings indicate that banks not only focus on product transactions (e.g. customer purchase funds) but sometimes they have more consideration on their service quality (e.g. providing regular financial information updates). One interesting aspect proposed by interviewee 16AH is that bank sells not just financial products, but more importantly provides convenient services and innovation. Bank managers see excellent service as a competitive advantage through offering a high level of pre and post-sale support advice.

An essential ingredient for banks is the recruitment of appropriate staff. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain competitive advantage. Consumers make judgements and develop perceptions of the service in light of their experience interacting with service employees. Employees should have the appropriate interpersonal skills, aptitude, and service knowledge to provide service that meets or exceeds consumer expectations.

Although some interviewees revealed their RM focuses were on customer retention, rather than purely gaining new customers, but some expressed the view that the cost for maintaining relationships was much higher than gaining new customers. However,

several interviewees expressed concern about customer characteristics, particularly in relation to perceived lack for loyalty. For example, interviewee 4AH stated that,

“Most customers lack loyalty especially with regards to the price issue... it is difficult to sustain long-term relationships because customers like to compare prices and also have a high awareness of price”.

This quote implies a general characteristic of Taiwanese consumers who demonstrate strong price sensitivity, which in turn, presents difficulties for banks in striving to maintain their customer relationships. Therefore, banks need to understand the price sensitivity of their customers and prospects, and the trade-offs people are willing to make between price and product characteristics. Moreover, several interviewees noted that it is unavoidable that competitors' prices often change. All interviewees viewed price competition between banks as an undesirable situation. However, even though price competition may occur, most interviewees indicated that they preferred to maintain the price, and add more value rather, to the service and strengthen brand image via advertising instead, because profits would be diminished if there were price cuts.

Several interviewees proposed that they used this strategy to find and regain lost customers. There is strong evidence demonstrated by this study to suggest that customer retention and profitability may be directly correlated and the majority of interviewees indicated the importance of developing and maintaining long-term profitable customer relationships. Moreover, some participants highlighted that the longer a customer stays with their banks, the greater the likelihood that they will conduct more business via these banks. In addition, retained customers will cost less to service and will likely be less motivated solely by prices. Berry and Gresham (1986) suggest there are three ways to build sales volume. One way is to attract new customers. Another way is to conduct more business with existing customers. A third way is to reduce the loss of customers. Although the maintenance of mature relationships often requires fewer resources than initiating and developing new ones, they are clearly critical to the success of RM strategy. This study reveals that with well developed relationships in place, the focus at this stage is on monitoring, maintaining, and controlling the customers' trust and willingness to continue their

relationship with the bank. Additionally, four managers also pointed out that maintenance is operated by personal regular contact. In sum, the findings indicate development as one component which can be interpreted as a purpose of RM to sustain and maintain stable relationships with customers.

Financial Incentives

Maintaining strong relationships also motivates trust and/or commitment between banks and customers. Some bank managers indicated that customers with longer histories with their banks make greater contributions than other newer, general customers. Likewise, several interviewees also proposed that these retained customers cost less to service and would less likely be motivated solely by prices. Surprisingly, few interviewees provided contrasting viewpoints, for example,

“...sometimes to maintain a customer is much higher than gaining a new customer...some customers asked for relationship pricing and gift-giving to reward their loyalty” (interviewee 8CB).

Interviewee 10AB further presented the importance of gift-giving, which plays an important role in Chinese culture, so any Chinese business should consider this as part of their RM activities. For example,

“The expense for gift-giving is too big...however, you are unable to decline this cost because that is part of Chinese culture...everyone likes gifts” (interviewee 10AB).

Hence, financial incentives still play a key feature in RM to retain customers, and gift-giving is more likely to be a kind of contribution in order to encourage or maintain the relationship.

Several bank managers also argued that financial incentives have positive effects on relationship maintenance, especially when the customer has high price sensitivity. For example, interviewee 8BB expressed that *“customers lack loyalty especially*

within the price competition...it is difficult to sustain long term relationships". Each customer will have different limits in their perception of what price is within their range. Thus, banks are likely to offer discounts as close to the customers' expectations and still maintain profits. For example, banks offer points to exchange rewards for credit card usage. Nearly all interviewees likewise agreed that when customers benefited from these initiatives, at the same time, the relationships between banks and customers could be maintained.

6.3 RM Mix

Different aims are associated with different RM activities. In other words, Taiwanese banks capitalised on this RM mix to achieve their objectives. The RM mix has been identified in this study as being comprised of interaction, emotional contents, customer lifetime value (CLV), and customisation.

6.3.1 Interaction

Regarding the advancement of IT, the way in which Taiwanese banks interact with their customers has changed dramatically over the past few years. For example, banks can have mutual communication with their customers via Internet banking and email, so customers don't need to go to branch to manage their bank account. Banks would simply keep track of all of their customers in their data warehouse, and would know what to do when a customer walked into their bank. Nowadays, as highlighted by the bank interviewees, a far more complex situation is being faced, where there are comparatively more customers, products, and competitors, as well as less time to react. Consequently banks have appreciated the importance of understanding their customers better, and quickly responding to their wants and needs. This section focuses on the analysis of the activities of interaction in RM. This study has defined interaction as *'the process by which the parties exchange, communicate, in a mutually collaborative manner, in order to identify needs and to find solutions'* (section 2.3.2). Interaction may take many forms, so banks may engage in different type of interaction in order to achieve their objectives.

All interviewees indicated the customer relationship have positive affect by interaction because banks enable to understand their customer's need by two-way dialogues or communication. Interviewee 8CB provided a very good example to describe the role of interaction between bank and customers:

“Interaction is like a bridge between banks and customers”.

Thus, the findings recognise the importance of interaction in the implementation of RM. For example, interviewee 14BB stressed that banks have to understand their customers through visiting them in person in order to show sincerity from bank. Interviewee 2AH also commented that interaction is the primary foundation for all RM activities. All bank managers believed that actively and frequent contact resulted in good interaction. Evidence indicates that interaction for these bank managers is characterised by two-way communication. In other words, the findings indicate that interaction is an effective means for understanding customer needs and requirements and constant communication is the essential feature for customer retention. Moreover, the results of the findings indicate a close relationship with other components interrelation in the RM mix

Interaction and Guanxi

The findings reveal that all bank managers view interpersonal communications as an interactive dialogue between the bank and its customers. Interaction could take the form of both social exchange and business transaction, and the purpose of interaction is to understand customers. For example, interviewee 3AH stated that,

“[As] banking is a type of service...it is important to understand our customers. Our bank attempts to have better understanding of our customers' needs so we will contact our customers regularly by phone”.

The findings have shown that Taiwanese banks have developed customer relationships consisting of personal relationship (*guanxi*) features, and service personnel have played a key role in the formation of long-term bank-customer

relationships. Service employees are the primary link between customers and banks. Thus, these personnel significantly influence customers' perceptions of the bank's reliability and value and consequently, the customer's interest in continuing the relationship. Banks also rely on these service personnel have interaction with customers. For example, interviewee 8CB indicated their financial advisors in wealth management division are exclusively involved in financial planning and directly interacting with customers. Broadly speaking, wealth management is a popular service provided by Taiwanese consumer banks. Particularly, the financial advisors from wealth management have become the key service personnel in Taiwanese banks.

The findings also suggest that sometimes banks act not just as a financial service supplier but also like a friend to communicate with their customers. For instance, interviewee 9AB indicated that interactions between banks and customers are not just for information exchange, but that such interactions represent dialogue between friends. Particularly, interviewee 9AB clearly reveals the purpose of interaction is to exchange information with customers, and simultaneously, some interviewees also believed interactions encouraged *guanxi* (e.g. friendships) with customers. Considering the example provided by interviewee 15AB,

“...some customers like to visit our local branch because they know some service personnel there... [Despite] the advance of information technology, customers, especially in Southern [Taiwan]... prefer...social communication when they come to the branch”.

This quote implies that customers are more likely to have different preferences for the way in which they interact with their banks. The findings suggest that through establishing interpersonal relationships, interactions encourage the understanding between service personnel and customer. In other words, Taiwanese banks placed lots emphasis on the objectives of interaction through two-ways communication as a means to better understanding their customers. This applies particularly to financial advisors who need to understand each customer's background and risk acceptability criteria.

Moreover, it was suggested that an essential ingredient to banks is the recruitment of appropriate staff. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the bank wants to achieve competitive advantage. The findings further imply that customers are more likely to have judgement and perceptions of the service based on their interactions with personnel. The findings also draw attention to bank managers' concern that service personnel should have the appropriate interpersonal skills, attitude, and service knowledge to provide the service, because these service personnel are the primary link between the bank and its customers.

Interaction and Emotional Contents

The findings also reveal that every financial advisor has a large quantity of assigned customers, so these financial advisors were unable to contact all their customers. In order to achieve his/her objectives, financial advisors are more likely to invest time in developing both business and personal relationships. Most bank managers believed that emotional exchange would be strengthened through interpersonal interactions.

When service personnel (e.g. financial advisors) with attributes such as knowledge of services and products, understanding of customers' problems, provide both technical and social assistance, the customer is more likely to rely on this service employee. More than half of the bank managers interviewed drew attention to the importance of enhancing employee knowledge. For example, interview 4BH stressed

“We recognised from previous experience that the more competent the service employee, the more customers trust our bank and...to buy more products”.

Another possible reason is that these service employees often interact directly with customers, so when the customers have any questions, they would most likely be set up with their assigned advisor. Nearly all bank managers are delighted to accept this IT improvement because they could spend less time in general customers but focus on the valued customers. For instance, interviewee 9BH pointed out that their

customers can easily find general information available on their website. Their customers also will receive the e-mail or DM for any updates. This finding seems suggest that Taiwanese banks might be gradually reducing 'face-to-face' interactions, preferring to opt for phone, mail, or computer transactions.

However, in reality, all interviewees still believed face-to-face meetings being the most common and popular method for interaction, because face-to-face visits communicate respectful concern for customers. For example, interviewee 11BB expressed that:

“Apart from mailing [bank statements], we still have to visit our customers in person...it is the easiest approach to achieve the objective”.

Two possible interpretations may be offered at this stage. First, bank managers believed face-to-face meetings positively affect emotional contents, because banks have developed customer relationships through *guanxi*. In particular, interviewee 1BB further explained that Chinese people are more likely to use face-to-face meetings because it demonstrates sincerity and respect. For example,

“Chinese always say that face-to-face visits...increase [the] probability for successful transactions by thirty percent” (interviewee 1BB).

Second, many bank managers in this study indicated that when they communicated with customers, face-to-face home visits provided opportunities to realise their customers' lifestyles and backgrounds. The more information gained from face-to-face visits, the better banks are able to provide accurate services and products to meet their customers' needs and requirements. Therefore, the findings show that that because of timely interactions and enhanced communication between banks and customers, trust can be developed and knowledge gained relating to customer needs and preferences.

Interaction and CLV

Although all interviewees expressed their confidence in the advantages of face-to-face visits, several bank managers highlighted time and budget limitations. Service personnel thus focused on selectively visiting their valued customers. For example, interviewee 7AB asserted that visiting valued customers is very important in his work and he spent much time visiting these valued customers. This finding implies that when service personnel prepared for face-to-face visits, it is necessary to consider the contribution from the customer. Interviewee 3BB further indicated that after they discriminated which customers were most profitable for the bank, they consequently spent more time with these customers.

Interaction and Customisation

This research has recognised that most of bank employees' interactions commonly involve voice-to-voice, and Internet technology contact (e.g. e-mail) or written correspondence with some form of face-to-face interaction. Hence, the purpose of interaction activities includes two-way communication between bank and customers. For example, interviewee 6AB explained that the interaction is not only a way to communicate with customers, but also a way to strengthen understanding about the customer. So through interaction, banks and customers could share financial information and which can then be used by the former to provide more appropriate customised products and services to the latter.

Technological advancement has created a number of self-service interaction technologies for consumers. This improvement has encouraged the emergence of new communication channels that have enhanced the options available for business-to-building relationships via e-mail, telephone, and newer computer technology (e.g. ATM [automated teller machines], Internet banking). More than half of bank managers indicated that the advantage of this progress had benefited interactions. First, banks could use IT services to contact their customers with reductions in both cost and time, and second, it took less time to gather and analyse the customer information. For example, interviewee 5AH commended that,

“Through data mining, we know this customer from our data warehouse...when we plan to visit this customer, it would be easier for us to know this customer’s background and forecast his or her needs”.

This quote outline that data mining, as part of a CRM system, is commonly applied in Taiwanese banks. Interviewee 3AH clearly indicated that CRM is regarded as the practice of RM. Banks have heavily invested in CRM hoping it would be able to provide access to all information about customers and their behaviour from any touch point (such as ATM, branch, Internet). This study finds that CRM systems have been used for long time in Taiwanese banks. Bank managers understood that customer knowledge needs to be comprehended by banks, so they proposed that face-to-face communication needs to be performed by front-line service personnel.

Moreover, different desires and expectations from customers can require different information and contact strategies. Nowadays, simultaneous use of various marketing channels (such as television, newspapers, Internet) is increasingly important, which has resulted in banks establishing to the need for a multi-channel customer contact strategy. More than half of the interviewees highlighted that banks should follow and set up an integrated marketing channel because each channel possesses different strengths, but at the same time presents limitations and complications. For example, in order to spread their bank information and attract extra customers, banks might arrange advertising campaigns. Actually, more than half of the bank managers viewed the media as a positive means for strengthening the image of their bank. For example, interviewee 4CB highlighted that his/her banks had combined their advertising with sport event in order to access younger customer segments. Although the surface consequence of the advertising is the transmission of one-way information, more than half of the interviewees confirmed included this activity as a mutual communication because customers reacted and provided feedback in which they became more active and enthusiastic about their financial considerations. The possible reason for this is explained by interviewee 17AH that Taiwanese consumers are highly price sensitive.

All interviewees organised various activities to encourage opportunities for mutual interaction with potential or existing customers. The purpose of this kind of activity is to exchange information in conversations with customers as a means to enhancing relationships with existing and potential customers. For example, some banks collaborated with different manufacturers (i.e. jewellery shops, art exhibitions) to organise marketing activities. Usually, banks invite some their valued customers to attend these activities. One of the most important reasons for this is that these banks want these valued customers to feel they are being treated with respect and importance. Possibly, the operators invite their valued customer to attend the activities, so customers have opportunities to exchange information and encourage purchases. Some participants term this activity “a *strategic alliance to expand their strategic networks*” (interviewee 3AH).

In sum, although it is important that the dyadic relationship between customers and banks are based on the exchange for up-to-date information, some participants indicate that they require customers to fill in questionnaires or verbally respond to a long list of questions, which they may be regarded as a nuisance. Thus, this study reveals that the type of information gathered must be strictly necessary for the purposes of maintaining a good relationship between customers and their bank. This study classifies interaction as one component which can be regarded as an approach of RM for Taiwanese banks. Moreover, effective interaction with customers can facilitate better understanding of customers’ needs and to develop the appropriate solutions in light of this understanding. The results from this study demonstrate that Taiwanese bank managers consider interaction to have an important, positive impact on the relationship with customers. The findings indicate that Taiwanese banks pursue access to numerous forms of marketing activities with new customers for relationship creation which includes a variety of strategic elements, such as personal contact (e.g. *guanxi*), advertising (e.g. TV commercials), public relations (e.g. news coverage), sales promotion (e.g. rewards), and instructional materials (e.g. banks’ websites). However, according to the majority of interviewees, the most frequently used and effective communication method is the face-to-face visit. Through two-way dialogue, both parties can exchange information and gain mutual benefits. Advising flyers mailed directly to customers, has been proven to be a good communication method.

As more mutual activities comprise the customer relationship and service process, banks have more opportunities to understand customer needs.

6.3.2 Emotional Contents

Emotional content is one feature of the relationship marketing mix which has been defined as,

'A willingness to trust and believe in the integrity of the other to keep their promises' (section 2.3.2).

According to this definition from this research, trust is core notion for the emotional contents. The findings demonstrate that Taiwanese bank managers regarded emotional contents as a key component required for relationship marketing. It is not surprising that all interviewees had similar perspectives regarding emotional contents of RM initiatives. Trust is the primary notion for these interviewees and this finding reveals the importance of fostering trust in customer relationships and this is especially the case for financial advisors. The majority of interviewees believed that based on trust establishment, both bank and customer can freely exchange information to explore innovative solutions. It is also related to the bank image which has been as one ingredient for emotional contents because it is directly related for development of trust from customers. This study discovers that if bank has good reputation, customer is more likely to establish trust with this bank.

It was suggested that Taiwanese banks developed customer relationships through by managing emotion contents because of intangible involvement (e.g. bank image, trust, satisfaction) may be more effective than tangible features (e.g. financial rewards) for banks. Specifically, Taiwanese banks could emphasise emotional contents in their service offering and relationship with customers characterised by such features as genuineness, information sharing, positive attitude, and kindness. Because of such a service, banks would be able to foster positive relational reciprocity where customers would feel favourably about maintaining their relationship with their bank. Therefore, it is evident that developing contents relating to emotion can be seen as one relationship marketing strategy to build relationships with customers.

Moreover, according to the findings, this study finds that emotional contents with other components has meaningful reciprocal effects within the RM mix, so the following sections will address the interrelation among this feature and other components in the RM mix.

Emotional Contents and Guanxi

All interviewees mentioned the importance of trust as a cornerstone for all transaction behaviours. This view was captured particularly by interviewee 7AB,

“...first you should win customer’s trust. When they trust you, generally, whatever you say, they will listen and accept. If they don’t trust you, whatever you say, they wouldn’t accept, so the most important thing is to develop trust”.

All interviewees believed that customer relationship development should involve friendships. For example, customers are viewed as ‘clients’, not nameless faces, and when customers come into the bank, the service staffs would respectfully call their customers by their surname (e.g. Miss Su). Some interviewees in this study also indicated that customer trust is based on encounters with the bank’s front-line service staffs (such as financial advisors and bank ushers), especially in the bank hall. For example, interviewee 1CH pointed out that bank ushers should actively assist customers to find the right service counters. More than half of the interviewees pointed out that based on emotional contents, the customers would be more willing to manage their financial services with the same account manager or ask for assistant with the same bank ushers, because of feelings associated with security and familiarity. Banks required every customer to have their preferred or assigned account manager based on the reasoning that they would feel more comfortable with the services provided. Every account manager thus needs to focus on developing relationships with their customers. The findings also discover that these front-line service staffs simultaneously developed customer relationships with *guanxi*. Every account manager or financial advisor might not only show their concern about dealing business with their customers, but also with social relationships characterised by

friendships. Banks believed that the consequence from development of social relationship with customers has positive feedback on transaction. Hence, it is suggested that *guanxi* encourages customer's emotion to be more confident in their business transactions. Also, especially when their account manager or financial advisors provide quality and knowledgeable services, this encourages customer trust and transactions.

Considering the importance of these front-line service staffs, more specifically, some bank managers are concerned with ethics and integrity of these personnel. For example, interviewee 14BB proposed that,

“These front-line service staffs are more likely to represent the bank's image because they have direct communication with customers. So if these people [foster] interpersonal trust [with the customers this] would facilitate the development of trust between the bank and its customers”.

Because these front-line service staffs play an important role in customer services, interviewees also asserted their staff training should focus more on developing ethical self-management (e.g. integrity) in conjunction with their continuous financial knowledge training, since customers would be more likely to rely on financial advisors who were both moral and knowledgeable. Hence, trust between the bank and customers would contribute to the latter being more likely to continue their relationship with the bank in the future. In another words, interpersonal trust is usually involved with *guanxi*, so when customer trust has been developed, *guanxi* with these service staffs also increased. In short, *guanxi* and trust have reciprocal relation for each other.

Although it is important for customers to feel trust with their account managers, many interviewees, especially with those branch managers (e.g. interviewee 1BB, 4CB). However, interviewees also asserted that emotional contents should be transferred back to the bank. One possible explanation is that branch managers had more face-to-face opportunities in dealing with customers. In other words, it is important to encourage customers not only to trust their account manager and individual employees, but also trust the bank as a whole,

“trust should be established not only with the financial advisors but also with banks...They [financial advisors] are service representatives of banks, but sometimes, this guanxi should not be regarded as personal capital...of course we are afraid the customer relationship would stop if this financial advisor left our bank...bank managers should [therefore]...be concerned with each advisor’s condition and performance” (interviewee 1BB).

According to this quote, emotional contents between the bank and its customers are fostered by these front-line service staffs and transferred back to the bank. These personnel therefore play a key role in developing and maintaining enduring bank-customer relationships. Several interviewees (e.g. interviewee 8AB, 8CB, 14BB) had indicated their concern, that if this trust was not transferred to the bank as a whole, customers might leave as a consequence of their trusted and preferred service representatives leaving the branch or bank. Thus, how to transfer interpersonal trust back to the bank is a critical issue that needs to be addressed. In fact, these interviewees also proposed suggestions for this issue. For example, interviewee 4CB indicated with confidence that their bank provided services to customers without charging any commission fees. Interviewee 16AH suggested a favourable image of the bank could complement via additional service personnel contacting customers. Bank managers also need to frequently visit their valued customers in order to reduce the risk for relationship switching. Customer relationships with their banks would therefore be based on interaction with more than just trusted one representative of bank.

Emotional Content and Interaction

Cold visits may be another way to access to potential customers. However, interviewees stated that they would not visit without ‘gift-giving’ because visiting without gift would be considered impolite in Chinese culture. Bank managers view gift-giving as one starting point to open the interaction. Whilst crucial, gift-giving does however engender operation costs. For example, interviewee 13BB expressed his concern about the expenditure associated with gift-giving, where sometimes, it might

cost more to maintain existing customers than acquiring new ones. Nevertheless, from some interviewees' perspectives, gift-giving is one necessary marketing activity to satisfy customers in order to increase interactions and deepen customer relationships. Several bank managers further suggested that the art of presenting a gift comes from knowing when to give and on what occasions, (such as Chinese New Year and anniversaries) – times that banks may demonstrate personal concern without a clear objective of gaining an advantage from the relationship. In addition, considering many Taiwanese eat out as often (or even more than) they do at home, and food and drink are parts of Taiwanese culture, thus nearly all bank managers and service personnel would eat out with their customers:

“We often treat our valued customers by eating out or gift-giving [e.g. fruit baskets, concert tickets] in order to maintain relationships. As you know, banquets are part of Chinese culture, where much business could be discussed and even deals may be reached...I believe this is quite different to Western culture...having a meal together sometimes encourages closer customer relationships” (interviewee 7AB).

This finding indicates the typical Chinese culture in developing *guanxi*. Also all interviewees were more likely to raise their expectations of social activities, such as gift-giving and eating out, because they believed it can enhance *guanxi* with their valued customers. These activities are also intended to reflect reciprocal feedback in customer relationships. In other words, Taiwanese customers might be concerned about returning favours, where they will reciprocate this favour due to cultural expectations (e.g. if not, they might lose face). For example, when customers (and those who are especially valued) begin to have thoughts about leaving or switching to another bank, their signed account manager/advisor will use these favours (e.g. visits with gift-giving or eating out) in order to convince these customers to stay. Obviously, the background of this social activity is intended to enhance and maintain the customer relationship through interaction.

Gift-giving and eating out can be referred to as a kind of financial bonding. Several interviewees expressed their consideration that not all customers would eventually have the feedback on their transaction, because this financial bonding is

easy to imitate. This study also discovers that many Taiwanese banks see this kind of activity (gift-giving and eating out with customers) is necessary and essential especially for those valued customers. Therefore gift-giving and eating out offer tangible benefits for customers, although this circumstance is more likely to be involved in emotional appeal. This study finds that nearly all bank managers had similar perspectives regarding the association between interaction and emotional contents, for example where,

“Providing honest and trustworthy information exchange...is the cornerstone for developing trust” (interviewee 4BH).

It was suggested that emotion certainly plays an important role in social interaction. As banks focus on developing customer relationships by *guanxi*, and the interaction, in reality, has positive influence on emotional contents. At this time, face-to-face communication in bank branches or home visits, are the best ways to gain trust and background information from customers.

In Chinese society, when one has difficulties, acquaintances are expected to offer their assistance. One common practice in Taiwanese banks is that services personnel or bank managers continually attempt to build obligations from their customers by maintaining strong friendships and doing personal favours. For example, interviewee 5BH stated that she joined the Rotary Club in order to extend her *guanxi* network, and in order to maintain her relationship (both friendship and business relationships) with her clients.

The majority of interviewees in this study expressed confidence in their quality banking services and products. Keeping promise might one commitment for relationships enhancement. However, several interviewees expressed their uncertain thoughts about the obligations that existed within their customer relationships. For example, interviewee 1AB states that promises to customers have to be restricted. An additional explanation for this is that,

“If the promise was not achieved...we may lose... customers” (interviewee 8BB).

Customers are more likely to believe in service trustworthy personnel, who make realistic promises. Few interviewees also asserted that promises which are relating to high risk investment should be carefully considered, where the focus should be on offering honest and up-to-date information. For example, interviewee 17AH indicated that it is hard to accurately predict the fund market, because of complex patterns in the global economic environment. Based on this situation, therefore, this study proposed that banks should offer realistic and carefully considered promises and offer professional services and appropriate financial products in order to have better customer satisfaction. Promises are not therefore seen as a miracle drug to remedy weak customer relationships. Another reason, as proposed by many interviewees in this study might be that over banking has caused Taiwanese consumers to feel a lack of loyalty, where switching to a competitor is an easy option. However, two-way communication could always be the bridge to build mutual understanding between banks and their customers. Two-way communication can also be seen as an interaction process of reasoning between the bank and customer, and transactions characterised by integrity helps maintain trust.

For Taiwanese banks, communication can be referred to as an ability to provide timely and trustworthy information. Trust is related to information sharing and its concept is source credibility,

“[The] bank has to show their sincerity and provide timely and credible financial information, especially when [this concerns] important news (e.g. global fund’s quotations). Bank needs to inform their customers immediately” (interviewee 1BB).

It is extremely important that the front-line service staffs are able to motivate and satisfy their customers. However, some interviewees highlighted difficulty in training employees. Even though some managers believed their training programme is well planned, it is always not an easy task. Although improved training techniques will give staff members a clearer understanding of what is expected of them, and assist them to contribute to improved satisfaction, there are still some unpredictable situations during customer service encounters. For example, interviewee 10BH highlighted that new service staff members lacking service experience sometimes

experienced difficulty handling customer conflicts. In order to improve the customer service, Taiwanese banks usually employ an external consultant to conduct a needs assessment for their service employees. For example interviewee 5CH indicated that they have cooperated with IMG groups in order to improve their banking services and long-term relationship with customers.

Emotional Contents and Customer Lifetime Values

All bank managers provided similar accounts. When emotional contents (e.g. trust, feeling safety) has been strengthened (especially when a customer has several different accounts with the same bank), the customer is willing to invest more money. For example, interviewee 12AB expressed that customers will save their money with a bank they trust. Interviewee 7AB highlighted the importance of a bank's reputation. Accordingly, the emotional contents should encourage customers to make transactions with their trusted bank. Interviewee 5BH expressed one interesting aspect where if,

“Most of my customers are also my friends, they [will be more] willing to adopt my suggestions when they make a purchase decision...they will feel more assured to increase their investment because they trust me”.

This quote demonstrates that *guanxi* development (e.g. friendship) has a positive influence on emotional contents enhancement. In the meantime, CLV could be encouraged through emotional contents developed via *guanxi*. One possible reason to explain this situation is that *guanxi* has a positive reciprocal effect and is an indispensable feature of the customer relationship. Customers are more likely to trust their friends or relatives than unfamiliar people, so when they decide to have high involvement buying decision (such as financial products and services), they are more likely to seek advice from their personal contacts.

However, it is evident that a customer may deposit his/her assets in different banks for different purpose. In this study, some interviewees proposed this issue in which banks hope to motivate their customers to frequently use their service or purchase their products over other banks. In reality, the findings indicate that although

these bank managers are concerned with this issue, they still continue applying *guanxi* to increase the emotional contents via gift-giving, eating out with face-to-face communication in order to encourage CLV.

Moreover, the finding also indicates the operational process where head office coordinates and empowers local branches to plan and decide their marketing activities. However, not all banks have the same operational process. For example, interviewee 9AB highlighted that marketing activities are strongly related to the entire image of the bank, so marketing efforts of local branches should be consistent with the wider corporate message of the bank. From this perspective, it is suggested that banks had placed lots emphasis on their brand image. The results also indicate that RM activities are more concerned with brand image improvement. Bank image had a positive encouragement on customer trust and also affects their willingness to continue the relationships with their bank. For example, interviewee 8CB stated:

“They are concerned with their fame and brand image because any financial... information, even it is just a rumour, might cause serious damage to our credibility... [Customers] may terminate the relationship with us”.

Thus, this finding suggests a relationship between bank image and customer trust, which is more likely to have a positive interrelation on customer relationships. More than half of the interviewees pointed out that their banks enthusiastically supported public welfare programmes to promote their bank image.

This study discovers that many bank managers believe investment in these kinds of activities encourage emotional contents of customers and further increase customer's transactions. For example, interviewee 4AH stated that,

“we supported lots of different public welfare activities such as the Baseball Association, Childhood Burn Foundation...which shows our public spirit and care in order to promote our public image...as far as I know, the result is good and positive[as a means to encouraging transactions]”.

This quote suggests that Taiwanese banks emphasises on the interrelation between emotional contents and customer lifetime value, where the former positively influences the latter.

Emotional Contents and Customisation

It was suggested that customised products and services should be based on customer needs. Indeed, many high-involvement products and services, such as financial planning and investment, required some form of face-to-face interaction. In particular, banks address not just financial concerns, but customers' emotional needs as well. For example, the findings suggested that based on trust and commitment, bank managers believed that customers would be more likely to invest or purchase financial products and services if feeling secure about their financial service providers. However, more than half of the interviewees recognised that customers' emotional needs are hard to be articulate because they are intangible and abstractly, so the front-line services staffs need be show their concern in order to provide the appropriate services for their customers. For example, interviewee 15AB indicated that Taiwanese consumer is more likely to have emotional support from their account manager because they would feel they are important for the bank.

Another example from interviewee 16AH highlighted their customers save money in their bank because they have faith in their bank. Similarly, particularly with regards to wealth management, financial advisors support customers to plan and invest their financial products. Therefore, it is necessary to establish strong trust between customers and their account managers/advisors:

“when a customer trusts our financial advisor, he is more likely to accept the offer or financial plan from his assigned advisor’s suggestions...through this kind of interaction, both guanxi and customer relationships have been increased...because they [financial advisor and customer] know each other better, it encourages customers to contribute more to the bank ” (interviewee 13BB).

This quote indicates that emotional contents not only stronger the relationships but can also be regarded as a key ingredient for successful transactions. One possible reason here for explanation is because financial planning is based on customer backgrounds and personal characteristics, it requires establishing a strong relationship between financial advisors and customers. Trust therefore becomes important between bank and customers and customer is more likely to feel comfortable to let bank obtain his private information. Bank therefore is able to have better understanding of customer's needs and further to provide better customised service and product. Thus, this study demonstrates emotional contents and customisation has a positive interrelation for each other. Additionally, if banks could provide customised service according to different customer needs, this will more likely encourage customer purchases. Thus, it is important to have better understanding of the role played by emotional contents between bank and customers.

6.3.3 Customer Lifetime Values

Customer lifetime Values (CLV) is another ingredient of the RM mix which has been defined as,

'The net of the revenues obtained from a customer over the lifetime of transactions with the customer, minus the costs' (section 2.3.2).

According to this definition, analysis of the findings will focus on how Taiwanese banks apply relationship marketing into their marketing activities and what activities they are doing to maximise customer lifetime values.

Not all interviewees are familiar with the term, customer lifetime values, but every interviewee still provided their understanding and relevant experiences that they thought are related to CLV. Despite some interviewees explaining this term in its literal meaning, most of them expressed their confidence when they provided this description. Mainly, from this mass description of CLV, most interviewees considered it as being characterised by "*contributions or values from customers*" or "*measuring customer profitability*". In particular, interviewee 5AH described CLV as,

“The net profit shown by one customer during the following months or years...in light of the purchase records of every customer, banks calculate how much a customer will contribute throughout his entire life”.

This account was unsurprising, because interviewee 5AH had six years of work experience in data mining and analysis. Interviewee 5AH also added that in recent years, banks have recognised the importance of CLV and also applied this data to predict how much future value a customer may bring to the bank. Although the interviewees might not be familiar with the term, customer lifetime values, most of them seem to have a superficial understanding of this terminology because they are learning CLV from their practical experience. This study reveals not all interviewees are knowledgeable about data relating to CLV. Hence, some bank managers, especially from local bank branches, showed less attention to CLV data. For example, interviewee 14BB stated that,

“We know about CLV, but we don’t usually calculate the data to be our indicator in services...if customers come apply for a loan, then CLV would be the reference resources to measure the loan criteria”.

Although this quote shows that branch bank managers might place less attention on CLV, their service attitudes are consistent with their customers. This is a possible reason why bank managers are able to provide coherent and reliable services without the influence of CLV data. Moreover, for example, interviewee 8BB indicated that they need more knowledgeable employees who can manage the mass of CLV data better.

In addition, through integrating these interviewee perspectives, most banks considered customers as their assets with a specified value. However, only some interviewees clearly noted that their goal of CLV was to maximise CLV. However, most interviewees implied that they applied CLV data to identify valued customers. Some interviewees further emphasised that CLV should be calculated based on each individual customer. There is however a lack of consensus here because some interviewees emphasised that analysing CLV for each individual customer is very

costly, so they prefer to base calculations rather on customer segments as a whole. Mainly, this study reveals that according to bank managers' perspectives, customer lifetime values can be conducted by quantitative (e.g. revenue from each customer) and qualitative (e.g. other contribution such as referrals from MGM) features. This study proposes that CLV can be increased via other components of the RM mix, such as interactions, emotional contents, and customisation. Thus, the following sections, will address their relationship of these components within the RM mix.

CLV and Interaction

This study finds that most banks have a marketing budget and plan for their front-line service staffs (e.g. account managers, financial advisors). It is evident that banks were concerned with their valued customers, and indeed, many bank managers in this study expressed their special attention to these valued customers and seek to maximise their customer lifetime values. Thus, considering time and budget constraints, more than half of the interviewees believed interactions should place more attention on those valued customers, who were considered as those making great contributions and profits (e.g. interviewees 7AB and 14BB). Interviewee 9CH stated that banks needed to have frequent contact with these valued customers. Thus, CLV provides a direct reference for banks to identify and approach highly profitable customers. In other words, banks could apply CLV to identify their value and profitable customers (segment), and then appeal to these customers in order to secure maximum value or contributions from these customers. However, it was surprised that not all interviewees placed attention on the result from CLV. One interesting explanation provided by interviewee 8BB was that,

“We don't calculate CLV until we need it, especially when the customer asks for lower interest, so we will look at the contribution from this customer and then consider its feasibility”.

Others, such as interviewee 7AB indicated that CLV should consider the operation cost-effective of using CLV. Interviewee 14BB emphasised that they need more professional personnel who are able to analyse and use data from CLV. Two

possible reasons may account for this situation. First, it is possible that the local branch might lack knowledgeable employees to analysis the data from CLV. Consequently they measure the CLV only when the customers make particular requests, such as applications for loans or preferential interest rates. Second, most branch managers placed less attention on CLV. This is particularly evident when considering those interviewees from Tainan (south of Taiwan), where people from this region usually placed more emphasis on *guanxi* (personal relationship) development. In order to develop *guanxi* with these value customers, gift-giving and eating out with these customers had become regular methods to have face-to-face communication. This finding thus discovers that CLV is an important index for banks and they are more willing to spend money on these valued customers. Moreover, it is ordinary situation that customers deposited their money in different bank accounts. This increases difficulties for banks when they apply CLV as an approach to identify valued customers. Hence, nearly all interviewees emphasised the importance of face-to-face contact, which helps banks to have more understanding about their customers' backgrounds and needs.

CLV and Emotional Content

This study has found that emotional content increases CLV (section 6.3.2). In reality, the data of CLV is a proactive indicator for executive and service personnel. This finding shows that for most banks, the most valuable business asset is their customer list. Several interviews expressed that the hardest, most expensive sale they ever made to a customer is the first one,

“In the first critical transactions we earn or lose the trust of the customer...once we have their trust, we open the door too many more sales and to referrals, which most of us agree, are the very best way to get new customers”.

In other words, these interviewees had recognised the important indicator from CLV. The findings also discover that few Taiwanese banks might still frantically work at bringing in new customers while they neglect developing the ‘acre of diamonds’ (a proverb from Taiwanese language, means very profitable and priceless) at

their doorstep represented by their customer list. In reality, customers are more likely to deposit their money in different banks in order to reduce risk. Thus, this situation has increased the challenge for banks to evaluate their customer value. For example, interviewee 5BH explicitly indicated that if a customer placed rather less deposits in their bank, it becomes more difficult to evaluate the potential contribution from this customer. Hence, in this situation, several interviewees recommended that banks should not just increase the frequency of interactions, but also that specific relationships be maintained via personal favours. Interviewee 2CB further outlined the impact from personal favours:

“Once our customer told me that he likes to listen to opera, so when Pavarotti had the concert in Taiwan, I bought the ticket as gift to him. I think he was so happy... the next day he transferred one million NT dollars [New Taiwanese Dollars] to our bank”.

When customers’ emotional needs have been satisfied, customers are more likely to feel comfortable to increase their transaction, in the meanwhile, their CLV have been encouraged. More specifically, customer relationship management can be referred to as an indicator for banks to evaluate their customer relationships, and also banks are more likely to pay attention on their valued customers in order to have better understanding of their needs (both business and emotion needs). It is therefore suggested that CLV and emotional contents has a positive interrelation for each other.

CLV and Customisation

The finding shows that banks have developed and applied customised or tailored services for different customer segments. At this time, CLV becomes an extremely useful tool in considering customer acquisition processes, as well as for selecting optimal service and product for different customer groups. More specifically, the customer segment provides the basic criterion and supports bank to offer customised services and products. One particular perspective from interviewee 2 AH, is that customers will continue to use the service if their bank understands and fulfils their needs. Thus when banks are able to offer tailored service for their customers, they

expect the CLV of these customers to increase. Banks considered providing customised services to their profitable customers. Interviewee 5AH further explained that,

“Banks can compute CLV for each customer from transaction records, and thus can forecast each individual customer’s profits and find the best way to retain this customer”.

Some interviewees demonstrated their awareness of the importance of data mining. It is noted that more than half of the interviewees thought that using databases for the purposes of calculating CLV is crucial. However, not all bank managers possess the requisite knowledge to measure CLV:

“Not every service employee is knowledgeable about the technique of data mining...however; we can offer them suitable financial packages according to our past experience...our head office often arrange different levels of training courses, so we are able to obtain updated financial information. Moreover, when the head office decides to promote one financial product, the bank has to arrange how to promote and advertise this product. Therefore...we planned and implemented the marketing activities” (interviewee 14BB).

This quote highlights that banks had noticed the urgent need to employ the front-line service staffs capable of conducting data mining and data warehousing although banks might have services staff with years of experience in customer services. However, it is relevant for these front-line service staffs (such as account manager or financial advisors) to provide more suitable products and services for their customers, so the professional knowledge becomes necessary and important to identify the data from CLV. Apparently has become the typical indicator for Taiwanese banks to provide customisation. Therefore, CLV and customisation have a positive interrelation in RM mix.

CLV and Guanxi

During the interviews, nearly all bank managers pointed out that whereas the customers might come from referrals (such as their friends, family members or colleagues). Several interviewees (e.g. interviewee 4BH and 7AB) specially suggested on the estate and car insurance agents because these firms have their own customer base. In another word, if bank is able to have alliance cooperation with these agents, the customer base could be increasing through by these firms' referrals and *guanxi* network. However, an interesting situation has been discover here that generally, local bank branch will not have this resource unless their sale representatives had been required or through by their *guanxi* to access to these agents. That is, accordingly, the *guanxi* network does not necessarily involve only in friendship (customers recommend their friends), although friendship is preferred. The majority of bank managers agreed that customers who were referred contributed comparatively more than non-referred customers. For example, interviewee 15AB highlighted that if contacts were recommended from existing customers, generally, these recommended customers stayed in their bank longer than those who were not recommended. For example,

“Chinese people place considerable emphasis on reputation, so if, for example, this customer was referred by another [existing] customer, this customer would do some favour for the introducer, for instance, deposit money in our bank for a certain time”(interviewee 1B).

This example above illustrates that Taiwanese banks believe that *guanxi* is a kind of social asset for them, because it involves emotional exchanges as a result of social obligations which determine one's face (reputation) in society. Thus, in order to return the favour, CLV has been encouraged. In other words, CLV and *guanxi* interact reciprocally with each other. Others, such as interviewee 7AB highlighted that his friends have always been informed about the latest financial services and products before other general customers. In other words, when customers have better *guanxi* with bank personnel, they may have more opportunity to obtain internal information and make more transactions, so the contribution such customers will be increased.

However, not all interviewees have similar perspectives about this consideration of *guanxi*. For example, interviewee 4AH stated that CLV should focus on the digital data/number of the contribution from the computer, because good *guanxi* could be able to impact on positively on CLV. However, interviewee 4AH added this argument explaining that,

“guanxi might have an indirect interrelation with CLV because if...my friend trusts me, he will deposit relatively more money [so]...I think they [CLV and guanxi] are positively correlated” (interviewee 4AH).

Therefore, this study proposes that *guanxi* might have direct/indirect dual reciprocal with CLV, and most of banks had positive attitude on their CLV approach. Moreover, nearly all interviewees had similar descriptions about CRM to support CLV. In other words, evidence suggests CLV was influenced by CRM. It is noted that CLV is not just only concerned with actual profits, but often with other variables such as cost, and referrals. Interviewee 8BB thus suggested that CLV should be viewed from each of these different facets. Although not all bank managers asserted the importance of positive word of mouth for CLV should be also included in this section, most interviewees have the similar agreement that *guanxi* has a direct/indirect dual reciprocal with CLV.

Traditional Marketing Mix has positive effect on CLV

The majority of interviewees placed lots emphasis on the influence of the traditional marketing mix (product, price, place, and promotion) on CLV. Consider, for example, customers who only use the bank for a checking account. The analysis still reveals that when customers were highly price sensitive, they were more likely to increase their deposits and purchase when terms are particularly favourable. To persuade these customers to keep their money in the bank, this study discovers that marketing managers combined different RM approaches. However, interviewee 17AH indicated that price reductions are the most effective in the short term. Hence, it is extremely important for banks to consult customer data resources and realise the full

profit potential of customer relationships. The findings of this investigation indicate there are four possible resources which help Taiwanese banks identify CLV, namely profit derived from increased purchases (e.g. interviewee 8AB suggested to offer more financial incentives to highly profitable customers to encourage cross-selling and high account balance.), profits from reduced operating costs (e.g. interviewee 8CB emphasised that as a customer becomes more experienced, they make fewer demands on employees), profit from referrals to other customers (e.g. positive word-of-mouth), and profit from price premium (e.g. interviewee 10AB highlighted that their promotions are often offered to new customers, whereas long-term customers are more likely to pay regular prices). Interviewee 3AH warned that it would be a mistake to assume long-term customers are always more valuable:

“Loyal or long-term customers may not necessarily purchase more than short-term customers...in some cases, they may even expect price discounts or high interest [rates for their savings]”.

Hence, evidence suggests that better identification of customers’ characteristics could provide more appropriate products and services to valued customers. Apart from the influence of price, the branch location shows its importance in CLV. For example, many interviewees, especially local bank managers, placed particular emphasis on bank location. The widespread consensus was that if the location is convenient and easy to access (e.g. park facilities) customers are willing to go to the bank and have more transactions and services.

In sum, Taiwanese banks are likely to continue and simultaneously engage in a number of relationships with various customer segments. Each customer may be at different stage or have different aims, so it is essential that those customers are analysed and viewed as a portfolio rather in separation. It is very important for banks to review these portfolios and then be able to apply different marketing activities to enhance and maintain relationships. Moreover, it has become clear that in order to respond to customer needs and proactively maintain customer relationships, it is necessary to secure the proper technological infrastructure that banks use to gather data associated with their customers’ purchasing patterns and behaviours. Taiwanese banks are adopting CRM as an approach aimed at collecting and using data to deliver

increased customer value. In other words, banks have embraced CRM as the answer to integrating all customer information and technology to better manage the marketing function and to service customers.

6.3.4 Customisation

The emergence of the Internet and telecommunication technologies enables banks to collect information, search for new markets, and instantly interact with customers. This section analyses the findings relating to RM implementation in Taiwanese banks through customisation. This study has identified customisation as

‘An approach which attempts to take into accounts the customer’s requirements and needs through flexible processes to create added value’ (section 2.3.2).

Similar to customer lifetime values, not all interviewees felt familiar with this terminology, however, after the research use tailored products and services instead of customisation, nearly all interviewees demonstrated their confidence of their descriptions and expressed their understanding and practical experience.

Accordingly, customer segments are the cornerstone for customisation. All interviewees have similar criteria for customer segment. Firstly, banks tried to form segments by considering consumers’ characteristics, namely geographic (e.g. location), demographic (e.g. age, family size, income, occupation, education), and psychographic (e.g. lifestyle, personality) factors. In particular, some interviewees placed emphasis on family size, because it is related to *guanxi* network (familial relationships). Secondly, all interviewees focused on the cognisable-risk of identification for customers. There are three kinds of risk criteria: aggressive, conservative, and moderate portfolios. Based on these three portfolios, banks would classify their customers according to their characteristics and assets (e.g. money in the saving accounts)¹⁰ and provide the associated financial planning and/or investment

¹⁰ Especially for wealth management customers, this study proposes the most common segments into four levels: platinum (above NT\$ 3 million in saving account), gold (NT\$ 1.5 million to NT\$ 3 million), potential valued (NT\$ 800,000 to NT\$ 1.5 million), and general mass customers (under NT\$ 800,000).

services. Thus through these procedures of verification, banks believe they are more capable of providing adequate financial products and services to their customers.

RM offers the ideal opportunity for a bank to add value to its customers by offering “*something extra*” (interviewee 2AH). For example, some interviewees highlighted that in order to maintain a good relationship, banks must have the ability to create a ‘need’ amongst their high-probability customers as they should intimately know their concerns, desires, fears, and limitations. RM therefore allows banks to offer present and future problem-solving capabilities to their customers. For example, interviewee 10AB indicated that except for ordinary contact (e.g. bank statements); they continue to provide the innovative financial products and services to cater for customers’ differing requirements. Furthermore, RM focuses on the long-term relationship that spans over the customer lifecycle. For example, interviewee 3AH stated that his/her bank can offer different financial products that cater to the time in life when a customer might be interested in obtaining financing for a wedding, children’s education or home purchasing/home-improvements.

Moreover, it was suggested that CRM is a central component of their marketing strategy. It would therefore appear that there is considerable unexploited potential given the present constraints indicated above. Only a few interviewees saw CRM simply as being used as technology for supporting their marketing activities. However, this study finds that nearly all interviewees applied CRM system to manage customer’s information and identify preferred customer segments for customisation. Banks would simply keep track of all of their customers in their data warehouse, and would quickly respond when a customer walked into their bank. Especially with reference to the wealth management division, the findings reveal that all interviewees placed lots emphasis on customisation. All interviewees indicated that wealth management which is their main financial product is a rapidly growing market in Taiwan. However, nowadays, banks faced a much more complex situation such as more customers, products and more competitors, as well as less time to react means that understanding their customer is much harder, so banks had realised that it is necessary to segment their customers, and then to respond to their needs. This could

be another possible explanation why many bank managers in this study place lots emphasis on customer segmentation. Another possible reason rose up from the interviewees that with increasingly knowledgeable customers, it is necessary for banks to constantly update their financial knowledge and capability in order to meet customer requirements.

In Brief, the findings show that most interviewees used mass customisation capabilities to serve the general and middle level customers and enable banks to design, produce, and deliver high volumes of differentiated products that meet specific customer needs. However, for super high level valued customers, banks are more likely to offer personal designed services:

“Our tailored financial services designed for our super VIP customers... for mass customers, we applied mass customisation and help these customers to have the best choice in their financial scheme” (interviewee 9BH).

In addition, more than half the interviewees shared their perspectives on the advantages of wealth management performance, namely to encourage updating knowledge of their research department, quality interaction between bank and customers, and quality tailored financial services. Hence, the findings imply there is a close relationship between customisation and other components in the RM mix. The following sections will address the RM activities about customisation and analyse how these components work together.

Customisation and Interaction

It was suggested that the objectives of interaction should be to understand customers' needs, to gather enough customer data swiftly and further to identify the most valuable customers. Most interviewees indicated that interaction (especially via face-to-face contact and home visits) is the best way to understand customers' needs. Apart from face-to-face communication, several interviewees indicated that call centres have been well capitalised in their bank to manage various customer requirements. The call centre integrated computer platform connects inner business

processes and customer data with communication channels. Thus, banks highly approved the capabilities from call centres because, for example, interviewee 2AH stated that,

“Whenever customers contact the call centre through a channel such as the telephone or Internet, the call centre server stores data and provide the information to the service encounter, so the staffs are enabled to provide and find the solution quickly”.

These interviewees placed high emphasis on call centres because this channel saves time and enables service staff to respond quickly to the customers’ requirements. The interviewees also indicated that call centres could spread their bank information to the customers who have relatively less time to come to the ‘brick and mortar’ bank. Another possible reason for the success of call centres is that unlike traditional bank branch hours, they operate on a full 24 hour basis (interviewee 9AB). The call centre thus provides more flexible hours of operation than restrictive branch operation times.

Customers sometimes may expect to interact more closely with their bank, but at other times, they may prefer self-service options for example via Internet banking. For example, interviewee 13AH suggested that some customers who undertake home banking by computer or by phone have a different relationship with their bank, so if someone has a problem, then a first option is to send an e-mail or to telephone a 24-hour customer call centre. With this kind of customer, banks are likely to maintain the relationship by technology-based services such providing paperless e-mail account balances.

Moreover, the majority of interviewees emphasised that wealth management financial advisors relied on not just the formation of strong personal commitments to customers, but also focused on feeding information back to help the bank to customise services. Therefore, customer intimacy is necessary facet in wealth management. For example, interviewees 9AB and 9BH highlighted the quality of customisation in their wealth management and planning. Through constant communication and understanding, the bank was able to help their wealth management customers to articulate their needs, and further develop customised products for each individual

customer. However, not all customers articulate their needs, so many interviewees suggested that the financial advisor played an important role to support and helped customers to identify their precise needs. Here, the author interprets this activity as 'collaborative customisation'. In other words, without the customer's deep involvement, banks would be unable to adequately fill each tailored product demand.

However, not all customers are suitable for mass customisation. More than half of the interviewees stated their bank designed personalised services and financial products for VIP customers because, for example, interviewee 3AH indicated that it is very high possibility that one of those VIP customer's contribution is higher than hundreds of general customers' contributions. Hence, these high asset and high-profitability customer group is the most important target for banks. Many bank managers in this study labelled the highest contributing segment as 'platinum customers'. Interestingly, the findings reveal that the head office is more likely to focus their services on these personalised financial services for their platinum customers, whilst local branches place more emphasis on mass customisation for general customers. One possible reason for this could be that these platinum customers also have their own large scale enterprises. Thus, in order to satisfy these VIP customers' needs, banks not only provide personalised financial service for such entrepreneurs, but also offer totally customised services and products. For example, some banks provided a special account manger in the company to provide exclusive financial service for the company and their executives.

Customisation and Emotional Contents

Accordingly, the findings have demonstrated that trust is the foundation of a close relationship between banks and their customers. From the perspectives of the interviewees, the findings reveal that customised services and products positively influenced emotional content, by understanding and meeting such deeper emotional needs through direct communication. For example, nearly all interviewees highlighted the importance of how face-to-face contact enabled them to provide rich, in-depth information and allowed for dealing effectively with complicated and unstructured

information from customers. Many interviewees also confirmed that this type of communication enabled them to respond quickly to their customer's requirements.

On the other hand, bank managers believed that customisation positively influenced emotional contents. For example, interviewee 4BH stated that their customers are satisfied with the quality of customised packages, and interviewee 5CH indicated that customers feel trust if their customised services meet their requirements. Especially for wealth management, many interviewees indicated that if their customers were delighted with the bank's services and made profits from their investments, the customer relationship could be enhanced and also customers were more likely to increase their transactions.

Moreover, the finding suggested that understanding customers' emotional needs is vital for relationship marketing activities which is capable of influencing their satisfaction with regards to tailored products and/or services. In other words, banks focused on emotional needs because these needs could be regarded as an important indicator for each consumer's characteristics and further become the reference point to predict customer requirements. The banks have provided customised financial products and services without informing customers but predicated them from their behaviours. Thus, once customers have the good reciprocity emotions experience with their bank (e.g. reciprocal favours), it is suggested the emotions can leverage the *guanxi* into the future transaction. However, negative emotions sometimes might also be caused by uncontrolled and unpredictable situation such as highly changeable trends in the financial marketplace. Interviewee 9AB stated that in such a situation, a customer might only remember his/her loss, but would less likely remember how much profit the bank earned on their behalf. Therefore, many interviewees strongly suggested that the services personnel, especially those front-line service staffs, should deal customer's emotions very carefully in order to avoid any unpredictable negative situation happened.

In addition, some interviewees asserted the importance of appropriate conflict management (some interviewees referred to this as '*standard complaint services*'). Good conflict management in the service encounter was viewed as helping to alleviate negative customer emotions. Few interviewees argued that negative emotions could

be mitigated by a customer's familiarity with his/her assigned financial counsellor or branch manager. For example, interviewee 1BB believed many customers are more likely to register their complaints with branch managers because these service employees have greater authority (e.g. authority to adjust interest rates).

An interesting viewpoint need to be arising here is that interviewee 6AB proposed that banks should confer the financial advisor with higher job titles because the customers had specific emotional trust with these titles. Interviewee 6AB further explained that,

“When the advisor has higher job titles, customers feel more comfortable in their investment. I think that is because these higher job titles, such account manager, duty manager and assistant manager, represent the impression that these advisors have higher authority in decision-making. Their professional knowledge of financial environment means they are capable of providing more valid and reliable financial information to support their investment. Thus, customers are happy with their services.”

Therefore, the findings indicate reliable and customised services and products are very important for customers to determine if they are more willing to increase their future transaction. It is also suggested that customisation and CLV has a positive reciprocal impudence for each other in RM mix.

Customisation and CLV

The majority of interviewees indicated that their banks are constantly designing new financial products and services in order to provide their customers with more options and choices. Accordingly, many interviewees indicated that customised services and products would help increase positive emotional contents, which means customers are more likely to be confident with their transactions. In other words, when their customers felt their financial products or services are more suitable or tailored for their needs, customers were more likely to increase their transactions

because they thought banks understand their needs, the CLV is also more likely to be increased.

The findings suggest that banks are now seeking to create two-way dialogues with individual customers based upon a far more detailed understanding of their lifestyles and life-cycle stages:

“About customisation...generally speaking, the new customers won’t save lots of money once in their new bank account, so we may consider other resources such as consumption records [for example] if they have another product [with] us. Credit cards could be the best way to find out about customers’ [consumer] behaviours...so we can offer [them] more appropriate financial products and services. Information from credit cards could also possibly show...customers’ potential profitability...maybe this customer has a different life plan schedule, according to [their] lifestyle, in which case we may provide or suggest different financial products, and this customer will feel more willing to stay in our bank and if [they are] happy with us, obviously [they will be] more likely to increase transactions” (interviewee 2CB).

This quote highlights how these two significant dimensions – customer profitability and value-adding opportunities – work together, where the bank actively works to present potentially highly profitable customers with additional value-added products and/or services.

Customisation and Guanxi

It has been suggested that through constant interaction, banks could better provide customised services and products. More than half of the interviewees recommended that *guanxi* development could also support customisation. As result from the findings, Taiwanese banks were more likely to develop customer relationships based on *guanxi*. This is not only because *guanxi* is part of Chinese culture, but also because *guanxi* development, such as friendship, could enable an

increase in the understanding between customers and banks. For example, interviewee 1BB placed lots emphasis on customers' lifestyles, where it is,

“Not easy to obtain this information apart from making friends with them”.

Through understanding customers' needs, banks were able to provide customised services and products. On the other hand, these banks also focused on customisation to encourage *guanxi* development, especially with their assigned financial advisor. For example, interviewee 9BH indicated that their customers relied on their financial counsellors because these personnel understood their needs and identified suitable financial products. In other words, if these personnel were enabled to provide product knowledge, and have a strong understanding of customers' problems, customers would be more likely to rely on and continue the relationship.

Not all interviewees considered customisation to have a direct impact on *guanxi* development. Some interviewees pointed out that not all customers were willing to develop friendships with their banks, but they still have certain expectations from their service personnel (good financial knowledge and expertise) that can provide customised services to satisfy their need. However, these interviewees also indicated that constant communication would enable them to enhance *guanxi* and understand these customers' requirements. Thus, the author observes that these interviewees regarded customisation as having an indirect positive affect on *guanxi* development and vice versa. Consequently, the findings suggest that customisation and *guanxi* have a direct/indirect influence on each other, to help provide quality tailored services.

CRM support Customisation

The findings reveal that banks have applied CRM to support their RM activities. CRM systems embrace a variety of functions and technologies in Taiwanese banks such as call centres, customer service and help desks, as well as the Internet. In the CRM process, all information or messages from all marketing channels are integrated from inbound calls where service providers interact with customers under the same interface without changing the communication tools or equipment. For example, when

customers contact the call centre with a problem, the customer service advisor from the call centre will respond or find an appropriate solution during the phone call. The same applies to the context of direct contact with a customer's assigned financial advisor.

Although many interviewees in this study placed great emphasis on CRM using customer databases, some bank managers recognised the importance of employees' knowledge and skills during the service encounter. Data mining is also important for banks to recognise their valued customers. These personnel managed the front-line customer relationship to be close to their customers, so their attitude in product knowledge and capabilities in managing customer data played a considerable role for banks. For example, interviewee 3 AH mentioned that,

“Employees need to be trained to enhance their skills and knowledge...to collect rich information while serving customers”.

Many interviewees placed great emphasis on staff training, especially when they attempted to promote certain financial products or services, because these personnel played the key roles in CRM.

Moreover, interviewee 3BB provided an interesting perspective stating that their bank applied the Mckinsey¹¹ strategy to manage their mass customers:

“our bank has over five million customers, so we cannot look after every customer very well...we use this Mckinsey system to manage these mass portfolios...and to determine which customer should be contacted...in order to make unfamiliar customers become favoured ones”.

This quote further demonstrates that banks have recognised the important issue of managing mass customers and data. This Mckinsey strategy adopted from Mckinsey Company is a good example, which supports banks to identify their valued customers and further helps them to manage mass customer data. However, according

¹¹ Mckinsey and co, argue that organisational change is comprised of seven dimensions, namely strategy, structure, systems, style, skills, staff, and shared value (Little and Marandi 2003, p.88).

to the findings, banks were more likely not only to rely on the technological processes of CRM, but also upon knowledgeable and experienced service personnel to identify and operate the information provided by the CRM system. Thus, people-driven processes in CRM appeared to be an important feature of RM.

6.3.5 The role that *Guanxi* plays in RM

Guanxi is a component of RM

Taiwanese bank managers perceived *guanxi* to be a key component of RM. When defining RM, the managers did so in terms of it being a personal relationship (i.e. *guanxi*), an emotional link (e.g. trust), and a good company image (e.g. identification with their brand and positive word-of-mouth). Implementation of RM was seen to rely on *guanxi*. For example, interviewee 4CB defined ‘successful’ RM as being based on 30% professional service and 70% *guanxi*.

Guanxi extends the Customer Network

The majority of interviewees described *guanxi* as being transferable, enabling the bank to extend its customer network. For example, interviewee 6BH explained that,

“If A is one of their customers, B has guanxi with A, and then A can introduce or recommend B to us, so then both A and B becomes our customers”.

Banks also described this activity as ‘Member gets Member’ (MGM) and used it widely to extend the *guanxi* network and increase the customer base.

Guanxi contributes to the Customer Relationship

All interviewees believed that *guanxi* enabled them to develop the relationships they had with their customers. When *guanxi* (i.e. the personal relationship) has been strengthened, the business-customer relationship can also be enhanced. For example,

bank managers think *guanxi* has a positive influence on customer relationships, because the former and the latter are reciprocal. But does, *guanxi*, a personal relationship need to exist before a business relationship can develop? Interviewee feedback indicates one belief that RM activities can promote *guanxi*:

“The relationship between a bank and a customer may be purely a business relationship in the beginning, however, after continuous interactions; guanxi may grow between the bank and the customer” (interviewee 8CB).

Personal interactions (e.g. via face-to-face meetings and other communication channels) enhance *guanxi* with customers, whilst also increasing the bank’s understanding of their customers’ needs. This understanding may not only encourage trust formation between but also make the use of RM more effective. *Guanxi* can therefore contribute to RM. For example, interviewee 3AH stated that ‘*guanxi is like a bridge for relationship marketing*’. However, although *guanxi* and RM are both about relationships, the findings suggest that in Chinese culture based on *guanxi*, trust is equally important in the relationship.

6.3.6 Customer Relationship Management: People-Driven Processes

The finding discovers that CRM systems have been applied for at least 10 years in Taiwanese banks, so the finding data shows it is manifestly affected from both concepts and implementation of RM. Specifically, nearly all interviewees mentioned CRM in their RM, whether in relationship creation, enhancement, or maintenance. According to the findings, the majority of interviewees placed lots emphasis on the functions of CRM, which enable to collection of crucial customer information and customer segments. The results of this study are supported by Gummesson (2002, pg.297),

‘CRM is the values and strategies of RM – with particular emphasis on customer relationships – turned into practical application’.

The findings show that banks often provided their CRM experience within their RM in order to evaluate valued customers and create customer relationship portfolios by understanding individual needs and preferences. However, some interviewees indicated that CRM has provided limited success expected, because some employees regarded technology as an isolated element, without taking into account determining factors on which a relationship must support itself. For example, interviewee 3AH stressed that although CRM is important, their bank considered different uncontrolled variables, and that decisions were ultimately made by human-beings and not the CRM system. Many interviewees also highlighted the disadvantages of lacking knowledgeable employees to manage and analyse mass customer information. In the literature, data and process-driven CRM are two main types of CRM (Greenberg, 2004). This study however, proposes people-driven CRM in order to highlight how CRM has traditionally emphasised technological over equally important human factors. More specifically, the finding suggests that people-driven CRM is capable of the responsibility of the executives or front-line service staffs (e.g. bank managers and financial advisor) in using nearly face-to-face communication and emotional contents establishment and their customer knowledge to process CRM with their customers. In other words, this kind of process highlights the human side of CRM. Therefore, people-driven processes require bank managers and service staff to understand and analyse customer knowledge to face and satisfy customer needs.

Briefly, the author suggests that banks should apply not only the technological aspects of CRM, but also people-driven aspects in their RM strategy. Customers, employees, and bank managers are all key parties in this process of CRM. Then the objectives of CRM are to provide understanding of customer needs, to gather customer data, to identify valuable customers and further to provide customised services and products.

6.4 Outcomes of RM

This section considers the research question, ‘what is the outcome after Taiwanese banks have applied relationship marketing?’ The findings suggest that the majority of Taiwanese banks have a positive attitude with regards to the outcomes after applying RM. The findings also indicate that *guanxi* encourages positive RM outcomes. The following discussion offers further insights regarding the outcomes of RM.

6.4.1 Long-term Relationship

This research concerns long-term relationships as one outcome of RM which is defined as ‘*the concept of duration and emphasis on long-term relationships*’ (section 2.3.3). The findings reveal that all bank managers shared many similarities and they believed RM activities contributed to the enhancement of long-term relationships, especially with highly valued customers. For example, interviewee 15AB stated that RM motivated the relationship. Meanwhile, interviewee 6AB suggested that relationship enhancement should develop customer relationships akin to friendship, and that this in turn would encourage permanent or at least long-term relationships. This investigation also observes that the majority of interviewees concerned long-term customer relationships to be the foundation for profitable business transactions. The findings support this aspect that long-term relationships ought to be based upon trust and value for customers over time. Many interviewees believed trust to be the key ingredient of long-term relationships. Several interviewees even indicated that once trust had been developed, transactions would follow.

Guanxi and Long-term relationships

Moreover, more than half of the interviewees suggested that *guanxi* involvement was more likely to encourage long-term relationships with customers:

“Relationship marketing, I think should focus on long-term relationships...we always establish long-term relationships with our customers...we believe that long-term relationships [guanxi] strengthen the customer relationship...Chinese relationships should contain both business and social aspects [e.g. guanxi]” (Interviewee 7AB).

This quote confirms that RM in Taiwanese banks has been applied to develop long-term customer relationships in conjunction with *guanxi*. One key feature of *guanxi* for Chinese culture is long-term orientation (Luo, 1997b). However, it should be noted that not all *guanxi* relationships would be transferable to long-term customer relationships. Few interviewees showed their consideration that, for example, interviewee 10BH explained that *guanxi* members are tied each other through an invisible and unwritten code of reciprocity. The finding shows that Taiwanese banks have attempted to achieve long-term, profitable relationships with customers. However, it was suggested that Taiwanese banks would continue to apply RM with *guanxi* in order to develop long-term relationships with their customers.

6.4.2 Profitable Relationships

This section explores the financial outcome after Taiwanese banks have applied RM. The profitable relationships have been identified as one component of RM and have been defined as:

‘The outcomes of RM which conclude mutual profitable, effective, and rewarding relationships’ (section 2.3.3).

The findings from these thirty-four interviews indicate widespread consensus. According to these interviewees’ perspectives, customer profitability combines sales

or revenues and the costs associated with individual customers. Moreover, long-term relations and loyalty are the basis for profitability, which is achieved mainly via cross-selling and customer profitability. The majority of interviewees believed RM is capable of increasing retention, repurchases, sales and mutual profits:

“In applying RM to attract customers...relationship volume and profitability will increase...I have to stress that our bank is not a publicly-owned industry... so for us, it is important to... [generate] profits... we can share...information with customers because this activity is mutually beneficial” (interviewee 15AB).

Guanxi and Profitable Relationships

Profits not only indicate tangible (i.e., revenues, service charges, transfer commissions), but also invisible gains (e.g. referrals and positive word-of-mouth recommendations). For example, interviewee 3BB stated that RM enhances the brand of their bank and the personal relationship (*guanxi*) with customers has also increased. In addition, interviewee 1BB thinks positive word-of-mouth is a positive outcome of RM. However, interviewee 10AB by contrast stated that RM does not necessarily generate profits:

“Relationship marketing, only emphasises customer retention where the outcome is not necessarily profitable, because not all customers are [worth retaining]...we have to consider our operation costs and identify if this customer can contribute to our profit margins”.

Moreover, more than half the interviewees recognised RM should focus on mutual benefits between the bank and its customers. For example, interviewee 1BB observed that RM should help secure a *“win-win relationship between the bank and its customers”*. Thus, banks were more likely to consider mutually profitable outcomes in order to develop long-lasting customer relationships. This supports Giber and Choi (2003, pg.139), who assert that *RM “is about mutually beneficial relationships that can be established between customers and the bank”*. Although this study does not present strong data to assess the outcome of RM, the findings indicate

that Taiwanese banks believe the outcomes of RM will result in profitable relationships. Profitable relationships are therefore included as one component and outcome of RM in this study.

6.4.3 Focus on Market Share to encourage Customer Share

This study has identified growth of customer share as an outcome of RM and also defined customer share as a feature of outcomes that *'increase in the value of a customers' purchases'* (section 2.3.3). According to the literature, the RM outcomes should strongly be reflected in customer share. This study however presents different findings in that nearly all interviewees placed lots emphasis on market share in their RM target and outcomes. The following section will discuss and interpret the interviewees' descriptions concerning this issue.

Enlarged Market Share Increase Bank Reputation

Nearly all interviewees emphasised that market share is one indicator of profitability, and therefore, banks position 'market share maximisation' as their strategy. The interviewees also believed the more customers there are in the market buying their products, the more opportunities there are to serve these customers and achieve positive word-of-mouth. Most interviewees believed their quality services as being the motivating factor for customer retention and purchases. For example, interviewee 6AB suggested that when banks have a good reputation because of their excellent services and products, customers are more likely to recommend their friends join this bank. Some interviewees also added that an enlarged market share would increase the bank's reputation and thus augment profits by economies of scale, enhance competitive advantages, and increase customers' perceptions of quality.

However, this study finds that bank managers also realise that it is not necessarily true that large market share equals high quality perception amongst customers. A possible reason for this situation is that when a brand gains majority market shares, there is the likelihood that customers expect its quality to improve, and quality recognition drops once the expectation is augmented, even though the

product quality neither improves nor worsens. For example, interviewee 7AB indicated that their bank is the largest in Taiwan, so their customers have greater expectations of their products and services. Another possible reason that bigger market share brings higher quality perceptions is that especially when customers seek to gather information before purchase, market share of a product is one piece of information taken into consideration. For example, both interviewees 11AH and 11BB indicated the importance to occupy market share for the cash card, and when customers faced a product with big market share, their likelihood of being influenced by this information and reducing their information gathering efforts remain to be addressed.

Enlarged Market Share Encourages Larger Customer Share

The majority of interviewees believed when market share increased, customer share would simultaneously increase. Thus, their RM activities focused on market share expansion:

“Our bank focuses on increasing customer numbers and our short-term target is to have the highest market share within the cash card market and that also is our competitive advantage...according to my experience, when we have the largest amount of customers...the transaction amounts are also increased...we still hope to find valued customers” (interviewee 11AH).

Taiwanese banks place lots emphasis on market share because it is one indicator of profitability. For example, employees from Bank 11 explicitly highlighted their cash card as the market share leader. Other interviewees, such as 6AB, further pointed out the benefits of market share including positive word-of-mouth, which in turn would help attract more customers. In other words, customers are more likely to make their bank product and service decisions based upon the recommendations of family and friends. This could be one possible explanation for this situation. Another possible reason provided by interviewee 4AH concerns the overbanking situation in Taiwan:

“Considering the population in Taiwan, the high-valued customer segment is relatively limited...so we seek...market share [where] RM may appeal to some potential valued customers”.

Accordingly, most interviewees believed market share expansion encouraged customer share. This may explain the proliferation of many financial products, such as cash and credit cards in Taiwan, characterised by a phase of rapid growth (since 2002) where competitors focused on gaining market share at any cost. However, as the high-growth phase tapered off, banks gained additional revenue largely by taking on less-valuable customers whose purchasing and usage behaviour resulted in a high cost-to-service. For example, the effect of dual (cash and credit) cards has been heightened variations in profitability for Taiwanese banks (Chang, 2006).

Focus on both Market and Customer Share

One interesting suggestion from interviewee 7AB is that concerning,

“Outcomes for RM implementation, I think corporate banking focuses on customer share because the benefits from one large-scale company are possibly more than ten small-scale companies...consumer banking should focus on market share in order to expand the numbers of customers and find new business opportunities”.

In reality, despite many interviewees emphasising their focus on market share, this does not necessarily imply that these banks are only concerned with market share without giving sufficient attention to the value of each customer. For example, interviewee 13AH stated that although their bank utilised RM to expand market share, and when this had been increased, the bank would modify their attention on their valued customers. From this aspect, it is suggested that banks are more likely to focus on expanding market share as the top priority. Thus, although some marketers argue RM should be concerned more with maintaining existing and attracting new customers in order to increase customer share. However, considering the extremely competitive banking marketplace in Taiwan, the findings indicate that that Taiwanese banks seek to increase both customer and market share through the sustained

application of RM. The findings thus suggest that Taiwanese banks are concerned with both market and customer share, and they were more likely to expect enlarged market share to encourage customer share. Moreover, they believed as an outcome of RM implementation, that there has been a great positive effect on both market and customer share.

Guanxi encourages both Market and Customer Share

It is evident that Taiwanese banks have focused on building *guanxi* (personal networks) as part of their RM activities. Through *guanxi* network expansion, banks were more likely to increase their customer base, via MGM and referrals. More specifically, the interviewees described *guanxi* as being transferable (i.e., friends become customers), enabling the bank to extend its network (e.g. customers introduce their friends to the bank). Evidence also suggests that *guanxi* has a constructive influence on customer share. In other words, the majority of interviewees placed lots emphasis on the role of friendship with customers. Bank managers were more likely to expect positive reciprocity of *guanxi* also encouraged the customers to increase their purchases. In particular, one interesting aspect provided by interviewee 15AB is that customers were willing to increase their purchases because of the pressure of *guanxi*, which is characterised by obligatory reciprocal favours. This is a possible reason to explain why banks believe new customers from referrals apparently make relatively higher contributions than other new customers.

6.4.4 Holding Customer Relationships and Shift Service Forms

Not all customers want to engage in long-term relationships (O'Loughlin *et al.*, 2004). Many authors (e.g. Tähtinen and Halinen-Kaila, 1997; Hocutt, 1998; Grönroos, 2000; Ross, 1999; Tähtinen, 2001; Michalski, 2004; Åkerlund, 2005; Helm *et al.*, 2006) observe that it may also be necessary to terminate relationships with customers when considering economic and other variables. There are many reasons why a relationship between a customer and supplier will end. For example, the relationship

may no longer be profitable for both parties. By integrating the above ideas, this research has identified relationship termination as a possible consequence for RM:

“in which the firm may no longer view the relationship as necessary to continue with customers due to lack of profitability or one certain period of product/service nears completion” (section 2.3.3).

Although RM is important for the right customers, the findings indicate that banks choose to terminate the relationship in the context of product lines, but not in terms of services and *guanxi*. In other words, the relationship would not be entirely terminated with customers. Almost all interviewees expressed similar views of relationship termination. Despite bank managers recognising that not necessarily all customer relationships are profitable, multiple RM strategies may be necessary for different customer segments. Some banks, for example, might have customers who cost more to serve than the actual revenue generated by such involvement. These banks would often really like to (but cannot) drop the customer. However, although banks are willing to terminate the relationship with non-profitable customers, all interviewees strongly indicated that they were not allowed to apply such a decision. Perhaps, bank employees still have certain constraints preventing them from exercising their initiative to terminate unprofitable relationships.

Concluding the possible reasons for this situation, the author classified all the descriptions into several possible reasons for not terminating such relationships. First, there is the legal constraint on relationship termination from banks. Many interviewees agreed banks should consider terminating non-profitable relationships because the banking sector is a commercial (and not a charitable) enterprise. However, nearly all interviewees highlighted that there are legal regulations constrain relationship termination. In other words, except customers that have been proven to have committed illegal economic activities or bad debt (e.g. an uncollectible account or irrecoverable loans or credits), banks could not terminate the relationship with their customers. Second, although banks considered customer profitability and CLV, they were more likely to want to dissolve relationships with unprofitable customers. However, more than half of the interviewees placed lots emphasis on reputation and integrity, so the bank would not take steps to terminate the relationship:

“RM should consider customers’ feelings, so it is not appropriate for banks to terminate the relationship without common agreement” (interviewee 2BB).

In addition, banks should be concerned about negative word-of-mouth advertising as a result of terminating relationships with unprofitable customers.

Holding Relationships and Shifting Service Forms

In reality, many interviewees expressed their willingness to dissolve unprofitable customer relationships, but knew that this was not permissible. Thus, the findings indicate that banks manage the discrepancies by putting these ‘problem’ customers on the touch-tone (e.g. ATM, Internet banking) or voice-mail support (e.g. telephone banking, call centres) to reduce the time and costs associated in engaging with such customers. It was also noted however, that some *guanxi* relationships are too complicated to be ended abruptly. The general view from the interviewees was that banks took more time to create customer relationships, and at the same time they spent even more time in dissolving dysfunctional customer relationships. For example, interviewee 11AH emphasised that sometimes it spent many years to dun for the credit card debt. However, this situation could be interpreted as a kind of holding (account) relationship that has been shifted to AR (account receivables). In cases of cheque trading failures, banks only discontinue cheque trading without terminating the entire bank account.

Therefore, many interviewees highlighted that retaining profitable customers has become increasingly difficult in a competitive environment where other competitors specialise in offering attractive services and prices. The majority of interviewees suggest the importance of indemnification in which groups of customers share common values and expectations and are more likely to be the most profitable. Some interviewees suggest unprofitable customers, will be advised to use self-service options (e.g. ATM and/or internet banking) in order to reduce operating costs. However, it must be recognised that not all customers are happy with using technology and some prefer face-to-face contact with banks. In some cases, more time

may be required to encourage customers to accept these kinds of services. Banks also may make a lot of efforts to establish numerous convenient locations (e.g. near stores or supermarkets) which is easy to access and conduct simple transactions (e.g. withdraw and transfer cash):

“A study finds that 72% of bank consumers, particularly older people...enjoy the social interaction of visiting a local bank branch, especially if they know the staff members who serve them and don't trust machines, and if now, you ask these people to move to self-service equipment (e.g. ATM), definitely, it won't be easy to let them accept and be willing to change. However, considering the operation costs, we still have to make this change. We won't terminate the relationship actively because we are a service industry, we cannot deny people to [interact directly with our service employees] and our law or policy does not allow it to happen either, except for certain situations... such as with credit cards, we stop the card but the relationship will be continue with this customer until he has paid back the remaining loan” (interviewee 12AB).

This finding indicates that in some specific situations, the banks may prefer not to have long-term relationships with unprofitable customers. For example, some segments of customers will not be profitable for the bank even if their needs can be met by the available services. Interviewee 17AH highlights that some situations occur when there are not enough customers in the segment to make it profitable to develop a marketing approach, when the segment cannot afford to pay the cost of the service, or when the projected revenue flows from the segment would not cover the costs incurred to maintain the business. However, this does not mean the relationship will be terminated. The finding indicates that the Taiwanese government policy limits the equity of the relationship termination in which the termination only occurs in certain conditions e.g. dormant or inactive accounts (i.e., no account activity for certain period of time) or a bad debt (e.g. an uncollectible account or irrecoverable loans or credits).

However, interviewee 1BB explained that dormant or inactive account does not mean the account has been terminated but rather, that it continues without any interest. Interviewee 5AH added that this compares differently to Western banks (i.e. Citibank)

that some banks will charge operation fees instead of terminating the account. Others like interviewee 11AH think Chinese culture which stresses *guanxi* highlight the cultural aversion to end business relationships. Briefly, the account still exists but the bank may stop paying interest into this account. Therefore, the business relationship is still being continued. Thus, although this study finds the majority of bank managers agree with relationship termination of unprofitable relationships, they also indicate how external environmental limitations (i.e. regulation and culture), prevent relationship termination, even if it sometimes is necessary.

Guanxi and Relationship Termination

Some interviewees asserted that if it was possible, they were more likely to maintain *guanxi* with former customers. It was noted that banks promote different products by different marketing activities. For example, wealth management accounts need to be undertaken by the same customer-contact personnel responsible for service delivery especially when the trust has been established with these customers. This study also finds that sometimes a financial advisor or account manager may transfer to another bank, where a few of his/her customers may follow because of *guanxi*:

“We always think about this problem...Customers rely on the trust of their financial advisor they know, rather than the bank. Every service staff member has his own guanxi network which might contribute to us, but if he leaves, he may take the guanxi with him and the bank loses business” (interviewee 14BB).

Nearly half of the interviewees expressed their concern about losing business through service staff leaving and taking customers with them. However, some interviewees stressed that if the reputation of bank and service quality was good enough to make customer feel satisfied, the customer will still prefer to stay with the same bank. Interviewee 1BB recalled an instance where the financial advisor was ordered to switch to another local branch, the bank informed the customers and introduced them to a new financial advisor, and sometimes before this financial advisor left, both the new and old advisors would visit their valued customers in order to maintain the relationship. The author interprets this activity as *guanxi*

transferability. Banks expect from this referral, that the customer relationship could be continued through recommendations from this '*guanxi* introducer' (the original *guanxi* connector). Hence, banks have placed lots emphasis on both business and social relationships (*guanxi*). This study also raises customer relationship maintenance and service shifting as a component of the outcomes of RM.

As presented above, those Taiwanese banks that concentrate their efforts on retaining customers and establishing long-term relationships generate greater profits. In the Taiwanese consumer banking marketplace, especially, where competition is as high as it has ever been, where the customer base is saturated with offers from every other bank, it is important to understand RM in order to enhance the relationship with customers to achieve higher profits.

6.5 Chapter Summary

The purpose of this chapter was to describe interviewees' experiences of RM. These findings have been broadly grouped into three sections that sequentially build upon each other. The first section characterised the interviewees' dialogic path and set the ground that is constituted by the notions of aims of RM. An in-depth profile of the notions of creation, enhancement, and maintenance, was offered with its accompanying aspects of marketing activities. Here, the findings also discuss the relation between *guanxi* and aims of RM. It was demonstrated that banks applied these components as their aims of RM and *guanxi* positively influence the development of customer relationships.

The second part of the analysis discussed the RM mix. It was posited that the interviewees described their RM experience in relation to the four components, namely interaction, emotional content, CLV, and customisation. The findings indicated that these components could work together and positively influence customer relationships. The importance of people-driven processes in CRM was also discussed. Here, it was observed that Taiwanese banks applied CRM as the cornerstone to support their RM activities, although with an over emphasis on the

technological aspects of CRM. Thus, this study proposed people-driven CRM in the RM mix.

The final analysis section of this chapter explicated the outcomes of RM and also illustrated that *guanxi* positively influences the outcomes of RM. However, it should be noted that this study proposed two different outcomes in contrast with the previous literature. First, this study indicated Taiwanese banks placed lots emphasis on market share as opposed to customer share contrasts to Western literature that emphasises RM should focus on the growth of customer share. Second, the results of this study indicate that for those non-profitable customer relationships, Taiwanese banks were more likely to retaining the relationship but shift to different service forms. This perspective compares differently to Western literature which advocates relationship termination when necessary. The following chapter will further discuss the concepts and practices of RM.

Chapter Seven

Summary and Discussion

7.1 Chapter Overview

This thesis has explored the concepts and practices of relationship marketing (RM) in Taiwanese banks. To achieve this aim, thirty-four interviews in seventeen Taiwanese banks were conducted in order to gain in-depth insight regarding RM concepts and practices. The purpose of this study was designed to address two main research issues: How is relationship marketing interpreted by Taiwanese banks and what are Taiwanese banks implementing relationship marketing? This study also further investigated the role of *guanxi* with RM in Taiwanese banks. This chapter provides a summary and discussion of the study. The following sections outline the conclusion for each objective by comparing the findings in chapter 5 and 6 with the literature reviewed. The chapter will then close with an overall summary.

7.2 Review of Research Objectives

Chapter one identified a lack of consensus regarding the meaning of the term relationship marketing (Harker, 1999). This study investigated Taiwanese bank managers' familiarity with RM, bank managers' understanding of the best definitions of RM, and also how their knowledge of RM was applied to their RM activities. In its broadest sense, the purpose of this dissertation was to offer insights into the scope and nature of RM. More specifically, the intent was to explore the concepts and practices of RM, from Taiwanese bank managers' perspectives, for RM development of toward the customers.

This study concerning the nature of RM allowed for the identification of three specific emergent questions, expressed as objectives:

Objective 1: To examine the understanding Taiwanese banks have of the relationship marketing concepts

Objective 2: To explore the current relationship marketing activities and methods of implementation within Taiwanese banks

Objective 3: To investigate how *guanxi* impacts on RM concepts and practices and their interrelation within Taiwanese banks

Objective 4: To develop a conceptual framework based on the empirical findings of this research that simultaneously connects and illustrates the position of each relationship marketing component.

This research also sought to engage with the literature in the domain of marketing that addresses the aspects of RM in the Taiwanese consumer banking sector. The intent was to extend the notion that Taiwanese banks may develop relationships via RM strategies, as a means to increasing mutual profits. The RM components may provide additional insight and address their marketing strategies in order to establish, enhance, and maintain customer relationships. Also *guanxi* plays an important role in Chinese business, so this study will include this factor and further investigate how it influences both RM concepts and its implementation within Taiwanese banks. Therefore, this research suggested that increased insight into the RM experience may offer increased insight into the overall nature of RM for Taiwanese banks.

7.3 Summary of Research Findings

The interpretivist approach to inquiry tends to focus on the descriptions of subjective experience (Polkinghorne, 1998). The interview findings offered interesting insights into a variety of notions and topics that comfortably fit under the

RM umbrella. This summary of findings is guided by the research questions of this thesis (section 3.2). Each research question will now be addressed sequentially by offering a brief overview and interpretation of some of the findings. The discussion chapter will first address the proven research questions, followed by those unsupported questions. The final section will discuss the revised conceptual framework. Each objective is now respectively addressed.

7.3.1 Objective One - The Concepts of Relationship Marketing in Taiwanese Banks

- *Are Taiwanese banks familiar with the term relationship marketing?*
- *How do Taiwanese banks define and understand relationship marketing?*

The first research question sought to determine whether support could be found for the existence of RM in Taiwanese banks. Only a minority of the interviewees indicated familiarity with RM. Few interviewees even indicated that they had never heard of RM. Nevertheless all interviewees approved of RM implementation in their marketing strategy in the end of interview. According to the findings, Taiwanese banks apply RM without necessarily having conscious knowledge of and familiarity with the concepts of RM. The majority of interviewees in this study were promoted from basic levels to present higher positions, which indicates these managers have substantial marketing experience grounded in work experience as opposed to an academic background. This is a possible reason to explain why marketing terminology could be ambiguous for these bank managers. Moreover, an interesting and unexpected finding was that the interviewees demonstrated some level of psychological tension between describing their RM concepts and implementation. This might also lead to both positive and negative emotional expressions about their RM concepts and definitions.

Actually the use of this terminology, relationship marketing, is comparatively low. This finding is suggesting that RM is an ambiguous term for these Taiwanese banks and may have become something of a 'catch all' expression, embracing many

other marketing concepts (e.g. transactional marketing). However, according to the results of this investigation, there is still a common ground for understanding. Despite this apparent degree of unfamiliarity with the terminology in RM, interestingly, some respondents adopted their understanding about customer relationship management to describe their concept of RM. For example, the findings show that some interviewees used data warehousing and data mining to explain their marketing experience in relation to customisation. In reality, this is reasonable, because CRM is underpinned by RM philosophy, where the former has goals and strategies informed by the spirit of the latter (Gummesson, 2003). Customer relationship management is a systematic way of applying RM in practice on a large scale, as a means of identifying the long-term profitability of customer relationships (Ling and Yen, 2001).

To assess the understanding of the term RM, interviewees were asked to provide their description of an RM definition from their experience of its implementation. The purpose was not to seek the correct responses, but rather to identify common ground regarding the definition from Taiwanese bank managers' perspectives. Unsurprisingly, there were similarities to the unprompted responses as can be seen from Appendix 9. Clearly, there is a level of common ground regarding the definition of RM. Six categories of RM concepts emerged from this study, namely *guanxi*, creation, enhancement, and maintenance, mutual communication, trust and bank image, CRM, and long-term and profitable relationships. Interestingly, having completed the interviews, nearly all interviewees stated that their perception of RM is characterised by *guanxi* (personal relationships). Taiwanese banks have traditionally relied on personal introductions (e.g. MGM) and referrals. Based on this concept, this research supports the fact that the personal relationships (*guanxi*), which are maintained with strong social interactions and emotional contents, are decisive for RM implementation. These results confirm the findings of Gilbert and Choi (2003) who indicate that Chinese banks are more likely to place emphasis on developing *guanxi*. In other words, banks from different cultural areas are likely to have different corporate cultures, which may well mean that their thinking about RM would vary. Therefore, Western concepts of RM may not always be appropriate to apply to Taiwanese bank settings.

Apart from *guanxi*, it is evident that there are similarities in the definitions of RM by Taiwanese banks managers and Western studies. For example, mutual communication could be referred to as interaction, and trust and bank image to emotional contents. However, three main components were not noted in Taiwanese managers' RM definition; namely customer lifetime value for the RM mix, growth customer share and relationship termination for the outcomes of RM (Appendix 10). Sheedy (1997) indicates that RM has not always been carefully implemented in the banking sector. The findings of this research confirmed this view. Also, considering the differences between RM definitions from Taiwanese banks and Western theories, the result demonstrates the aspect from Sheedy (1997). This study discovers that Taiwanese banks apply RM into their marketing practices, but they didn't have comprehensive understanding about RM concepts. Although that, this research claims that Taiwanese banks have their specific own way in understanding and implementation of RM.

Guanxi refers to personal/interpersonal relationships. The findings indicated that Taiwanese banks placed lots emphasis on *guanxi* in RM which reflects Smith's (1995) study where in Asia personal relationships tend to be established prior to engaging in business activities. The results indicate that Taiwanese banks cannot develop customer relationships independent from *guanxi*, where customer relationships usually embrace both business and social relationships. Previous studies conducted by Yeung and Tung (1996), Armstrong and Seng (2000), and Geddie *et al.*, (2005) assert that *guanxi* plays an important role in Chinese business relationships. Taiwan and China share similar cultural features, with the importance of *guanxi* being one such example of this cultural affinity. In addition, the finalised framework (Figure 7.4) also reveals *guanxi* could be one component of RM performance. The result also supports Yau *et al.*, (2000b) where RM has its roots in the Chinese cultural context. Chinese people prefer long-term personalised relationships and mutual cooperation as the basis for their business dealings.

Clearly, there is some common ground regarding the definition of RM from these thirty-four interviews. This study combines the descriptions from these interviewees and assumes their common understanding of RM:

“Relationship marketing extends the concept of guanxi and places lots emphasis on the customer segmentation in order to develop long-term and profitable customer relationships through interactions and trust for mutual benefits”

As discussed in the literature chapter, the original RM definition based on Western writings refers to,

‘marketing activities carried out in order to attract, maintain, and enhance long-term and profitable relationships with potential and existing customers, through interaction, commitment, customisation, and identification of customer lifetime value...[and where]...unprofitable relationships may be terminated’ (Section 2.2.3).

Comparing these two definitions from the Taiwanese banks and Western settings, there has much similar perspectives with the original RM definition discussed. For example, both RM definitions have similar aspects with regards to long-term and profitable relationships characterised by interaction and emotional contents in order to develop mutual benefits between the banks and their customers. However, the result also shows that there are still a few differences; for example, the interviewees’ definitions placed lots emphasis on the customer segment, and this is not present in Western definitions. Relationship marketing is embraced by both practitioners and academics in a wide range of markets and contexts. As such, applications in consumer markets represent a vital and somewhat surprising domain extension. More specifically, the original thought about RM within Taiwanese banks may involve personal/interpersonal relationship within their marketing strategies. However, in reality, the result further demonstrates that Taiwanese banks places lots emphasis on *guanxi* and extend its implications into the social relationship within their business and marketing activities. In another words, the *guanxi* plays a very importance role in RM implementation in Taiwanese banks.

Fournier (1998) indicates that practitioners are significantly ahead of academicians, as theory and construct development have been slow to catch up with practical developments. Some researchers (e.g. Dibb and Meadow, 2001) indicate that many banks have already reached a higher level of RM than businesses in other sectors, but this investigation reveals that Taiwanese banks may implement RM without actually realising it. Although many bank managers express uncertainty with RM terminology (e.g. RM, CLV, and customisation), the evidence demonstrates that these banks have been implementing RM for a long time and all will continue to do so. Thus, this study suggests that although practitioners may have different conceptualisations regarding the implementation of RM, there may still be room for increased understanding concerning the nature of RM for the marketing researchers. Professionally, the results of this research provide an appropriate RM concept and framework in order to improve the efficiency of RM performance in Taiwanese banks. In addition, this framework may have applications to other sectors and other countries in Asia.

7.3.2 Objective Two - The Practice of Relationship Marketing in Taiwanese Banks

- *How do Taiwanese banks implement relationship marketing in the different stages which include relationship creation, enhancement, and maintenance?*
- *What are the key activities which Taiwanese banks undertake to engage in relationship marketing?*
- *What is the outcome after Taiwanese banks have applied relationship marketing?*

7.3.2.1 Aims of Relationship Marketing

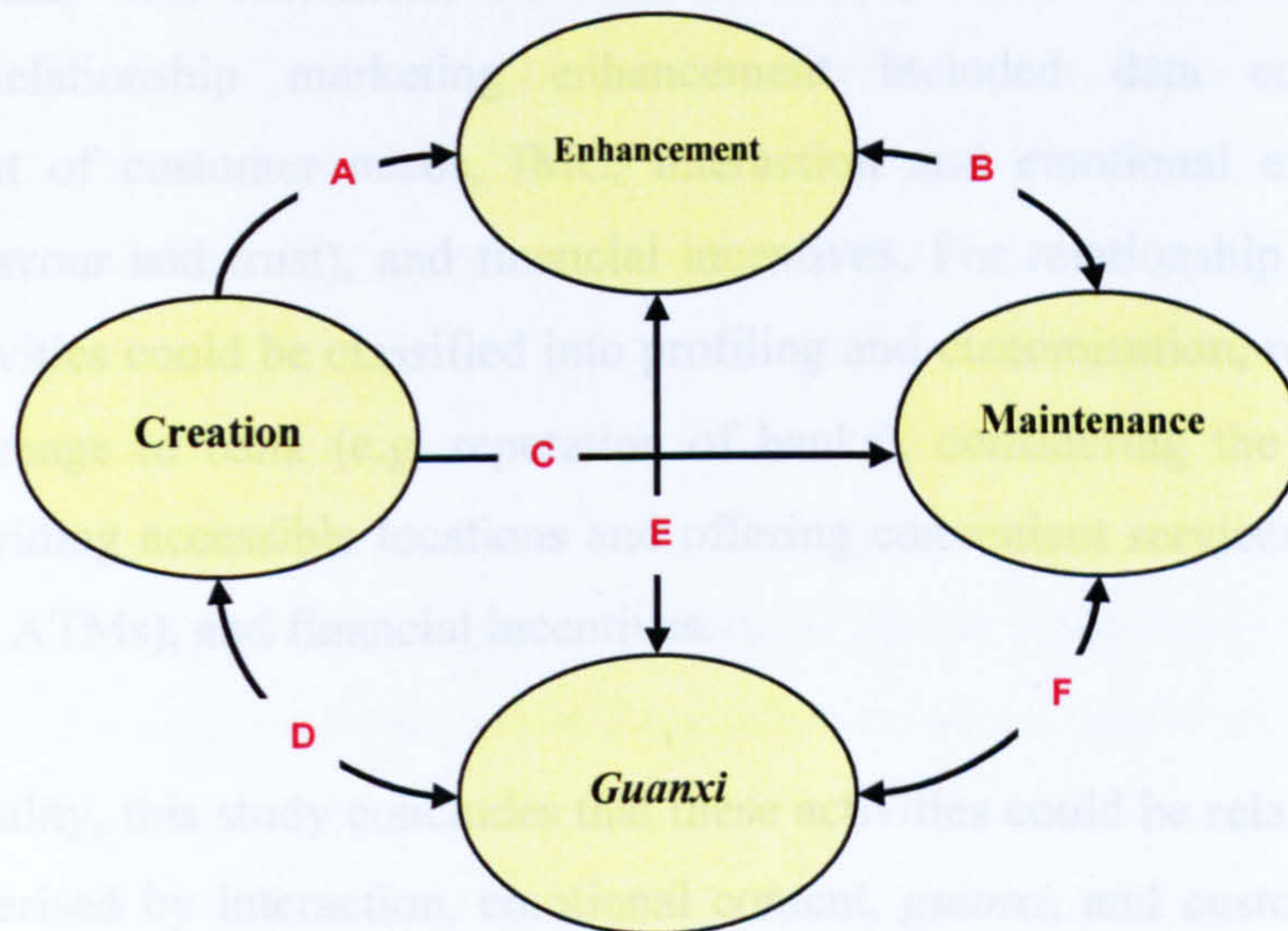
According to the research findings, creation, enhancement, and maintenance could be components characterising the aims and stages of RM. In order to achieve the aims of RM, each stage also had been seen as a component and had been

investigated to understand its activities. According to the findings, this research substantiates the relationship between *guanxi* and RM, where the former can enhance customer relationships at all three stages of the RM implementation process. Section 3.3.1 and Figure 3.1 provide a description of the relationship between these three stages. Here, this section revised Figure 3.1 and further developed the conceptual framework (Figure 7.1) incorporating and explaining how *guanxi* has a decisive and positive influence upon relationship creation, enhancement, and maintenance.

Nevertheless, the evidence from the findings suggests that *guanxi* has a positive affect on each stage of RM. For example, through *guanxi* networks, banks could possibly expand their customer base (*Link D*). Furthermore, banks are more likely to develop *guanxi* (such as friendships) in order to enhance customer relationships. The findings also reveal that *guanxi* encouraged relationship maintenance (*Link E*). In particular, Taiwanese banks developed customer relationships through *guanxi*, so there is a positive interrelation between *guanxi* and enhancement. Banks applied various marketing activities in order to encourage transactions (such as cross-selling). In addition, *guanxi* could be strengthened via continuous and sustained interactions. The findings also show *guanxi* and relationship maintenance are positively correlated (*Link F*). Taiwanese banks implement RM in order to develop long-term customer relationships. Banks also believe that *guanxi* could encourage stable business relationships and social relationships. Therefore, it can be assumed that there was a possible interrelation between these stages and *guanxi* as demonstrated in Figure 7.1.

Figure 7.1 the interrelation between *Guanxi* and Aims of RM

○ : Component of RM
 ↔ : Direct dual interrelation



Based on these three stages, this study not only investigated RM activities, but also tried to understand the relationship between *guanxi* and the aims of RM. From Taiwanese banks' perspectives, relationship creation is the initial stage for relationship development. After creation, through RM activities (section 6.2.1), customer relationships are more likely to be enhanced (*Link A*) or continue to be maintained (*Link C*). However, relationships could be enhanced or maintained by different RM activities. In other words, relationship enhancement and maintenance could exist simultaneously.

These perspectives are presented in Figure 7.1. In this study, creating, enhancing, and maintaining customer relationships, as the stages of RM, also imply that the marketing situation is different depending on how far the customer relationships have been developed. In the following section, the notions of creation, development, and maintenance will be further discussed with reference to previous studies.

This research shows that Taiwanese banks have several shared features in RM implementation. In order to create relationships with customers, this research reveals that banks applied seven main activities, namely integrated marketing communication (IMC), market surveys, word-of-mouth advertising, attention to contact personnel, making contact with customers, financial incentives and convenient location and services. Relationship marketing enhancement included data collection and measurement of customer needs, IMC, interaction and emotional exchange (e.g. reciprocal favour and trust), and financial incentives. For relationship maintenance, the RM activities could be classified into profiling and customisation, regular contact and brand image of bank (e.g. reputation of banks), considering the expansion of *guanxi*, providing accessible locations and offering convenient services (e.g. easy to find and use ATMs), and financial incentives.

In reality, this study concludes that these activities could be related to the RM mix characterised by interaction, emotional content, *guanxi*, and customisation. For example, regular contact is a kind of interaction for communication, and convenient location could be the added value for customers to access their bank branch. According to previous studies, many authors have confirmed that the firm might focus on different approaches in order to meet its objectives (e.g. Berry, 1983; Morgan and Hunt, 1994; Zeithaml and Bitner, 2003).

Specifically, this study supports Dwyer *et al.*, (1987) findings that potential consumers may simply be attracted by word-of-mouth advertising. Taiwanese banks placed lots emphasis on the positive effect from referrals. These banks encouraged their existing customers to recommend new contacts from the formers' *ren-mai* (*guanxi* network) consisting of friends, familial relatives, and so on. Taiwanese banks referred to this activity as MGM, which means 'member gets member. The results reveal that all interviewees believe MGM is the best way for banks to expand their customer base through *guanxi* (Link D). In addition to relationship creation, this research also found *guanxi* to be a form of social investment for Taiwanese banks to achieve relationship enhancement and maintenance. This finding confirms the propositions that *guanxi* can provide informal ways to reduce environmental uncertainty and opportunistic behaviour (Zhang and Zhang, 2006; Standifird and Marshall, 2000). This result is also reflected by Xin and Pearce (1996), Luo (1997),

and Tsang (1998), where *guanxi* is used as a kind of organisational resource. Since *guanxi* has been introduced as a cultural phenomenon (Fan, 2002), it has now become regarded as a form of social capital which could be a source of competitive advantage for firms (Yang, 1994; Chen, 1995; Wang, 2005).

In this study, Taiwanese banks had identified those customers with whom they wanted to develop relationships. This finding supports Little and Marandi's (2003, pg.24) assertion that '*relationship marketing is not advocated in all situations and amongst all customers; [it is] only [implemented] where it would be profitable for the company and with those customers who wish to engage in such a relationship*'. Even so, generally, the bank may not know who these specific potential customers are in the early stage, but they might pay an initial visit in person (cold visit) or by telephone without *guanxi* resources. Face-to-face interactions were another popular application and considered as a necessity for banks.

An interesting aspect should be mentioned regarding RM activities. Many Taiwanese eat out as often as (or more than) they do at home. The findings demonstrate that culture significantly influences marketing activities. For example, the evidence suggests that Taiwanese banks attempt to build strong relationships with their valued customers, so they are more likely to engage in gift-giving or eating out during special events such as Chinese New Year and the Mid-Autumn Festival. Sometimes the interviewees even mentioned attending parties (e.g. birthday parties, wedding ceremonies) or joining the same club (e.g. rotary clubs, golf clubs) in order to enhance both business and social relationships with their valued customers (*Link E*). However, it has been noted that such practices in Taiwanese and Chinese society are not replicated in the West (Yau *et al.*, 1999). Hence, it should be noted that RM implementation could vary according to the cultural setting.

Not all interviewees held similar views with regards to financial incentives. However, nearly all interviewees indicated the high price sensitivity of banking customers. It was suggested that each customer will have a certain price acceptability window and customers have different limits in their perceptions of their price range. This endorses Kotler's (2000) view that customers often question the motivation behind price changes as a result of being very price sensitive. Although the findings

show that pricing still plays an important role in marketing strategies, the majority of interviewees believed that pricing was not always effective in the relationship. Good quality products and customer services are the main reasons why their customers continued the relationship. Berry and Parasuraman (1991) and Berry (1995) support this aspect and state that marketers may use pricing incentives to encourage customers to make more purchases in the short term only, because price is the most easily imitated element of the marketing mix. Although financial incentives emerged among the RM activities, this study concludes that financial incentives (e.g. pricing, reward, and benefits) are important in RM activities but not necessary. Banks should rather seek to provide a high quality service and financial products in order to satisfy customers' banking and emotional needs (e.g. trust and commitment relationships).

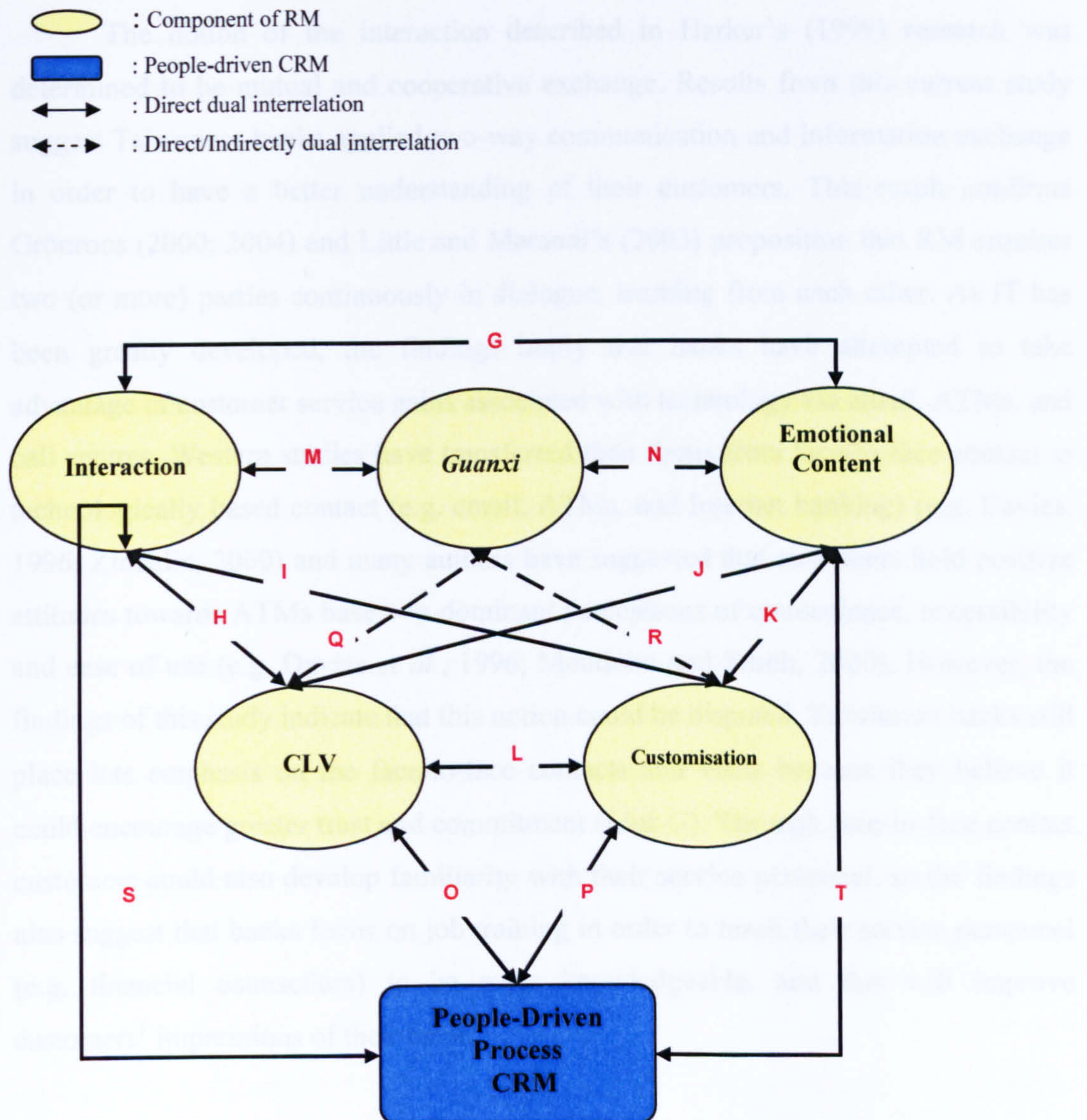
Moreover, this present study finds that with regards to consumer banking in Taiwan, the retention of existing customers is becoming more important, particularly when opportunities originally derived from loan and credit card growth appears to have reached an upper limit (e.g. over-banking). Only a minority of interviewees have recognised that their customers inevitably might become inactive or drop out for certain reasons, such as moving to other locations, or potentially as a result of dissatisfaction, and so on. Hence, the interviewees indicated that the challenge for banks is to reactivate dissatisfied customers through '*customer win-back strategies*' (Kotler, 2000, pg.50). In addition, it is often easier to re-attract ex-customers, because the company knows their names and histories, than to find new ones.

7.3.2.2 Relationship Marketing Mix

The above section has discussed relationship marketing activities that serve to create, enhance, and maintain customer relationships. However, bank managers might just mention each approach without offering a comprehensive explanation. This section will further address some key activities (RM mix) that exist between bank and customers. In contrast to Western theory, this study has discovered that Taiwanese banks place lots emphasis on *guanxi* development and its affect on the RM mix. The findings imply that *guanxi* and its network form an integral part of the RM mix, which as a result, help to make RM implementation more effective and constructive. Here,

guanxi refers to personal/interpersonal relationships (e.g. Luo, 1997b; Fan, 2002) or social relationships in Western studies (e.g. Bjorkman and Kock, 1995; Bagozzi, 2000). The findings indicate that Taiwanese banks apply CRM as a tool for RM implementation. Customer relationship management seeks to provide an understanding of customer needs to support the RM mix. However, many interviewees also claim their lack of staff training about the analysis of CRM data, so people-driven CRM has been raised in the RM mix for this study. People-driven CRM plays a significant important role in the RM mix because RM implementation needs people (e.g. executives and operational staff) to undertake it. The findings also reveal there is considerable positive interrelation between each component as presented in Figure 7.2.

Figure 7.2: The interrelation between RM mix and *guanxi* with people-driven CRM



In this study, the literature has suggested that interaction, emotional contents, CLV, and customisation are the ingredients comprising the RM mix. The findings demonstrate Taiwanese banks have applied these components as part of their RM mix in their marketing strategies and these components have a positive effect on each other. The following sections will further discuss the activities in each component and explain the interrelation between *guanxi* and people-driven processes in CRM.

Interaction

The notion of the interaction described in Harker's (1999) research was determined to be mutual and cooperative exchange. Results from this current study suggest Taiwanese banks applied two-way communication and information exchange in order to have a better understanding of their customers. This result confirms Grönroos (2000; 2004) and Little and Marandi's (2003) proposition that RM requires two (or more) parties continuously in dialogue, learning from each other. As IT has been greatly developed, the findings imply that banks have attempted to take advantage of customer service gains associated with technology via email, ATMs, and call centres. Western studies have transferred their focus from face-to-face contact to technologically based contact (e.g. email, ATMs, and Internet banking) (e.g. Davies, 1996; Zineldin, 2000) and many authors have suggested that customers hold positive attitudes towards ATMs based on dominant perceptions of convenience, accessibility and ease of use (e.g. Davies *et al.*, 1996; Moutinho and Smith, 2000). However, the findings of this study indicate that this notion could be disputed. Taiwanese banks still place lots emphasis on the face-to-face contacts and visits because they believe it could encourage greater trust and commitment (*Link G*). Through face-to-face contact, customers could also develop familiarity with their service personnel, so the findings also suggest that banks focus on job training in order to teach their service personnel (e.g. financial counsellors) to be more knowledgeable, and this will improve customers' impressions of their bank.

Evidence also indicates that Taiwanese banks have embraced CRM to manage all customer profiles in order to develop an effective RM strategy. Hence, the findings support the work of Payne *et al.*, (2000) which highlight that financial institutions are adopting CRM as an approach aimed at collecting and using data to deliver increased customer value (*Link O*). However, it was noted that people (e.g. executives and service personnel) play an important role in CRM, so this study proposes 'people-driven' CRM to emphasise business integration processes between people and systems. Most previous studies focus on data-driven and process-driven CRM (e.g. Chen and Popovich, 2003; Little and Marandi, 2003; Greenberg, 2004). This research proposes this notion in order to enrich the people-driven process of CRM. In other words, people-driven processes need bank managers (or executives) and service

encounters (or operational staff) owning the capabilities to understand, manipulate, and analyse customer knowledge (*Link S* and *Link T*) to face and satisfy customer needs. Thus, the emotional content has been satisfied (*Link R*). People-driven CRM also places lots emphasis on the responsibility of executives and operational staff in using face-to-face communication in order to exchange rich information with customers (*Link S*). Therefore, customers, employees, and executives are key parties in the people-driven processes of CRM. Thus, banks are capable of providing customised services and products (*Link P*).

This study reveals that Taiwanese banks were more likely to develop *guanxi* as a form of friendship underpinning the customer relationship. Accordingly, the *guanxi* network does not necessarily involve friendship, although friendship is preferred. In order to increase *guanxi* between banks and customers, the former engages in various marketing activities. Specifically, banks would capitalise on special events (e.g. Chinese New Year and the Moon Festival) to visit their valued customers to give gifts, because this is a necessary part of Chinese culture. Chinese people believe gift-giving is one important way to cement relationships, especially for business relationships, which supports Xu's (1999) research that the emotional content arises as a result of cultural influences to motivate relationship maintenance with customers. Hence, culture has a important influence on various RM activities, especially for gift-giving in Taiwanese and Chinese society, but such practices would not feature in the West (Yau *et al.*, 1999).

The result also reflects the findings from Little and Marandi (2003), whereby the visit is not simply to engage in gift-giving, but that the contact involved is a way to encourage and provide quality and adhere to customer orientations, which is regarded as a concern for the entire organisation. This study also advocates Colgate and Stewarts' (1998) argument that the more frequent the contact between customers and suppliers, the more positive the view the former holds towards the latter (*Link G*). More specifically, this study proposes that in addition to customer contact, it is evident that face-to-face or voice-to-voice can make the customer relationship stronger, and the behaviour of gift-giving was necessary according to Chinese cultural, which also refers to saving face, reciprocity and developing closer links via *guanxi*

(Yau *et al.*, 1999). Therefore, interaction with gift-giving is the most common way for Taiwanese to strengthen *guanxi* and emotional content.

The results also show that constant interaction encourages bank customers to increase their contributions (*Link H*). Therefore, this study supports Little and Marandi (2003) and highlights how interaction of RM is the facilitation of a two-way dialogue between the bank and its customers in order to identify needs and to find solutions (*Link I*). These findings are also demonstrated in Gummesson's (2002) work, as well as the work of White (2000) who emphasises that Taiwanese banks continue applying different marketing communication activities including personal (e.g. customer services) or impersonal (e.g. special events) contact which are guided principles of interaction in order to encourage emotional content (*Link M* and *Link G*). In keeping with customers' preferences for informal communication or contact, frequent, short episodes of interaction may make customers feel they are being 'kept in touch with'. Moreover, each customer is individual and may in one situation be interested in a relationship and in other situation not (*Link I*). Thus, it is necessary to provide customised services and products to meet different customer's needs, and interaction (e.g. face-to-face communication) is one of the appropriate methods for getting to know the customers.

Emotional Contents

This study confirms Morgan and Hunt's (1994) findings which highlights the characteristics of trust and commitment related to consumers who engage in relational exchange. Trust is the key notion for Taiwanese banks in their emotional content approach. In particular, the findings indicate that banks place lots emphasis on trust between their service staff and customers, especially for wealth management. However, the study from Morgan and Hunt (1994) was concerned that trust between service staff and customers may not be able to extend and connect to the bank and customers. More specifically, banks need to place more emphasis on the establishment of trust not only between staff and customers but also to extend this emotional content between the banks and their customers.

The findings suggest that *guanxi* serves to motivate and encourage customers to be more confident in their transactions. In other words, the customers would be more likely to deal with the same service personnel (*Link N*) if the personal relationship (*guanxi*) has been developed. However, when the key contact left the bank, this *guanxi* could possibly cease. Thus, this study supports Doney and Cannon's (1997) proposition that the customer trust toward a service employee should be transferred to the supplier firm. It is also important to note that customers not only trust but also anticipate engaging in future projects with the company (*Link J*). It is evident that Taiwanese banks gave a set of promises (e.g. financial solutions, transfer of information, social contacts, and a range of future commitments) in order to enhance the relationship with their customers.

The findings also highlight that banks' confidence in their services and products. This result supports Morgan and Hunt (1994) and Adamson *et al.* (2003) who state that trust exists when one party has confidence in an exchange partner's reliability and integrity. To achieve trust, this study discovers that a company's strategy must be to communicate effectively and adopt the customer's relationship norms while avoiding getting a negative reputation. This interprets that banks took an effort to improve their reputation by advertisements and news coverage (e.g. public service). (*Link G*).

Moreover, the findings imply that emotional content could possibly encourage customisation especially when trust and commitment have been established between the financial counsellors and their customers (*Link K*). Consequently, customised services and products could more likely satisfy customers. The findings also support Arais (1998) who suggests that customer emotions can also affect their perceptions of satisfaction with tailored products and services (*Link K*). When customers were satisfied with the services provided by their financial counsellors, they would be more willing to increase their transactions (*Link O*). The findings also demonstrate that *guanxi*, as a motivation, encourages customers to have more confidence in the transactions (*Link N* and *Link J*).

Moreover, it was suggested that Taiwanese banks must be competent in financial product knowledge, market development, and adaptation to their customer's requirements in order to establish trust (*Link K* and *Link R*). An individual's personal

attributes (dependable, honest, and competent) contribute to feelings of trust (Gambetta, 1998) which means taking mutually agreed words as fact and reducing one's perception of the likelihood of risk. Interestingly, Western organisations do not depend on personal relationships or mutually agreed words in business transactions because they are not legally binding and lack objectivity (Zucker, 1987). Instead, Western managers are motivated to generate 'system trust' within an organisation (Luo, 2002). This study finds Taiwanese banks sometimes place lots attention on personal trust in their business interactions especially with their service staff that has direct contact with customers (e.g. financial counsellors). Therefore, Taiwanese bank managers often indicated that front-line service personnel play a very important role in terms of RM implementation which could be reflected by people-driven CRM (*Link R*).

Customer Lifetime Values

The findings demonstrate that Taiwanese banks applied customer lifetime value (CLV) in order to identify those valued customers willing to enter a long-term relationship, because the development and retention of profitable customer relationships is vital to the banks. The results reveal that retaining the right customers over time has a strong impact on profitability. CLV also can help to develop the customer segment (Zeithaml and Bitner, 2003). The findings strongly indicate that effective customer segmentation is a fundamental approach for applying customisation (*Link L*). Zeithaml and Bitner (2003) support this notion that if a company knew how much it really cost them to lose a customer, it would be able to accurately evaluate investments designed to retain customers. In considering marketing budgets, service personnel are more likely to interact with and seek the maximum CLV from their valued customers (*Link H*).

Customer lifetime value is a key element in the practice of RM (Grönroos, 2000a; Little and Marandi, 2003) and it is based on the use of reliable customer databases (Khalil and Harcar, 1999). This study discovers that Taiwanese banks use data from CRM to identify those who are willing to enter a long-term relationship. Although the findings confirm that CLV is a key element in the practice of RM (Khalil and Harcar, 1999), this study surprisingly discovers that not all interviewees (especially the local

branch managers) attached importance to CLV data. A possible reason for this is that these branches may lack knowledgeable operational employees to manage customer data and profiles, so it could be necessary for banks to increase training and also improve people-driven processes in CRM (*Link S*). However, it should also be noted that although not all Taiwanese banks are fully concerned about the data from CLV, they still strongly advocate CRM as having a positive effect on the growth of CLV.

The findings also confirm *guanxi* has a decisive constructive influence on CLV. It is evident that when the customers were referred by existing customers, they contributed more than those from other sources (e.g. cold visit). This finding supports Xu (1999), that Chinese prefer to do business with those they can trust and are familiar with (*Link O* and *Link J*). Besand and Sharp (2000) also propose that banks have traditionally relied on personal introductions and referrals rather than cold business calls. Zhang and Zhang (2006) further indicate that *guanxi* sometimes develops first, before a business transaction is conducted.

Additionally, the findings support Zeithaml and Bitner (2003) who argue that the value of word-of-mouth advertising should be considered in the contribution of CLV. Also employee retention and declining account maintenance costs can also enter into the calculations for CLV. Here, word-of-mouth advertising could also be referred to as a kind of referral which encourages an increase in the customer base through *guanxi* networks (*Link O*).

However, some different viewpoints were provided from bank managers that *guanxi* did not directly effect long-term services usage and customer contributions. It was suggested that quality and suitable services and products could complement on another and encourage customers to stay in the relationship (*Link T*, *Link O*, and *Link L*). Therefore, this study highlights this finding by *Link O* and displays the direct/indirect interrelation linked via an intermittent two-way arrow. However, this study still concludes and supports that *guanxi* has a positive effect on CLV for customers.

Customisation

It was suggested that interactive marketing process as a two-way dialogue between supplier and customer could encourage banks to identify their customer's needs and find effective solutions (Little and Marandi, 2003; Steared and Drukin, 1999). This study confirms that Taiwanese banks interacted to gain a better knowledge of their customers' requirements and needs (*Link D*). In another words, in order to obtain a customised service offering, the customer must be willing to share specific information with the bank, which allows the banks to get 'closer' to the customer. From learning about the specific characteristics and requirements of individual customers, banks are more able to capture this data and tailor services to the situation at hand (*Link I* and *Link L*).

Interaction also contributes to the bank's customer segmentation. Service employees exchange information with their customers through constant two-way communications (*Link Q*). According to consumer characteristics (e.g. geographic, demographic, and psychographic) and CLV, banks are able to identify their valued target customers. The notion of the customer pyramid was provided from the findings, which is comprised of four levels of customer segments, namely platinum, gold, potentially valued, and mass general customers. This segment could reflect the customer pyramid from Zeithaml and Bitner's (2003) study which provides a four level tier of customer segmentation, namely platinum, gold, iron, and lead. In the pyramids, the platinum group is the most profitable segment. Banks offer highly customised products and services (even personalisation) for their most profitable customers. Through data warehousing and data mining, operational staff would identify and design the tailored services and products for their target customers (*Link I* and *Link L*). The findings also support Little and Marandi (2003) and Huang *et al.*, (2005) who propose that in the mass market, mass customisation is the appropriate design for both products and communication. In wealth management especially, this study demonstrates that banks applied 'co-design' or collaborative customisation which involves constant dialogue with customers, where the latter are able to articulate their needs (Gilmore and Pine, 1997; Anderson-Connell *et al.*, 2002; Little and Marandi, 2003). Evidence shows that appropriate customised services and products increase customers' trust (*Link K*), where consequently, they will be more

willing to increase their contribution on transaction (*Link L*). In other words, to build profitable customer relationships, banks have implemented a CRM mechanism in their marketing process (Chang and Tseng, 2005).

Evidence has indicated that Taiwanese banks have developed customer relationships with *guanxi*. Banks strongly commended the advantages of *guanxi* development in their customer relationships which increase the understanding between both parties. However, some bank managers expressed different viewpoints regarding the interrelation between *guanxi* and customisation.

This research has integrated the previous studies and defines customisation as,

'...an approach which attempts to take into account customers' requirements and needs through flexible processes to create added value'. (section 2.2.2)

The findings confirm that Taiwanese banks interacted with customers to gain a better knowledge of their requirements, by learning about the specific characteristics and requirements of individual customers, and then capturing this data and tailoring their services to the requirements of the customers (*Link I*). The findings show that banks have sought to create value added services and utilise improvements in technology and flexible processes, to engage in the practice profitably.

Moreover, the RM perspective is based on the notion that on top of the value of products and/or services that are exchanged, the existence of relationships between two parties creates additional value for the customer and also for the supplier or service provider (Ravald and Grönroos, 1996; Grönroos, 2000b). This study indicates that an on-going relationship with banks may offer not just financial products or services but also customer security, trust, minimised purchasing risks, and in the final analysis, reduced costs to the customer. Many interviewees think customisation involves the combination of all customer services to enhance the value of the 'offer' to the customer. In other words, customisation can be seen as a powerful differentiator in markets where the core product is essentially the same as those offered by 'competitors' (e.g. other banks) and where there are readily available alternatives.

Mass customisation is an important advantage of RM for customers and one of the rewards they can expect in return for their commitment to a supplier (Little and Marandi, 2003). This approach involves the company engaging in a dialogue with its customers, and helping them to articulate their needs. Little and Marandi (2003) observe that an important requirement or feature of RM is customisation of products and communication for each customer. The interviewees of this investigation believe that focusing on customer needs is the key to building long term relationships. Hence, interaction is very important prior to applying customisation, because banks need to understand customer requirements and then provide the customised service or product (*Link D*). Whilst some may argue that these are different sides of the same coin, the RM philosophy calls for treatment of customers as individuals; however, the author suspects that customisation may be too conceptually demanding for businesses still trying to apply basic segmentation techniques, especially within the consumer banking sector (Little and Marandi, 2003). Nevertheless, this study supports customisation as a component which can be interpreted as an approach of RM for Taiwanese banks.

The findings demonstrate Grönroos' (1999) findings that RM is based on the notion of relationship with identifiable customers who should not be treated as unknowns, so the traditional customer segment is less appropriate. This applies particularly to wealth management, which needs more detailed and individualised information (e.g. risk acceptance level for investment) from customer information profile. This study therefore proposes the people-driven process in CRM should be considered here in order to have better identification of customer data and needs. Through operational staff's knowledge, customers' requirements can be more appropriately managed and met (*Link P*).

Guanxi in Relationship Marketing Mix

Another reason for gift-giving is because Taiwanese customers are highly concerned about exchanging of reciprocal favour, where eventually, the payoff will be realised. This proposition also has been confirmed by Qian *et al.* (2007), where, when one party receives a favour from another, it is expected that the former will reciprocate at some time in the future, otherwise *guanxi* cannot be sustained. *Guanxi*

and relationship marketing in the West have several similarities, where exchange partners adopt long-term perspectives, focus on the relationship itself rather than on a single transaction, make efforts to preserve the relationship, try to resolve disputes in harmonious ways, and engage in multi-dimensional roles rather than simple buying and selling (Arias, 1998; Dwyer *et al.*, 1987; Wang, 2005).

This study provides evidence that as members in a *guanxi* network are connected to exchanging information, one's reputation for keeping a promise will be established merely through word-of-mouth communication. More specifically, in Chinese culture, for example, banks and customers will be committed to reciprocal relations because of the structural constraints of the *guanxi* connection network.

Moreover, traditional Chinese culture stresses the importance of human interactions. *Guanxi* is developed over a long time period and it impacts on every aspect of Chinese society, influencing social, political and commercial relations. The basis of business dealings in Taiwan is in direct contrast to how business is conducted in the West because Asian businesses are rooted in the quality of personal relationships that exist between buyers and sellers. Sometimes, *guanxi* can be the determining factor in winning a business deal, especially when the competitors are offering similar products and services at comparable prices. The findings demonstrate *guanxi* certainly influences the RM mix. This research provides a conceptual framework to further understand the relationship between *guanxi* and the RM mix.

The findings indicate that with RM in Chinese-based economies (e.g. Taiwan) customers and banks in this market emphasise and value the establishment of *guanxi* as a relational bond to conduct business, to manage key accounts, and to enhance business performance through many social interactions, such as social gatherings and dinners. These findings also have been demonstrated by previous studies (Leung and Wong, 2001; Leung, *et al.*, 1996; Wong, 1998b; Sheung and Luo, 2001; Leung, *et al.*, 2005) where one specific Chinese cultural feature, *guanxi*, must be included in the study of RM in Chinese-based economies. Taiwanese banks (especially for the front-line service staff) must be competent in financial product knowledge, and market development; and adapt to their customers' requirements to resolve conflicts in order to re-establish trust. However, Western organisations do not depend on

personal trust or mutually agreed dialogue in business transactions because they are not legally binding and lack objectivity (Zucker, 1987). Rather, Western managers are motivated to generate a 'system trust' within a company (Luo, 2002) at the organisational level. It is however noted that interaction, emotional content, CLV, and customisation are not equally effective for building relationships and can operate through multiple relationship pathways (creation, enhancement, and maintenance). It is also important to recognise that RM activities may also directly or indirectly affect customer relationships.

People-Driven Processes in CRM

In the literature on CRM there are three kinds of interpretations, namely data-driven and process-driven CRM (Greenberg, 2004). Business success revolves largely around people-driven processes in performing CRM. However, this study criticises this argument and proposes that CRM should also embrace people-driven CRM. Additionally, this study adopts the viewpoints expressed by Rigby *et al.*, (2002), and Chen and Popovich (2003) who propose that this people-driven process in CRM should focus on the responsibility of bank managers and front-line service staff to use face-to-face communication and their customer knowledge to process relationship management with their customers. The objectives of CRM are to provide understanding of customer needs (e.g. Stringfellow *et al.*, 2004), to gather customer data (e.g. Little and Marandi, 2003), to identify valuable customers (e.g. Bueren *et al.*, 2005), and to improve value chain processes (Chen and Popovich, 2003) so as to maintain long-lasting customer relationships (Little and Marandi, 2003).

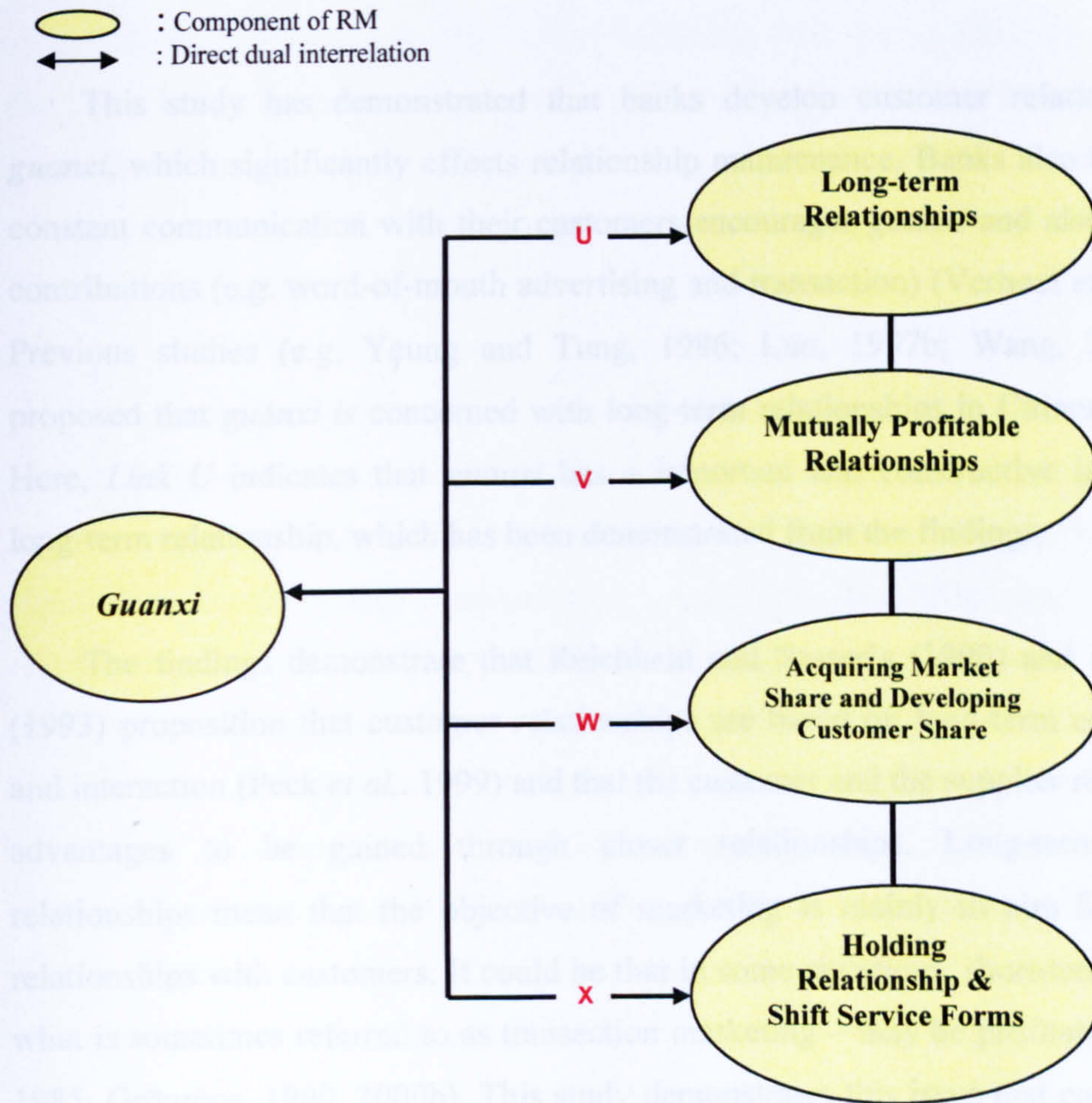
The results of this study reveal that Taiwanese banks sometimes place too much emphasis on the methods of analysis and adopt them as tools to provide value to customers. Some banks focus on CRM systems and the importance for data mining customer databases, without considering the non-technical elements, such as if service staff is capable to identify the information (Chen and Popovich, 2003). Armistead and Kiely (2003) have observed that service firms are increasingly using a combination of technology and service staff in their customer-service processes. Thus, this study supports this perspective and proposes that people-driven processes in CRM are the processes which focus on the operation from service staff. People-driven processes in

CRM place emphasis on the responsibility of bank managers and service encounters in making critical decisions and using intimate communications to support the process of RM with their customers. Processes that are difficult to implement or that cannot be carried out with technology solutions alone (e.g. planning RM strategy, coping with customer problems, understanding customer needs, and integrating customer responses), are typically people-driven CRM processes. It should be noted that the role of service staff in person-to-person contacts is driven to a large degree by the combination of emotional capacity and technical interaction (Armistead and Kiely, 2003). Therefore, the bank managers and service employees' experience and knowledge could possibly affect people-driven processes in CRM.

7.3.2.3 Outcomes of Relationship Marketing

In this study, four original components are selected as RM outcomes – long-term relationships, profitable relationships, growth in customer share, and relationship termination. These four components were explored in bank interviews. However, after investigation, here the similarities and differences between the original and findings will be discussed in this section. Considering *guanxi* is a fundamental issue related to doing business in Chinese societies (So and Speece, 2000), the interrelation between *guanxi* and outcomes of RM to be further discussed are presented in Figure 7.3.

Figure 7.3: The interrelation between *guanxi* and outcomes of RM



Long-term Relationships

The results of this study demonstrate that long-term relationships are one of the outcomes for RM. According to the findings, long-term relationships are a very important feature for RM for two reasons. First, they are related to the customer lifetime value (CLV). Most interviewees agree that the maximisation of CLV is a cornerstone of RM, so longer relationships are likely to contribute to profitable outcomes. Second, long-term relationships are likely to exist as a consequence of relationship maintenance. Research has demonstrated that fostering strong interpersonal relationships between banks and customers helps encourage positive word-of-mouth for bank (Gremler *et al.*, 2001), and these outcomes enhance market

share and feedback on transactions. In other words, the customer relationship has been enhanced because of the outcomes of RM.

This study has demonstrated that banks develop customer relationships via *guanxi*, which significantly effects relationship maintenance. Banks also believe that constant communication with their customers encourages *guanxi* and also reciprocal contributions (e.g. word-of-mouth advertising and transaction) (Verhoef *et al.*, 2002). Previous studies (e.g. Yeung and Tung, 1996; Luo, 1997b; Wang, 2005) have proposed that *guanxi* is concerned with long-term relationships in Chinese societies. Here, *Link U* indicates that *guanxi* has a important and constructive influence on long-term relationship, which has been demonstrated from the findings.

The findings demonstrate that Reichheld and Sasser's (1990) and Reichheld's (1993) proposition that customer relationships are based on long-term collaboration and interaction (Peck *et al.*, 1999) and that the customer and the supplier recognise the advantages to be gained through closer relationships. Long-term customer relationships mean that the objective of marketing is mainly to aim for enduring relationships with customers. It could be that in some situations, short-term sales – or what is sometimes referred to as transaction marketing – may be profitable (Jackson, 1985; Grönroos, 1990, 2000b). This study demonstrates this issue that considers cost and profits. Sometimes Taiwanese banks prefer short-term instead of long-term relationships with some unprofitable customers. However, this situation is quite rare, because employees working in the financial service industry will not reject customers unless it is unavoidable. Generally speaking, Taiwanese banks believe that the application of a long-term scope is vital to profitable marketing. Specifically, the result of this research further verifies Sheth and Parvatiyar's (1995) study that customer relationships lasting for five years with a bank will achieve more than those new customer relationships. Therefore, ongoing customer relationships are worth more to banks than new ones (Liang and Wang, 2005).

Mutual Profitable Relationships

This study shows that transaction marketing may be justified in some cases (Jackson, 1985), but long-term customer relationships often form a base for profitable business. In other words, the result of this study suggests banks and customers could achieve greater profits when engaged in long-term relationships with sustained contact and customised service.

From some perspectives of banks, relationship marketing implementation could encourage loyal customers' spread the positive word-of-mouth to other potential and existing customers (Reichheld, 1996; Rashid, 2003; Zeithaml *et al.*, 2006) because satisfied customers convey positive messages about the bank's service, and personal recommendations/referrals (e.g. MGM) are often taken most seriously in consumers' purchase decisions (Gremler and Brown, 1999; Rashid, 2003). In addition, these customers provide the positive word-of-mouth advertising for bank and have no acquisition or set-up costs (Reichheld, 1996). However, referrals or positive word-of-mouth acts as an independent source of information that carries particular weight (Zeithaml and Bitner, 2003), and which giving banks a reason to maximise customer base (Jones and Farquhar, 2007).

The results also support the definition of profitable relationship for this study that banks place lots emphasis on the mutual profitable relationship with customers. These findings also support Giber and Choi (2003, pg.139) who state: '*RM is about mutually beneficial relationships that can be established between customers and the bank*'. However, the profits not only indicate the tangible profits (i.e., money), but also include invisible gains, such as 3BM provides that RM enhances the reputation of their bank and their personal relationships (*guanxi*) with customers that have also increased, and IBM thinks that RM outcomes should include positive word-of-mouth business.

Cross-selling and customer profitability are key elements for profitable relationships. This study confirms that RM implementation could encourage customer retention, repurchasing, and sales. This supports the findings of Peppers and Rogers (1995) who report that RM will result in sales growth. The finding confirms the

proposition from Gwinner *et al.* (1998) that RM could enhance customer confidence, social benefits, and special treatment. For example, banks believe that customers are more likely to increase their contributions because the trust and commitment had been growing between banks and customers (Rosen and Surprenant, 1998). It was also suggested that customers are more likely to feel comfortable and satisfied to deal with the same account managers. This result also implies that *guanxi* development has a positive influence on profitable relationships (*Link T*). Moreover, this study also demonstrated that when customers were referred to the bank, they were more likely to contribute than other customers who had come through other avenues.

Acquiring Market Share and Developing Customer Share

This research has defined customer share as '*the approach which focuses on increasing the value of a customer's purchase*' (section 2.3.3). This component can be regarded as an attempt to gain bigger shares of customers' wallets (Little and Marandi, 2003), and increased purchases (Peppers and Rogers, 1995). Previous studies (O'Malley and Tynan, 2000; Little and Marandi, 2003; Henry and Razzouk, 2006) place much attention on RM implementation as a means to increase customer share. However, the results of this study propose different viewpoints. Taiwanese banks place lots emphasis on enlarged market share; more than on customer share. According to the findings, this study concludes with two possible explanations to address this situation.

Firstly, banks indicated that enlarged market share could increase their reputation. Becker (1991) asserts that often when customers purchase a brand based on the influence of others, more consumers will buy it because the brand is popular. Taiwanese banks generally hold similar perspectives and view market share as one profitability indicator (Kotler, 2000); therefore, banks position 'market share maximisation' as their competition strategy. Taiwanese banks also stress that more customers are desirable, as this means there are more opportunities to serve these customers which will result in positive word-of-mouth advertising. Secondly, Kotler (2000) indicates that gaining increased market share will not automatically result in improved profitability which much depends on a company's strategy for gaining increased market share although nearly all respondents think market share can

improve profitability by increasing the market share. This finding disputes the notion that points out that market share expansion could simultaneously encourage customer share. Banks believe that more customer base will possibly result in more opportunities to encourage customer transactions and contributions.

The findings also support that *guanxi* impacts positively on both market and customer share. It was suggested that banks capitalised on *guanxi* to extend their customer base and encourage transactions (*Link W*). More specifically, the results shows banks encourage referral behaviours through existing customer *guanxi* networks in order to enlarge market share. Evidence also suggests that *guanxi* development has a positive influence on customers' willingness to increase CLV which implies customer share could be encouraged through *guanxi* development. Although Brown (2000) contends that a large market share is not equivalent to having loyal customers, most Taiwanese banks believe increasing market share is also more likely to increase customer share. They also think RM implementation positively influences both market and customer share.

Holding Relationships and Shifting Service Forms

Previous studies indicate that when necessary, service suppliers should terminate relationships because not all customers are willing to engage in long-term, profitable relationships with banks (Grönroos, 2000; O'Loughlin *et al.*, 2004; Helm *et al.*, 2006). Although banks have recognised the importance of relationship termination for saving budget and time, banks are more likely to hold relationships with customers but tend to shift service offerings to different type in order to reduce the operation cost. Considering banks' reputations, the results show that banks would not take the initiative to terminate relationships with non-profitable customers. They would be more likely to shift the service types to self-control services (such as ATMs) in order to allocate their time and budget to their valued customers. In other words, banks would reduce the time and operational costs of service with non-profitable customers.

However, Chinese society is often portrayed as a 'relational society' (Styles and Ambler, 2003), where concepts such as *guanxi* are the major influence on both social and business behaviour (Tseng *et al.*, 1995). *Guanxi* is concerned with

long-term business and social relationships (Fan, 2000). The findings here placed lots emphasis on the continuity of relationships in that, although business relationships might be decreasing, *guanxi* (personal relationships) could still be maintained (*Link X*).

7.3.3 Objective Three - To investigate how *guanxi* impacts on RM concepts and practises and their interrelation within Taiwanese banks

- *What role does guanxi play in RM concepts and activities within Taiwanese banks?*

Guanxi is an important cultural and social element in Chinese society. This Chinese term first appeared in the West in the 1980s to offer advice about cultural factors impacting on business relationships in China (Alston, 1989; Fan, 2002). Palmer (1996, pg.18) reminds the reader that '*while relationships may have been rediscovered in the west, they have remained a fundamental part of exchange in many eastern cultures*', so this study confirms and demonstrates this cultural influence on business operations in Taiwan, and *guanxi* is seen as a potential solution for entering into and operating marketing activities. Despite the growing number of publications on *guanxi* and its impact on international companies doing business in Chinese economies (i.e., China, Taiwan, Hong Kong, and Singapore), there is still lots confusion around the concept as well as its alleged benefits. For example, earlier authors accept the notion that *guanxi* is a kind of '*special relationship*' (Arias, 1996; Lovett *et al.*, 1999) and important for Chinese culture. However, only a few studies about *guanxi* have examined how it works with RM (e.g. Davies *et al.*, 1995; Lee *et al.*, 2001; Geddie *et al.*, 2005). Therefore, according to the analysis from this study, the following sections will further discuss how *guanxi* is important in RM; and refer to its effect on and contribution to the aims, mix, and outcomes of RM.

One of the outcomes of *guanxi* is referral and banks generally coin this as MGM which means 'member gets member' (MGM) that the efforts to establish and build up relationships with others in order to increase the customer base (Chen, 1995). This is not a new concept or strategy for Western business context because previous

studies (e.g. Johnson *et al.*, 2003) have proposed that getting existing customers to provide referrals and recommendations should be one of their ways to maintain current customers and simultaneously add to new business. In another words, mostly, in Western marketing literature (File *et al.*, 1992; Anderson, 1998; Gremler *et al.*, 2001), referrals and word-of-mouth influence, as like MGM in Eastern business, are interchangeably. Particularly in the past, in relation to business-to-consumer studies, most of the researchers prefer to use the term word-of-mouth (Yale and Gilly, 1995). This study demonstrates that word-of-mouth, MGM or referral, can all refer to information communications which occurs among customers, so positive word-of-mouth has been recognised as particularly valuable advertising for promoting the bank's products and services.

More specifically, MGM and referral have been placed lots emphasis on relationship creation. Gremler *et al.* (2001) also support this finding that referral can be influential in any purchase decision. However, there is a limited discussion in the literature of how firms can encourage positive referral or word-of-mouth communication (Verhoef *et al.*, 2002) and the opportunity for service employee-customer relational bonds to influence customer referral has been ignored (Anderson, 1998). The results of this investigation recognise this gap and propose that Taiwanese banks capitalise on *guanxi* to encourage MGM/referral for relationship development. The findings also support that Bendapudi and Berry (1997, pg. 30) describe word-of-mouth as the '*ultimate test of the customer's relationship*' in service marketing, in that the quality product and service should not be ignored in terms of RM implementation. However, rewarding could be regarded as a kind of financial incentive, as there is no conspicuous confirmation that it has a decisive impact on MGM.

This study reflects Fan's (2002) view of *guanxi* as a kind of connection. The findings also demonstrate that *guanxi* is a special case because in the *guanxi* system, there could be personal/interpersonal relationships prior to the formation of business relationships. For example, in the beginning, the relationship between a bank and a customer may be a purely business relationship; after long-term interactions however, a personal relationship may develop, and if the personal relationship becomes the decisive factor in the business relationship, then *guanxi* is the outcome. After that, this

guanxi system becomes a network, termed *Ren-Mai* in Mandarin. Scholars also use *Ren-Mai* to present business relationships in China, Taiwan, Hong Kong, and Southeast Asia (Kennedy, 1997). More importantly, Gummesson (1998) insists that the core variables are the keys defining RM, characterised by: '*marketing seen as relationships, network, and interactions*' (Gummesson, 1994: 5).

Consequently, it is evident that *guanxi* encourages customer relationships, so when a bank starts to have a relationship with one customer and then simultaneously drawn into this customer's *guanxi* network. In other words, a customer with wider or stronger *guanxi* may have more resources to bring position effect to this bank in various ways such as MGM to the bank, so the customer base becomes wider. In other words, *guanxi* is not only the interpersonal relationship, but further encapsulates a network of wider connections (*ren-mai*). Actually, this network notion could be reflected in Western networking theory (Anderson, 1992). In Western theory, networking can enhance a firm's competitive advantage by providing access to the resources of other network members (Thorelli, 1986; Luo, 1997), and *ren-mai* refers to expanding the interpersonal relationships in the network.

The results of this study differ to those of Morgan and Hunt (1994), who argue that RM is typically impersonal and mostly occurs at the organisational level. Specifically, exchange parties in Western societies tend to have economic and impersonal involvement in networking, and relational networking is mainly associated with commercial goals (Wang, 2005). The findings indicate that *guanxi* works at a personal level (e.g. friendships) and further strengthens the relationships of other parties involved.

7.3.4 Objective Four: The RMA.M.O. Conceptual Framework

According to the previous Western studies about relationship marketing, the original conceptual framework (Chapter 3.1.5) was proposed to describe RM concepts for this study. Based on the link between *guanxi* and RM performance in Taiwanese banks, this study provides a revised framework, the 'RM's A.M.O' framework, in order to have a better and appropriate explanation of RM in Taiwanese banks. In order to describe the construction of the RM A.M.O. framework, this chapter has discussed each function (aim, RM mix, and outcomes) above. Kotler (2000, pg.25) indicates that '*marketers should build social and ethical considerations into their marketing practices*'. Considering the findings demonstrate that *guanxi* has a important impact on RM, this study revised the original conceptual framework and provided a revised RMA.M.O. Framework, presented in Figure 7.4

Figure 7.4 RM A.M.O conceptual framework

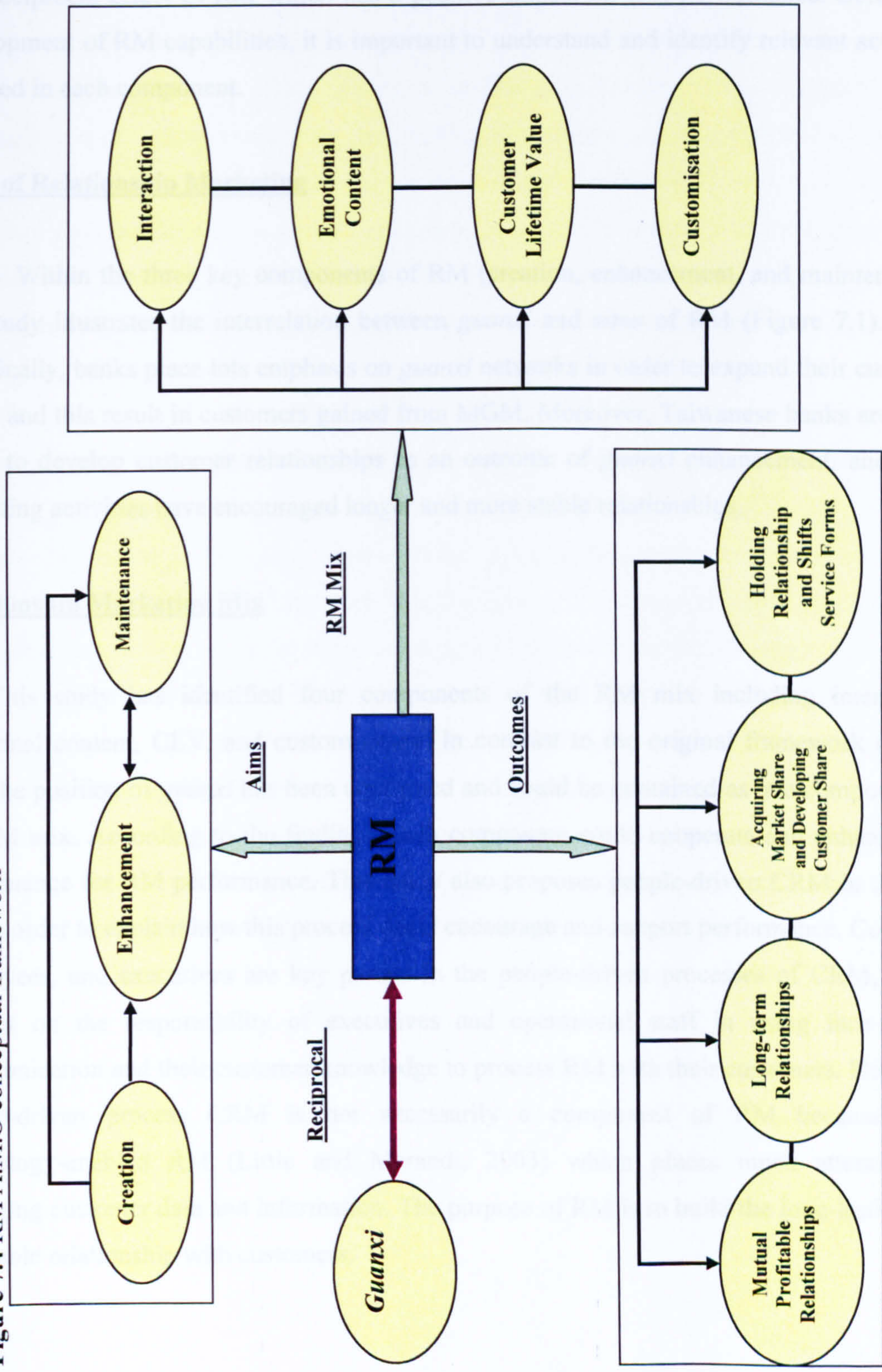


Figure 7.4 presents a comprehensive conceptual framework of RM that guides the components of RM and its development of its capabilities in light of the findings of this thesis. Twelve components have been identified which could be divided into three parts of RM (aims or stages, mix, and outcomes). *Guanxi* here could be seen as a component of either, as a reciprocal effect of RM which has a positive impact on RM performance. Before the development of RM capabilities, it is important to understand and identify relevant activities required in each component.

Aims of Relationship Marketing

Within the three key components of RM (creation, enhancement, and maintenance), this study illustrates the interrelation between *guanxi* and aims of RM (Figure 7.1). More specifically, banks place lots emphasis on *guanxi* networks in order to expand their customer bases, and this result in customers gained from MGM. Moreover, Taiwanese banks are more likely to develop customer relationships as an outcome of *guanxi* enhancement, and these marketing activities have encouraged longer and more stable relationships.

Relationship Marketing Mix

This study has identified four components of the RM mix including interaction, emotional content, CLV, and customisation. In contrast to the original framework (Figure 3.5), the position of *guanxi* has been confirmed and could be contained as one component of the RM mix. According to the findings, each component could cooperate and enhance RM performance for RM performance. This study also proposes people-driven CRM in the RM mix in order to explain how this process could encourage and support performance. Customer, employees, and executives are key parties in the people-driven processes of CRM, which focuses on the responsibility of executives and operational staff in using face-to-face communication and their customer knowledge to process RM with their customers. However, people-driven process CRM is not necessarily a component of RM because it is technology-enabled RM (Little and Marandi, 2003) which places much attention on managing customer data and information. The purpose of RM is to build the long-lasting and profitable relationship with customers.

Outcomes of Relationship Marketing

Four components have been identified as outcomes of RM. However, the results of this study indicate two contrary features. Most Western studies place lots emphasis on customer share (Peppers and Roger, 1995; Little and Marandi, 2003), but in this research, the findings demonstrate that Taiwanese banks focus on market share growth because they believe market share encourages customer share. Previous studies (e.g. Hocutt, 1998; Grönroos, 2000; O'Loughlin *et al.*, 2004; Venkatesan and Kumar, 2004) propose the necessity of relationship termination in order to reduce costs and focus on valued customers. However, the results of this study find that Taiwanese banks are reticent to terminate customer relationships; rather, they are more likely to retain the relationship but change the service form such as persuading these non-profitable or less profitable customers to use self-control services (e.g. Internet banking and ATMs).

Most extant RM research and practice relies on which RM activities build relationships to drive performance (Morgan and Hung, 1994). This research argues that a better understanding of the RM concepts relating to consumer banking performance may be gleaned by adopting this RM A.M.O framework. The findings offer substantive implications for both interpretations of previous findings and the design of further research. Although *guanxi* plays an important role in RM for Chinese based economies, there are still different *guanxi* practices between Taiwan and China. Previous studies about Western and Eastern views on social networks (Pablos, 2005), indicates that *guanxi* practice may be one of the roots of rampant corruption in China, but in Taiwan, *guanxi* has less negative connotations. However, the findings still firmly demonstrate that information on, and benefits of *guanxi* have a decisive influence on Taiwanese banks' RM performance.

7.4 Chapter Summary

This chapter has presented a summary of the findings and a related discussion. According to the findings, this chapter also depicted the outlines of the interrelation between *guanxi* and RM activities. Result available from the interviewees was unambiguous, in that it is in keeping with what is known about their RM implementation experience. Discussion was presented that exemplified the achievement of the objectives of this study. Throughout this chapter, the research also further developed the conceptual framework by elaborating the aim, mix, and outcomes of RM in light of the reciprocal effect from *guanxi*. In contrast to Western theories of RM, there are three components that need to be taken into account including acquiring market share and developing customer share, holding relationships and shifting services forms, and *guanxi*. Considering that the CRM system is essentially technology-enabled RM, this study proposes people-driven CRM in the RM mix, in order to better explain and enrich Western theory. In the next chapter, the study will conclude by considering the contribution of this study to the body of existing knowledge, followed by suggestions for further academic research, as well as managerial implication for the practitioners.

Chapter Eight Conclusions

8.1 Chapter Overview

The research findings have been discussed in Chapters five and six. This final chapter will summarise the study's contribution to knowledge, and a series of related managerial implications generated by this study will also be provided. Lastly, the chapter concludes with a discussion of the limitations and the recommendations for future research, and the chapter summary.

8.2 Contribution to Knowledge

This research contributes further to the investigation of relationship marketing by exploring of the concepts and practices in Taiwanese banks. Therefore, three major implications are found, including identification of relationship marketing components, relationship marketing and *guanxi* are reciprocal interrelation, and relationship marketing R.A.O. framework.

8.2.1 Identification of Relationship Marketing Components

The result of this research has contributed to the growing body of knowledge in the field of RM. The majority of the previous research on RM tends to discuss the various aspects of RM individually, rather than considering them as facets of an integrated system; for example, commitment and trust (i.e. Hunt and Morgan, 1994), and long-term considerations and interaction (i.e. Gummesson, 1987). This thesis adopts a broad perspective of RM, discusses its theoretical foundations and identifies the main aspects of RM that have been converging in this emerging marketing paradigm. In other words, this research adopts an integrated and systematic view to explore the concepts of RM and to provide an empirical investigation of the Taiwanese consumer banking sector. Therefore, this study is also one of the most integrative pieces of research on this subject.

Specifically, although RM has a strong theoretical base in industrial and channel marketing, systematic research on RM in a consumer environment is still lacking (Liang and Wang, 2005). Following the perspective of Gwinner *et al.* (1998) that RM literature often fails to include empirical evidence, this study demonstrates that RM does have positive effects on customer relationships. As discussed earlier, the theoretical foundation of this study was developed from Western RM studies, however, are these in Western and Eastern setting (especially within Chinese-based economies) essentially same of different perspectives in RM and its implementation? This thesis seeks to adopt Western RM theories to explore the concepts and practices in Taiwanese banks.

An appropriate RM definition has been developed for this study (section 2.2.2). This research also tabulates the different RM definitions subsequent to Harker's (1999) research (Appendix 4). Based on Western RM theories, this research identifies their notions about RM and presents into eleven conceptual categories. After investigation within Taiwanese banks, this research also identifies eleven conceptual framework according to the RM definitions provided from Taiwanese banks. Consequently, RM definition and its components have been identified in this research and the importance of its practical application is acknowledged. This research also adds more understanding to issues associated with RM implementation, helping in turn to bridge and enrich between theory and practice. The investigation has examined a series of propositions from the literature and found evidence to support *guanxi* should be considered as one additional component of RM especially in Chinese-based economies.

Despite *guanxi*, this research also proposes other two different aspects than Western RM theories. First, Taiwanese banks applied RM without considering the relationship termination with customers. The results show that banks choose to continue the relationships with customers but encourage these customers to use different service types, such self-control service (e.g. ATM, Internet banking), in order to reduce the cost and time. Second, this study also finds that Taiwanese banks placed lots emphasis on acquiring market share which is different than Western RM theories in customer share. However, this finding does not imply that these Taiwanese banks only consider market share in their RM implementation, it was noted that banks believed acquiring market share increasing encourages the development of customer share.

Moreover, unlike Harker (1999), this study also takes these components into three functions (aims, mix, and outcomes). More specifically, these three functions have been useful and providing a good starting point for the thinking process concerning RM underpinning this research. The findings demonstrate these components are key features for RM application, and *guanxi* should be also one component of RM in Taiwanese banks. Additionally, the research also provided detailed examples of RM activities and interrelation which offer clear indications of how Taiwanese banks capitalise on these components in order to achieve their objectives. The findings demonstrate that Taiwanese banks implement RM with these components although without using accurate RM terminology, because not all bank managers have academic backgrounds. However, their experience about RM has been proven its worth for both concepts and practices of RM in banks. Therefore, twelve components (creation, enhancement, maintenance, interaction, emotional contents, customer lifetime value, customisation, long-term relationships, profitable relationships, acquiring market share and developing customer share, holding relationships and shifting service form and *guanxi*) are recognised and considered as components in RM.

In the following sections, the research specifically highlights three key themes that are different than Western RM theories. The first section, acquiring market share and developing customer share, reflects that Taiwanese banks seek to the increase their customer base with great enthusiasm. The second section, holding relationships and shifting service forms, indicates that Taiwanese banks pay more attention on keeping continuity relationships with customers. The final section, customer relationship management (CRM), suggests the people-driven processes in CRM process in order to emphasize the human side of CRM.

Acquiring Market Share and Developing Customer Share

This research demonstrates that RM implementation will have positive outcomes on both market share and customers share. More importantly, RM implementation should place focus on acquiring market share and developing customer share simultaneously. Previous RM studies (e.g. Grönroos, 2000; O'Loughlin *et al.*, 2004; Helm *et al.*, 2006) suggests that RM performance should concentrate on customer share because it implies a long-term orientation and requires bigger share of customer by selling more products. In this study, the result shows the different perspective that Taiwanese banks place more emphasis on market share.

The possible reason is customers often purchase a brand at the influence of other's, so more consumers are buying it because the brand is popular (Becker, 1999). Moreover, Taiwanese banks generally view market share as their reputation and also one profitability indicator for business and result in positive word-of-mouth advertising. In another words, it is suggested that more market share refers to more customers and more opportunities to serve them which leads to increase the customer share. However, this study is not intended to assert that both the academics and practitioners should only focus on market share in their RM implementation, but it does propose that both market share and customer share are important RM practices for service providers. Accordingly, this study demonstrates that both market share and customer share have certain interrelations and linkage and both results increase profits for the banks. Therefore, RM implementation has contributed the positive outcomes on both market share and customer share. Acquiring market share and developing customer share should be considered as a component for RM concurrently.

Holding Relationships and Shifting Service Forms

This research discovers an interesting result that Taiwanese banks declined to terminate relationship although not all customer relationships are profitable and willing to engage in long-term. Different than Western studies (e.g. Grönroos, 2000; O'Loughlin *et al.*, 2004; Helm *et al.*, 2006), Taiwanese banks consider relationship termination with customers might have influence on their reputation, so they this study indicates that banks would still hold or retain the relationships but encourage these less profitable customers to use self-control services (i.e. ATM) in order to save cost and time.

Moreover, it is clear that it is necessary to consider the personal relationship (*guanxi*) as a feature of business performance in East. Some authors (e.g. Grönroos, 2000a; Tähtinen, 2001; Giller and Matear, 2001) indicate that ending the non-profitable or less profitable relationship should be considered in order to reduce the operation costs and focus on the valued customers. However, this study discovers that although banks had recognised and agreed with this aspect, they are still more likely to continue these non-profitable or less profitable customer relationships. This strategy is different to Western theories although many studies in RM illustrate the potential benefits in terminating these non-profitable or less profitable relationships. However, this type of research only shows part of the overall picture. Relationships with customers are complicated and dynamic, not static. This is particularly

true of Chinese culture, where *guanxi* places lots emphasis on the continuity of the relationship. Therefore, this study extends the findings of the existing literature and provides some explanations as to why relationship termination is unlikely to occur within Taiwanese banks. Therefore, although business relationships might have been decreased, *guanxi* could still be remained.

Customer Relationship Management

Many researchers and practitioners both in the academic area and the business field enthusiastically share their points of views and experiences in apply CRM (e.g. Anton, 1996; Kelly, 2000; Greenberg, 2001; Little and Marandi, 2003). However, whilst there are several different perspectives between RM and CRM, and the confusion, is basically due to two different groups' standpoints about RM. One group (mostly practitioners) believe suppose that CRM is an IT project (e.g. Ryals and Knox, 2001; Parvatiyar and Sheth, 2001; Rigby *et al.*, 2002), while the second group (mostly academics and some practitioners) believes that CRM is a strategy to build a long-lasting relationship with customers that is enabled by technology (e.g. Jackson, 1985; Peppers and Rogers, 1995; Grönroos, 2007). This study adopts the latter group's perspective which CRM is not simply about applications or software because this thinking is quite restrictive, but it is a philosophy in terms of the way a company works so as to build long-lasting relationships with its target customers.

Since many companies would like to better understand their customers, the focus of CRM turns to the implementation of sophisticated software for analysing different kinds of data. This situation has also been found in this study. Taiwanese banks place too much emphasis on the methods of analysis and adopt them as tools to provide value to customers. This is one of the key misinterpretations of CRM. Both Rigby *et al.* (2002) and Little and Marandi (2003) point out that more than half of all CRM initiatives fail to produce the anticipated results. There are two main reasons accounting for this undesired outcome. The first concerns the assumption that CRM is a technological approach, which will not automatically manage customer relationships (Rigby *et al.*, 2002). On the other hand, customer knowledge needs to be comprehended by managers and face-to-face communication needs to be performed during front-line service encounters. Thus, this study proposes the people-driven processes in CRM could provide a reference for planning

effective RM for customer relationships and can supplement existing studies on data-driven and process-driven CRM.

'People-driven processes' in CRM emphasise that executive and service encounters in face-to-face interactions and customer knowledge are required to process CRM. The human side of CRM processes should receive greater attention in CRM studies. The second reason regards how, in most CRM programmes; many marketers have still adopted conventional approaches, taking the active role in the relationship development process. In other words, the relationship has often been used by practitioners to underpin a supplier's marketing activities in which customers may not necessarily be aware that they are participating in relationship management campaigns. This may be the possible reason why established relationships tend to be declining ones. Hence, this finding can be an important issue for future research.

8.2.2 Relationship Marketing and *Guanxi* are Reciprocal Interrelation

This study verifies a positive effect that *guanxi* has with the aims, mix, and outcomes of RM. In the literature, some authors e.g. Luo, 1997a; Ambler *et al.*, 1999; Fan, 2002) argue that the role and benefits of *guanxi* may have been grossly exaggerated and cannot be substantiated because there is no convincing direct evidence to show how and to what extent *guanxi* alone is beneficial to business performance. However, this study found that *guanxi* shares certain common characteristics with Western concepts of relationship marketing or networking; however, fundamental differences do nevertheless remain. A lack of understanding of these differences, and failure to distinguish between different types of *guanxi* has resulted in much of the confusion present in the literature.

However, the results of this study could address this confusion by providing answers. After empirical investigation, this thesis demonstrates *guanxi* (personal relationships or connections) has a decisive and constructive impact on customer relationships in terms of the aims, mix, and outcomes of RM. Previous studies merely state that *guanxi* is important for Asian RM performance without an adequate explanation for this interrelation. This thesis contributes to the literature by presenting evidence in support of the interrelation between *guanxi* and RM. In addition, this research interprets how *guanxi* may affect RM concepts and practices. This in turn may help Taiwanese banks to have a better understanding of RM and

how to implement it effectively. In spite of the fact that this study was conducted in Taiwan, the results still provide contributions for Western banks to better understand the relationship between *guanxi* and RM performance. Additionally, the results reveal that Taiwanese banks have sometimes overemphasised *guanxi* in the development of customer relationships with disregard for other important RM components. This study suggests that banks need to apply *guanxi* network to access and also adopt a wider perspective concerning customer relationships and focus on building long-term and mutually profitable relationships.

One contribution from the descriptions shared by the interviewees in this study relates to how the respondents not only introduced different ways of thinking about RM, but also some original ideas that had not been considered at the commencement of this study. The study interviewees rarely used the precise terminology of RM because not all these bank managers have strongly academic background. The participants' descriptions may have been influenced by their RM implementation experience. The Western RM mix includes interaction, emotional content, customer lifetime value, and customisation. This study offers some insightful comments on the RM perspectives and potentially advances in the RM activities for Taiwanese bank. Factors that may prove valuable from the Taiwanese banks' perspective in relation to RM include the notions such as *guanxi*. This cultural notion may not be limited only to informal relationships but also may encapsulate the business relationship.

Another implication is that interaction between bank employees and customers becomes more involved in the service process. However, this research has not addressed the differences and characteristics of individual Taiwanese banks. To this end, there is theoretical development of the notions that bank branch differences and cultural factors (e.g. focus on *guanxi*) may influence the shape of the RM experience for each Taiwanese bank. It was interesting to note that the participants described their frequent RM patterns in ways not typically found in the current marketing literature. The notion of *guanxi* was present in their thematic descriptions of relationship creation, enhancement, and maintenance. *Guanxi* also reflected personal connections and networks which extend the possibility of access to new and/or existing customers. According to the results of this study, this thesis supports *guanxi* as one component of RM in Taiwanese banks.

In addition, there is limited research that investigates RM within a consumer services marketing context. Specifically, it was suggested that there is a gap in the RM concepts used

between the Taiwanese banking sector and Western RM theory, where the former tends to view RM more strongly in the context of *guanxi*, characterised by the creation of social relationships as opposed to business relationships. Although there are several studies that have investigated RM in the Asian marketplace, it is noted that there are however, no universal principles applied to every country. Several studies have often investigated RM within some Eastern countries (such as China and Hong Kong), but no studies to date have analysed RM application in Taiwanese settings especially in the financial service sector. This research enriches the knowledge in RM concepts in order to fill the gap in the literature. Accordingly, this research is the first to empirically investigate the concept of RM in Taiwanese banks. The information collected can also assist Taiwanese bank managers in developing their marketing strategies in order to create, enhance, and maintain their relationships with customers.

8.2.3 Relationship Marketing A.M.O. Framework

The most important and primary contribution from this research is the results from objectives resulting in the development of the RM A.M.O. framework (shown as Figure 7.4). In the literature review, this study has brought largely confirmative of other research relating to RM theories. As discussed earlier, it is important to recognise that the perspective of RM adopted in this thesis is necessarily broad. In particular, this research seeks to consider RM in integrated thoughts, which has brought together the relevant literatures. The concepts underpinning RM are intended to provide as a foundation for the better understanding of RM practices in Taiwanese banks. It is possible now to offer a description of RM with many of its accompanying aspects according to the previous literatures. According to the results of this study, the revised conceptual framework has been developed in order to provide a fuller understanding and account of RM in Taiwanese banks (Figure 7.4). In other words, this research has sought to integrate RM activities and provide a brief overview of RM from a theoretical standpoint before concentrating on the key findings from research undertaken amongst Taiwanese banks. Therefore, this RM A.M.O. framework provides insights into variety key aspects for RM.

The framework also identifies the key components of RM and categories them into aims (creation, enhancement, and maintenance), mix (interaction, emotional contents, customer lifetime value, and customisation), and outcomes (long-term relationships, profitable

relationships, acquiring marketing share and developing customer share, and holding relationships and shifting service forms.) according to their different functions. This framework was designed to show the interrelation between interrelated components of RM. It also shows an important factor, *guanxi*, should be considered as a component in RM, especially for those marketers who want to apply RM in Chinese-based economies. RM A.M.O. framework therefore provides a

In addition, most previous studies of RM employed quantitative methods (e.g. Patterson and Smith, 2001). However, their findings are not appropriate for this study because the quantitative survey is not capable of adding in-depth information obtained. Through qualitative interviews, the participants were allowed considerable freedom to describe their own RM implementation experiences and take in-depth to understand about RM concept from Taiwanese banks. This interpretivist approach is decidedly different from the positivist approach, where the latter predominantly tends to be employed in RM studies. It is posited here that by allowing the participants to describe their RM practices and their understanding of the concepts behind these activities, in their own language using their own terms, that this will consequently allow for increased understanding and insight into how the participants view their own RM activities. Specifically, this study provides several contributions to the body of RM knowledge. Drawing on this, this study incorporates realistic views of RM conception, practice, and views from the banks.

8.3 Managerial Implications

Relationship marketing (RM) in the services context is a new term, but represents an old phenomenon (Gummesson, 2002). Harker (1999) has drawn attention to the lack of consensus regarding the meaning of RM. This research has discovered that initial thinking on the concepts of RM and practices are limited. The opinion expressed in this study is that many marketers and scholars that use notions of RM in their work may not yet fully consider the nature and depth of this phenomenon in different marketplaces. This research seeks to assist in highlighting this overlooked phenomenon.

However, it is noted that this study is not intended to suggest RM is necessarily a better way to address all marketing activities for Taiwanese banks, nor that more historic

approaches (e.g. traditional marketing mix) should be dismissed. It is clear that RM concepts have become increasingly important for both marketing academics and practitioners alike (e.g. Merrilees and Miller, 1999; Leung *et al.*, 2005). Traditional marketing (TM) seems to be regarded as out-dated because it only focuses on short-term dealings rather than long-term fulfilment of customer requirements/needs. Many scholars such as Gummesson (1993), Grönroos, (1994), Morgan and Hunt (1994), Sheth and Parvatiyar (1995b), and Buttle (1996) place emphasis on that a paradigm shift from TM to RM has reoccurred, arguing that the latter can totally replace the former. In other words, there are still some disagreements about this claim. The results of this study do not agree with such an extreme contention, and rather point to the possibility that firms can practice RM and TM simultaneously as a means to nurturing their relationships and dealings with their customers. Some authors have therefore considered that both TM and RM need to be practices. For example, Grönroos (1995) drew attention to the 'marketing strategy continuum', which claimed that RM and TM are located at two extreme ends of marketing practice. The findings of this study support this perspective and further demonstrate that RM and TM are both implemented within Taiwanese banks. Therefore, for the majority of banks most of the time, TM and RM can exist simultaneously.

In particular, Taiwanese banks have applied both traditional marketing and RM simultaneously which also supports Gummesson's (2002a) argument that the 4Ps (product, price, promotion, place) and three other Ps (people, process and physical evidence), will always play an important role in RM. More specifically, this research (unlike previous studies that have paid excessive attention to RM) has also considered the impact and importance of TM on the four Ps and additional service Ps, indicating that traditional marketing should not readily be disregarded. The author in this research believes that the seven Ps should provide a supporting, rather than a leading role. It is posited here that RM enhances and develops previous facets and offers an inherently different way of considering the multifarious nature of RM.

As competition in the banking industry becomes increasingly intense, the need to manage customer relationships also has grown more important (Crosby *et al.*, 1990). Losing valued customers can negatively affect a bank's market share and profit margins (Colgate and Hedge, 2001). Grönroos (1997) concludes that the general marketing mix becomes less helpful in this changing business environment. New paradigms incorporating RM will be required. This research is the first to empirically investigate the concept of RM from the

perspective of Taiwanese bank managers. The revised conceptual RM A.M.O framework (Figure 7.4), clarifies some of the major aspects of RM strategies in Taiwanese banks. Practitioners recognise the importance that RM plays in their marketing strategies. The findings of this exploratory study have suggested the initial concepts and practices of RM in Taiwanese banks. Taiwanese banks apply RM to build customer relationship, but the result of this study shows that they have ambiguous understanding about RM. Many practitioners are aware of the differences between Western and Eastern-based culture context, for example, Wu and Speece (1998) propose that the adaptation of Western methods, with the integration of Chinese elements to produce a hybrid, may be even more effective than the adoption of pure Western sales methods.

The results of this research indicate that Taiwanese banks have been partly influenced by academic theory of RM. Rather than attempting to implant Western RM, it may be more appropriate to 'pick off' various components of RM and develop a new way of conducting RM within Taiwanese banks. Moreover, this study confirms that the majority of Taiwanese banks interviewed sometimes overemphasised *guanxi* especially in the initial stages of relationship creation. Regarding this point, the results of this study suggest that enhancing brand image and brand recognition can complement *guanxi* and consequently exercise strong, positive effects on customer relationships. *Guanxi* is deeply embedded in the mindset of the Chinese people and in every aspect of their personal and organisational interactions (Park and Luo, 2001).

Therefore, this research suggests the practitioner could apply word-of-mouth and brand image which would engage emotional attachment in relationship creation, enhancement, and maintenance. In other words, banks can implement RM in order to benefit from the reciprocal effect on customer trust of the service employees and the banks as a whole. Mainly, the findings of this study have some implications to practitioners – especially to financial services sector in Chinese-based economies.

8.3.1 Effective Application of Relationship Marketing and its Components

It is recognised from this study that although obtaining new customers may be costly and time consuming, with the possibility that even the new customers may not spend as much money per transaction as existing customers, the findings indicate that Taiwanese banks will

never stop seeking to develop relationships with new customers. In other words, many practitioners are well aware of the importance of relationship creation, enhancement, and maintenance, especially within an extremely competitive marketplace. Hence, the results of this study suggest banks should increase their efforts in acquiring and continuously updating knowledge concerning customer needs, motivations, and behaviour over the lifetime of the relationship. In order to achieve long-term and mutually profitable relationships, it is necessary to apply and share customer knowledge via continuous interaction.

It is the position of this thesis that many practitioners are aware of RM; however, when discussing RM, Fournier (1998) indicates that practitioners are significantly ahead of academicians, as theory and construct development have been lagging behind practice. Some researchers (e.g. Dibb and Meadow, 2001) indicate that many banks have already reached a higher level of RM than firms operating in other sectors. This investigation however reveals that Taiwanese banks may apply RM without actually realising it. Although many bank managers expressed uncertainty about RM terminology (e.g. RM and CLV), the evidence demonstrates these banks have been implementing RM for a long time and will continue to do so. Thus, this study suggests that although practitioners may be ahead of, or hold different conceptualisations compared to academicians, there may still be room for increased understanding of the nature of RM. Professionally, the result of this research provides further insights and develops an appropriate RM concept and framework in order to improve the efficiency of RM performance in Taiwanese banks.

8.3.2 Understanding the roles of *Guanxi* and RM in Marketing Strategy

This research also highlights practical implications for RM and its components applying to business performance in order to result in positive or magnified impacts on RM practises. Taiwan has a growing economy and is considered one of Asia's economic dragons (Wu, and Taylor, 2003), and is part of Chinese-based economies which share cultural affinities with China, Singapore, and Hong Kong. Considering that the Chinese marketplace offers huge business potential, this research has important implications for those Western companies seeking to enter this market.

Especially after the presidential election in March 2008, the new era of 'Three Direct Links' (i.e., direct exchanges of mail, goods and air and shipping services between the two

sides of the Taiwan Straits, Taiwan and Mainland China¹²) is forthcoming which means Taiwanese banks have to prepare for the new challenge and huge commercial possibilities. This research suggests that management practitioners of Western firms investing in Chinese society may benefit more from seeking long-term partnerships through the gradual development of *guanxi* networks than from relying strictly on the more familiar contract-based agreements (Standifird and Marshall, 2000; Wang, 2005). For example, City banks merged with Bank of Overseas Chinese in 2007 in order to rapidly expand their customer base and branch location.

The present study confirms that the relationship marketing is a great deal more than a way of selling. The results of this study provide several strategic implications for those Western or international organisations and managers whom seeking to build their customer relationships in Chinese-based economies.

- First, banks must understand how RM strategies work. Although there are many ways for banks to engage in customer relationships, RM is the most successful and in most conditions, *guanxi* contributes positively to RM implementation. Most Westerners are uncertain about what exactly constitutes a relationship is in the Chinese context, and may also feel that it is very difficult to identify its contribution for establishing and maintaining good relationships in the marketplace (Yau *et al.*, 2000b). To managers, the result for the identification of RM components is crucial to improving their relationships with customers. They will also gain knowledge about the accepted definition of RM and its impact on their marketing strategies. More specifically, the results of this study help bank managers to understand how to capitalise on RM more efficiently in their marketing strategy.
- Second, Taiwanese banks should identify specific targets for RM amongst the general customer base. Considering costs and time, banks have limited capabilities to manage mass customers. However, managers should attempt to communicate more closely to better understand their customer's needs and expectations.

¹² Source from : <http://www.mac.gov.tw/big5/tra/5.pdf>

- Third, problems have been raised in this study where customers are still treated on a product rather than an individual basis. More significantly, few Taiwanese banks hold information on customer lifetime values (CLV). Hence, this research suggests that Taiwanese banks through a close understanding of customer needs, based on two-way dialogue will be able to increase their CLV share. In other words, bank customers can be segmented effectively according to their CLV so that banks may be able to provide a higher level of customised products and services.
- Fourth, although *guanxi* plays an important role in smoothing the RM implementation process, it is not a necessary and sufficient condition for overall performance, because *guanxi* takes time to develop (Wong, 2005). Moreover, the result from this study shows that *guanxi* cannot entirely replace price attraction for the customers. When business relationships are to be developed quickly, the quality of personal interactions may suffer due to a stressful environment of relationship acceleration (Wilson, 1995). However, managers could develop an independent relationship, allow the customers to trust and be satisfied with their services. Companies that express friendship or gratitude by presenting gifts to customers really have social meaning. The front-line service staffs can use these kinds of socialising strategies to build stable relationships and promote relationship quality even further.
- Fifth, another major finding of this research is that individual characteristics of the front-line service staffs (e.g. account managers, financial advisor, etc) contribute significantly to the evaluation that customers make of their relationships with banks. It is suggested that this reinforces the contention that relationships between bank and customers can be personalised and that the qualities of account managers and service staffs can be decisive. It is also consistent with the finding that the emotional contents, particular with trust, related to the long-term relationships. Obviously, this does not mean that the relationship should be limited to only the *guanxi* between individuals (service staffs and customers), as our results also indicate that bank's characteristics, particular their reputation and image, importantly affect their customer relationships. This research provides empirical support underlining the interrelation involved in relationships as well as the importance of contexts of *guanxi*.

The findings also highlight that in order to effectively implement relationship marketing, different financial products need different RM strategies. Hence, the level of staff member training should be concerned not only with financial product knowledge but also with ethical management. In this study, the level of trust between bank and customers was a direct outcome of the service provider's attitude, manner, and professional knowledge. Thus, relationship development training should be provided. Two key issues should be addressed in these training programmes; namely how to handle customers' emotional needs and how to tackle different situations and problems. Thus, it is suggested that *guanxi* development should be concerned in customer relationships. For example, it is necessary that service employees and bank managers expend more effort in understanding customers' transaction processing and the different levels of customer involvement required as a result, because not all customers are willing to enter into long-term relationships. Also gift-giving and eating out are often being considered for banks in *guanxi* development.

8.3.3 People-Driven Processes in Customer Relationship Management

The results of this study also indicate that Taiwanese banks over-emphasise CRM in their RM implementation and overlook 'people-driven processes'. Interviewees did however recognise that they required more employees to carry out data mining from CRM systems. In other words, people-driven processes need executives and front-line service staffs to sharpen their abilities and understanding with regards to manipulating and analysing knowledge to recognise and satisfy customer needs in a consumer-oriented culture. These include processes that are difficult to implement or that cannot be carried out using technological solutions alone, such as planning customer strategy (Rigby *et al.*, 2002; Bull, 2003), making critical decisions (Wayland and Cole, 1997), and coping with customer problems (Chen and Popovich, 2003). Hence, this study suggests that practitioners conceive of CRM as a strategy rather than as a solution, and there still need to be executives and front-line service staff who understand customer needs and handle communications and responses (Stringfellow *et al.*, 2004).

Considering that many Taiwanese bank managers were applying RM without any academic background, they still capitalised on a variety of activities such as face-to-face interaction and emotional contents linked with *guanxi* development to understand customer needs and handle various communications and responses; especially when the greater the

customers' emotional needs were, the greater was the dependence on people-driven process in CRM. Therefore, this study suggests that customers, the front-line service staffs and bank managers should be the key parties in the CRM system, and that not only bank managers and service personnel should take a proactive stance. Banks should pay more attention to the growth of knowledgeable customers and encourage their customers to engage actively in relationship development with their financial service provider. According to McKenna (1991, pg.1), '*technology is transforming choice and choice is transforming the marketplace*'. This has challenged the traditional banking business environment and the ways to conduct business. Since customers have more channels to source financial products and services, they also have greater access to any required information. Banks should therefore encourage customer involvement and interact differently with customers. For example, the results of this research indicate that when customers have a high involvement in banking services, they are more likely to increase their transactions. In other words, it is suggested that banks can provide customised interaction according to the different needs of individual customers.

8.4 Limitations of the Research

As with any study there are always limitations associated with the particular philosophical and methodological tradition engaged, and this thesis is no different. After the conclusions and implications of this research, some potential limitations are discussed in this section in this section.

Firstly, an important consideration in this qualitative research is the question of generalisability. This deals with the extent to which the result of this study is applicable in other situations, context or group. This research aims to investigate the concepts and practices of RM and be limited to the Taiwanese banks. Although this study has been conducted in the East (most of previous studies were in the West), the findings can not be generalised to all Eastern countries as culture are likely to vary. However, it does however provide support that there are differences and further studies in other countries. Even so, the findings of this study also may be applicable to other countries within the Chinese-based economies (e.g. China, Hong Kong, Macao and Singapore). In addition, it is recognised that the findings may also be useful to different service industries that share some important characteristics, for example, those which focus on developing profitable and long-term relationships between customers

and the service providers, like insurance brokers. However, there may be some differences in applying this study to other industries, to other countries, and to the business-to-business context. In short, this thesis gives consideration to the notion of RM represented in this study and recognises that banks may share the same aspects as others in the community from the concepts and practices. The limitation of generalisability and transferability is found.

Secondly, despite the number of interviews were acceptable and satisfied, there is always the potential for sample bias (Guba and Lincoln, 1985). This study recognised the implicit nature of bias that could have been associated with interviewing participants of company background, such as company size and capital levels, organisational culture, company's policy and target, etc. However, all procedures, questions types, interviewing techniques, etc, were held consistent between the two sample frames which contain senior marketing managers and branch managers whom certainly have sufficient knowledge and rich experience for this study. Also, each individual is unique. According to different participant's own personality, they may have different responses and perception of banking services. Moreover, for the purpose of the study, to simplify their respond was necessary (i.e. standard set of common attitude), so the researcher needed to be aware each individual's attitudes could affect the authenticity of this research in order to avoid and reduce the risk of the sample bias.

Thirdly, there are 34 domestic consumer banks¹³ in Taiwan, and this study interviewed with 17 banks. The results therefore might not be representative of a general population (Hussey and Hussey, 1997), but has symbolic. This study looks at RM which banks consider important in developing and maintaining relationship with their customers. However, Parasuraman (1998) points out quite correctly that customers may not see things exactly the same as suppliers do. Thus, the data here cannot clearly and specific indicate which components contribute to positive stronger RM. Instead, the data here can only suggest what Taiwanese bank thinks contributes to strong relationships. The bank view is, in itself important, but may have to be modified if customer views are different.

¹³ Source from Taiwanese Financial Supervisory Commission, Executive Yuan. (2008) There are 14 FHCs, 45 domestic banks, 36 local branches of foreign banks. (<http://www.banking.gov.tw/public/data/boma/stat/index/index-a.xls>)

Finally, this study was conducted in RM context within financial industry in Taiwanese environment and therefore, its finding may not be generalized to other industry. In addition, the financial service market is dynamic: technological advancements (e.g. Internet ATM), the entrance of new players (financial holding company), and the frequent mergers and acquisitions by financial institutions (e.g. during the research period, Chinatrust financial holding bank acquired Fengshan Credit Cooperatives in 2007), have all taken places in recent years. Research conducted in such an environment quickly suffers from the time decay of information, and consequently required continual up-dating to accommodate new and previously unexpected change.

8.4 Recommendations for the Future Research

Several recommendations are suggested for future research. First, it is important to note that this research is exploratory by nature. The RM A.M.O framework in Chapter Seven (Figure 7.4) can be applied as a blueprint for future researchers, who may wish to employ methods other than explorative interviewing, such as factor analysis, regression analysis etc, to further investigate bank performance related to RM. Extensions of this framework point to various research opportunities. As the topic of relationships is a complicated one, new findings may be obtained through investigating the different stages of relationship development. A more focused research design may be helpful to more deeply explore the complicated issues associated with the various stages of RM. Since only Taiwanese banks have been selected in this study, a notable limitation relates to the generalisability of the findings. More applications of the proposed framework to other settings are suggested. For example, a future study might explore RM mix in other service industries, such as insurance brokers, phone services, and medical care, international financial services institutions, and other East-Asian countries (e.g. China, Japan, and Korea) which can potentially assist in validating and normalising the findings of this study.

Second, this research found that bank managers without related academic grounding, are implementing RM. Briefly, this study interprets this situation as that Taiwanese banks are implementing aspects of RM without awareness of following the philosophy of RM. The findings of this study confirm that Taiwanese banks placed lots emphasis on *guanxi* within their RM performance. However, do other Asian countries (such as South Korea and Japan)

share the same concepts and practice regarding their RM implementation? So and Speece (2000) claim that Westerners pay more attention to technology than Chinese bank account managers do. However, there is a possibility that Western account managers rely on social relationship elements, but consider this feature to be less important than their Asian counterparts. Thus, it will be interesting to note whether other Asian countries can assist in validating and normalising the findings of this study. In other words, this study focused only on the RM within Taiwanese banks. Given this study's limited scope, caution must be exercised when generalising its findings to the contexts of different countries. Further studies could test the model in various cultural and economic contexts (e.g. between China and Western countries). Efforts to identify the importance of *guanxi* under different economic conditions will be worthwhile.

In addition, another possible future research direction is to focus further on the practice of relationship termination in Taiwanese banks. Although the finding from this investigation shows that most banks disregard this issue, sometimes unprofitable customer relationships were compulsory continued. However it was suggested that Taiwanese banks seek the most appropriate solution without harm to either the business or its social relationship in order to develop long-term and mutual profitable relationships between bank and customers.

Of those questioned, some of these respondents however, believed that several Taiwanese banks were making some, but not complete progress towards effectively implementing RM. China-trust and Fubon were by far the most frequently mentioned companies. This study also included these two banks in the investigation. However, it is interesting to note that these two banks have also stressed they have successfully undertaken RM for a long time. Although these findings are difficult to interpret in this study, this may be an interesting area to more closely investigate in follow-up studies.

In brief, researching RM is not without its challenges, in that it is difficult to use one model to explain all the issues. It is recommended that more examinations of cases and/or interviews be performed, so that better relationship strategies can be formulated and more value provided to customers.

8.5 Chapter Summary

This final chapter has suggested that there is decisive support for the development of RM in Taiwanese consumer banking as a means to ensuring long-term and profitable customer relationships. The first part discussed the potential contributions of this research, followed by a discussion of the managerial implications in light of the findings. The last section has offered a platform for continued research. This notion is supported by suggestions for additional research.

In conclusion, this study has investigated the aims of RM (creation, enhancement, maintenance), RM mix (interaction, emotional contents, CLV, and customisation), and RM outcomes (long-term, profitable relationship, growth market share not only customer share), applied to the Taiwanese banking sector.

Evidence, available from the interviewees in this study, is in keeping with what is known about the concepts and practices of RM in Taiwanese banks. Discussion focused on how this study acknowledged and attempted to ameliorate the inherent limitations associated with the implementation of RM. A central argument here concerned the call for emphasising investment in long-term customer interactions, rather than relying on a series of potentially unrelated, one-time exchanges. In practice, however, RM is not that simple to implement.

Due to market environment changes brought about as a result of technological advances and changing customer needs, companies are recognising the necessity of nurturing customer relationships. The concept of RM reflects a marked change in current thinking. Today's marketplace is more complex than ever before, where companies are seeking new approaches to develop customer-oriented strategies. Here, this research exploration of key issues represents a comprehensive contribution to the literature and will benefit not only the academic field, but also practitioners who are involved with planning and executing RM strategies and activities. From a marketing theory standpoint, the twelve kinds of components in the RM A.M.O. framework provide guidance to researchers exploring the many forms of RM. For practitioners, this research provides a useful framework for evaluating extant RM strategies and for developing further strategies.

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Appendices

Appendix 1: Glossary

These definitions are developed from this research in Chapter 2.

Relationship Marketing: marketing activities carried out in order to attract, maintain, and enhance long-term and profitable relationships with potential and existing customers, through interaction, commitment, customisation, and identification of customer lifetime value...[and where]...unprofitable relationships may be terminated

Relationship Creation: to attract or establish relationships with potential customers in the early stage.

Relationship Enhancement: to enhance, strengthen, and extend the relationship with customers’.

Relationship Maintenance: to sustain and maintain stable relationships between firms and customers.

Interaction: the process by which the parties exchange, communicate, in a mutually collaborative manner, in order to identify needs and to find the solution.

Emotional Contents: willingness to trust and believe in the integrity of the other to keep their promises.

Customer Lifetime Value: attempt to create added value, and many companies, utilising improvements in technology and flexible processes, are enabled to engage in the practice profitably.

Customisation: an approach which attempts to take account into the customer’s requirements and needs through flexible processes to create added value for customers.

Profitable Relationships: one outcome of RM which particular includes the mutual profitable, effective, and rewarding relationships.

Long-term Relationships: the concepts of duration and emphasis on long-term relationships’.

Growth Customer Share: increase in the value of a customer’s purchase

Relationship Termination: the outcomes of RM in which the firm may no longer view the relationship as necessary to continue with customers due to lack of profitability or one certain period of product/service reaching completion.

Guanxi: a particularised and personalised relationship based on the reciprocal exchange of favour.

Appendix 2: The definitions of relationship marketing after Harker's study (1999)

(The italic quotation refer to the conceptual categories of RM that present in Appendix 4)

RM reorients the positions of suppliers and customers through a business strategy of bringing them together in *co-operative, trusting and mutually beneficial* relationships (Gruen, 1997).

RM has developed to involve even more detail which is concerned with the nature of relationships between the firm and customer that emphasises a *long-term* relationship that *takes account of* the customer's needs and values. RM is used as a term to describe the relationship within which the organisation engages with all stakeholders, thus the strategic issue is to *establish the mix or portfolio* of the relationships that is essential for the firm (Stewart and Durkin, 1999)

RM has to do with having high-quality, *reliable customer databases* from which to draw data and configure information *depicting patterns of need* within the customer and prospect population (Khalil and Harcar, 1999)

RM was defined as marketing seen as *interactions, relationships and networks*, thus emphasising three central phenomena in this marketing perspective (Gummesson, 1999 in Grönroos, 2004).

RM is the *ongoing 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* (Parvatiyar and Sheth, 2000)

The purpose of marketing is to identify and *establish, maintain and enhance*, and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a *mutual exchange and fulfilment of promises* (Grönroos, 2000a).

RM is a major marketing theme from focusing on transactions to building *long-term, profitable* customer relationships. (Kotler, 2000)

RM represents a strategic response by firms to gaining *competitive advantage*, and this response is based on the thesis that an appreciation of the *interdependence* among market players and *mutual effort* based on *trust and commitment* would allow firms to remain competitive (Tzokas *et al*, 2002)

RM can be defined as marketing based on *interaction* within networks of relationship and *developing, maintaining and enhancing long term* customer relationships (Gummesson, 2002a)

RM is concerned with the nature of the relationships between the firm and customer that emphasises a long-term relationship that takes account of the customer's needs and values. (Rao and Perry, 2002)

RM covers all actions for the analysis, planning, *realisation*, and control of measures that initiate, *stabilise, intensify, and reactivate* business relationships with the corporation's stakeholders – *mainly customers* – and to creation of *mutual value* (Bruhn, 2003, p.11)

RM is based upon the premise that it makes economic sense to *satisfy and retain* customers as the *strength and duration* the relationship is directly proportional to the *resultant profitability*....RM is about the *mutually beneficial* relationship that can be *established* between customers and the bank. (Gilbert and Choi, 2003)

RM is a philosophy of doing business, a strategic orientation that focuses on *keeping and improving* current customers rather than on acquiring new customers (Zeithaml and Bitner, 2003).

RM is beneficial to firms because it can foster customer *loyalty* and re-patronage behaviour and also has been widely *embraced* as a method for *developing customer loyalty*, resulting in *positive outcomes* for both consumers and marketers (Priluck, 2003).

RM focuses on customer *keeping*, rather than purely customer *getting*. Importance is attached to the *lifetime value of customer* to a company rather than the value of a single sale...RM

concentrates on *keeping* customers and attempting to *gain a bigger share of their 'wallet'* by selling more of the same product or by cross-selling to them (Little and Marandi, 2003).

RM is defined as the activities carried out by banks in order to *attract, interact* with, and *retain more profitable or high net-worth customers* (Walsh *et al*, 2004).

The relationship marketing perspective is based on the notion that on top of the value of products and/or services that are *exchanged*, the existence of a relationship between two parties creates *additional value* for the customer and also for the supplier or service provider (Grönroos, 2004)

RM involves *developing* offerings that are able to *flexibly solve customer's current and further needs and wants* (Chien and Moutinoho, 2004)

RM characterised by reciprocal, interdependent, committed, and long-term relationships between sellers and buyers. (Sin, 2005)

The final purpose of RM is to gain the *maximal value* of customer, who can *contribute to the corporation's long-term profit*. (Tseng, 2007)

Appendix 3: seven conceptual categories of RM from Harker (1999, p.20)

Author	Birth	Developing	Maintenance	Temporal	Interaction	Outputs	Emotional content	Row total
Baillayne, 1994	Creating	Developing	Sustaining, continuous, stable Maintain	Continuous	Exchange			5
Berry, 1983	Attracting	Enriching						3
Berry and Parasuraman, 1991	Attracting	Developing	Retaining	Retaining	Relations		Commitment,	5
Bennett, 1996, A	Establish, create	Strengthen	Solid	Long-term, permanent, lasting	Co-operative, fair-dealing		trust, openness, sacrifice	6
Bennett, 1996, B		Development	Maintain	Lasting	Mutually involvement	Rewarding, profit	Total integration,	6
Bennett, 1996, C	Establish	Development					Commitment, trust, promises, bonds, obligation	4
Christopher <i>et al.</i> , 1991	Getting	Development	Keeping	Long-term				2
Grönroos, 1991	Establish	Nurture, enhance			Exchange	Profit	Promises	2
Grönroos, 1996b	Establishing	Enhance	Maintain				Promises	5
Grönroos, 1990								4
Grönroos, 1989, 1990								6
1994, 1997	Establish	Enhance	Maintain	Long-term	Exchange	Profit	Promises	6
Grönroos, 1994, 1995	Establish	Enhance	Maintain	Long-term	Exchange	Profit, terminate	Promises	6
Gummesson, 1990		Building	Maintain		Interactive	Liquidation		5
Gummesson, 1994					Interactive	Profit		3
Gummesson, 1994, 1997					Network interaction			1
Hammarkvist <i>et al.</i> , 1982					Relations			3
Jackson, 1985						Profit		4
Matthyssens <i>et al.</i> , 1994		Build, support, extend	Supporting	Lasting				3
Morgan and Hunt, 1994	Establish	Develop	Maintain	Extend				4
O'Malley <i>et al.</i> , 1997	Initiation	Enhance	Maintain		Exchange		Promises	6
Paravathyar, 1996					Exchange	Dissolution		2
Pathmarajah, 1993					Co-operating	Productivity, efficiency, effectiveness		3
Ravald and Grönroos, 1996	Create		Maintain	Over-time	Mutually	Profit		6
Sheth, 1994				Long-term	Mutually	Profit	Loyalty	2
Takala and Uusitalo, 1996	Establish	Strengthen, develop	Nurturing	Ongoing	Collaborative			4
Tzokas and Saren, 1996		Develop, nurturing		Long-term, enduring	Dialogue	Profit, commercialisation	Understanding, confidence, respect	4
Column totals	14	19	17	13	19	12	10	

Appendix 4: The conceptual categories and additional components of RM that fall within each classification after Harker (1999)

Author	Creation	Enhancement	Maintenance	Interaction	Emotional Contents	Customer Lifetime Values	Customisation	Long-term	Profitable	Growth Customer Share	Termination	Row Total
Gruen, 1997				Co-cooperative	Trusting				Mutually beneficial			3
Steward and Durkin, 1999	Establish					Establish the mix or portfolio		Long-term				3
Khalil and Harcar, 1999						Reliable customer database	Depicting partners of need					2
Gummesson, 1999				Interaction								1
Parvatiyar and Sheth, 2000	Create	Enhance		Cooperative and collaborative				On-going	Mutual economic value, reduce costs			5
Grönroos, 2000a	Establish	Enhance	Maintain	Mutual exchange	Fulfilment of promise						When necessary to terminate	6
Kotler, 2000								Long-term	Profitable			2
Gummesson, 2002b		Developing, Enhancing	Maintaining	Interaction				Long-term				4
Tzokas et al., 2002				Mutual effort interdependence	Trust and commitment				Competitive advantage			3
Rao and Perry, 2000				Takes account of				Long-term				2

Table continues...

Author	Creation	Enhancement	Maintenance	Interaction	Emotional Contents	Customer Lifetime Values	Customisation	Long-term	Profitable	Growth Customer Share	Termination	Row Total
Bruhn, 2003		Intensify, reaction	Stabilise	Realisation		Mainly customers			Mutual Values			5
Gilbert and Choi, 2003	Establish	Strength	Retain	Mutual	Satisfy			Duration	Profitability			7
Zeithaml and Bitner, 2003		Improving	Keeping									2
Priluck, 2003		Developing			Loyalty				Positive outcomes			3
Little and Marandi, 2003	Getting		Keep			Lifetime Values of customer, referral from customers				Gain a bigger share of their 'wallet' by cross-selling		4
Grönroos, 2004							Additional values					1
Walsh et al., 2004	Attract		Retain	Interact		High net-worth customers						4
Chien and Moutinho, 2004		Develop					Flexibly solve customer's current and further needs and wants					2
Sin, 2005				Reciprocal, interdependent	committed			Long-term relationships				3
Tseng, 2007								Long-term	Contribution, profit	Maximal values		2
Column Totals	6	8	7	11	6	5	3	8	7	2	1	

Appendix 5: Guide for interviews

Date: _____

Time: _____ (start) _____ (end)

Interviewee's Name: _____

Job Title: _____

Year of Experience*: _____

(* Note: Experience in the side of bank managers refers to how many years they have been working in the bank or marketing experience)

1. Introduction

Thank you very much for your contribution and valuable time in advance. Your participation is vital to the success of this research study.

Purpose and significance: The major aim of this research is to explore the concept and practices of relationship marketing within Taiwanese banks. The findings of this study will provide valuable information to banks to formulate their marketing strategy in order to improve the effectiveness of marketing in the Taiwanese banking sector.

Ethical Consideration:

- All information collected in this interview will be treated with strict confidence. Your name and any information of your personal identification will not be disclosed to any third party and disguised in any research report(s).
- Your participation to this interview is entirely voluntary and you have the right to withdraw any time.
- Your permission to tape and digital record this interview is required. The major reason is the taping will assist the researcher to analyse the information provided. After use, the recording will be deleted. During the interview, if you want to stop taping at any time, please just press the "pause" button.
- Before we start this interview, do you have any question(s)?

2. Questions:

i) What do Taiwanese banks define and understand by RM?

(探討台灣的銀行對關係行銷解釋和概念)

Q1. As an introduction, would you briefly describe your bank? (請您簡單介紹貴銀行)

Main financial product and services (主要金融商品和服務)

Customers' numbers and types (顧客的數量和類型)

Main financial activities (主要的金融活動)

Q2. What does marketing mean to you? (對您而言,何謂行銷?)

Traditional/Transaction marketing (傳統/交易行銷)

Relationship marketing (關係行銷)

Q3.1 Are you familiar with the term 'Relationship Marketing'? What does it mean to you?

(請問您對關係行銷這個名詞熟悉嗎? 就貴公司而言, 關係行銷在行銷策略中扮演何種角色?)

Personal relationship/Guanxi (人與人之間的關係 / 關係)

Meeting customer's needs (符合達到顧客的需要)

Creation, enhancement, and maintenance relationship (創造發展和維持延續關係)

Q3.2 Is personal relationship (*guanxi*) part of RM implement? What does it mean to you?
(您覺得人與人之間的關係, 也就是中國人所謂的”關係”是關係行銷中的一部分嗎? 可否解釋一下)

Interpersonal relationship (人與人之間的關係)

Personal connections (個人的聯繫網路)

Guanxi networks (關係網路)

Now I would like to ask few questions about how you create, develop, and maintain the relationship with customers.

(接下來的問題主要是去探討台灣的銀行如何運用關係行銷, 去創造, 加強, 和維持與顧客之間的關係)

ii) **How do Taiwanese banks create relationships with potential customers?** (探討台灣的銀行如何運用關係行銷去創造與潛在顧客群之間的關係)

Q 4.1 what is your bank doing in order to attract potential customers? (請問貴銀行如何運用關係行銷去吸引新的或是潛在性的顧客群)

Personal relationship/*Guanxi* (個人關係 / 關係)

Incentives (刺激 獎勵 鼓勵 e.g.價格刺激)

Cold visit (陌生拜訪)

Interaction (相互, 互動, 互相影響)

Emotional content (commitment, trust, satisfy)(個人情感因素, e.g.承諾保證, 信任, 滿足)

Customisation (顧客化)

Customer lifetime value (顧客生命價值)

Q 4.2 what are the benefits of attracting more customers? (運用關係行銷去吸引顧客, 對貴公司在行銷上有何優勢或結果?)

Long-term relationship (長久的商業關係)

Customer share not market share (顧客占有率增加, 但市場占有率不一定增加)

Profitable relationship (有利潤關係)

Q 4.3 what have you found to be the difficult aspect in attracting more customers? (運用關係行銷去吸引新的顧客時是否有遇到困難, 可否舉例說明?)

Employees training (員工訓練不足)

Customer loyalty (消費者缺乏忠誠度)

Customer satisfaction (顧客滿意度要求過高, 過高的標準, 顧客永遠不會滿意)

**iii) How do Taiwanese banks develop relationship with the existing customers?
(探討台灣的銀行如何加強發展與顧客之間的關係)**

**Q5.1 what is your bank doing in order to enhance the relationship with your customers?
(請問貴銀行如何運用關係行銷去加強和顧客的關係?)**

Personal relationship/Guanxi (運用個人關係網路/ 關係)

Interaction / Communication (互動, 溝通)

Emotional content (e.g. commitment, trust, satisfy) (個人情感因素; e.g.承諾保證, 信任, 滿足)

Customisation (顧客化)

Customer lifetime value (顧客生命價值)

Q 5.2 what are the benefits of developing relationships with your customers? (用關係行銷去加強和顧客的關係對貴銀行在行銷上有何優勢或結果?)

Long-term relationship (長久的關係)

Customer share not market share (顧客占有率增加, 但市場占有率不一定增加)

Profit relationship (有利潤的關係)

Q 5.3 What have you found to be the difficult aspect in doing development relationship? (運用關係行銷去發展和加強與顧客之間的關係時有否曾經遇到困難, 可否解釋與舉例說明?)

Employees training (員工訓練不足)

Customer loyalty (消費者缺乏忠誠度)

Customer satisfaction (顧客滿意度要求過高, 過高的標準, 顧客永遠不會滿意)

iv) How do Taiwanese banks maintain stable relationship with the existing customers? (探討台灣的銀行如何維持與顧客之間的關係)

Q6.1 what is your bank doing in order to maintain the relationship with the customers? (請問貴銀行如何運用關係行銷去維持與顧客之間的關係?)

Personal relationship/Guanxi (運用個人關係網路 / 關係)

Interaction / Communication (互動, 溝通)

Emotional content (commitment, trust, satisfy) (個人情感因素, e.g.承諾保證, 信任, 滿足)

Customisation (顧客化)

Customer lifetime value (顧客生命價值)

Q 6.2 what is the benefits after applying relationship marketing in order to maintain relationship with the existing customers? (運用關係行銷去維持和顧客的關係對貴銀行在行銷上有何優勢或是結果?)

Long-term relationship (長久的關係)

Customer share not market share (顧客占有率增加, 但市場占有率不一定增加)

Profit relationship (有利潤的關係)

Q 6.3 what have you found to be the difficult of relationship marketing within your bank? (運用關係行銷去維持與顧客之間的關係時是否有曾遇到困難, 可否解釋和舉例說明?)

Employees training (員工訓練不足)

Customer loyalty (消費者缺乏忠誠度)

Customer satisfaction (顧客滿意度要求過高, 過高的標準, 顧客永遠不會滿意)

v) What are the key activities which Taiwanese banks undertake to engage in RM approach? (探討台灣的銀行使用關係行銷時的主要的行銷活動為何?)

The approach of RM contains interaction, emotional content, customer lifetime value, and customisation. I would like to ask few questions on each one. (在過去許多研究中發現, 歐美國家在運用關係行銷於行銷活動時, 主要利用互動溝通, 個人情感連結, 顧客生命價值, 和顧客化, 接下來的問題會以這些主要行銷活動為主題, 來了解貴銀行是否也使用這些活動來吸引, 加強, 和維持與顧客之間的關係)

Q7.1 How would you describe interaction within your bank? (請問貴銀行的關係行銷活動中,“互動”扮演何種角色?)

Two –way dialogue (兩方面的互相對話)

Communication (溝通交流)

Mutual exchange information (相互彼此的交換訊息)

Co-operative and collaborative (相互合作協定 e.g. 多用於企業金融關係, 一般公司業務與金融銀行彼此之間的借貸或是協定)

Mutually involvement (相互涉及彼此事務 e.g. 關係上的合作與涉足彼此的金融事務, 多用於企業金融關係)

Q7.2 How would you describe emotional contents within your bank? Emotional contents refer to the emotional promises of achieving customer satisfaction. (請問貴銀行的關係行銷活動中,“情感因素”扮演何種角色?情感因素是指利用承諾或是信賴因素來達到顧客的滿意度)

Commitment (承諾)

Trust (信任感)

Fulfilling promises (可以實現個人的承諾)

Achieve the customer’s satisfaction (達成顧客的滿意)

Q 7.3 Customer lifetime value refers to the profitability of a customer over their lifetime. How would you describe this term within your bank? (顧客生命價值用來計算每個顧客對公司的貢獻度, 請問貴銀行有實施這項行銷活動嗎? 那如何去做? 請舉例說明)

Data warehouse (資料檔案)

Manage customer data systematically (有系統的規劃管理顧客資料)

Based on customer background (基於顧客的背景資料去分類)

Identify each customer’s contribution for bank (確認每位顧客的貢獻能力和程度)

Q7.4 How would you describe customisation within your bank? (請問貴公司有實施顧客化的行銷活動嗎? 那如何去做? 請舉例說明)

Customer intimacy (對顧客熟悉度, 因為了解顧客的需要所以才能適時給予顧客化)

Mass customisation (大量顧客化 e.g.多種金融產品讓顧客自己選擇所需要的金融商品與服務)

Anticipation/innovation (依據顧客的需求, 革新或是創新本身金融商品和服務)

vi) Why do Taiwanese banks terminate relationship with the existing customers? (探討台灣的銀行與顧客關係終止的原因)

Q8.1 Does your bank ever terminate relationship with existing customers? Would you briefly describe the circumstances? (請問貴銀行有主動和顧客關係終止的案例嗎? 請大略說明一下)

Unprofitable customers (沒有帶給公司利潤的顧客)

Reduce the costs (精簡成本對維持沒有利潤顧客的費用, 花費較大的顧客沒有必要維持.)

The certain period time or purpose has been achieved. (因合約或是合作約定的時間到期, 例如即期存款的到期日及解約)

Q8.2 The literature shows it is always more expensive to attract a new customer than to keep an existing customer. Do you agree with that? So why do you agree/not agree with termination? (過去文獻中由提及吸引新的顧客的成本永遠比維持已存在的顧客的成本高, 請問你認同這點說法嗎? 那爲什麼你認同或是不認同銀行主動終止與一些顧客的關係)

The certain period time or purpose has been achieved.(因合約或是合作約定的時間到期, 例如即期存款的到期日及解約, 但是沒有必要解除, 可以續約)

Reduce the costs (節省成本,)

Save the time (新的客戶需要花很多時間去培養關係)

因爲對顧客的了解, 發現另一種金融商品可能更適合 e.g.青年創業基金, 可以轉型到另一種商品

Q8.3 Are you concerned that even unprofitable relationships should not be terminated as the customer could become profitable in the future? Why? (請問您是否認爲就算是無利潤的顧客也不一應該被主動終止關係因爲這些顧客在未來仍有可能成爲有利潤的顧客?可否舉出一些例子)

As an investment and expect higher future returns (當作是投資期待更高的回饋)

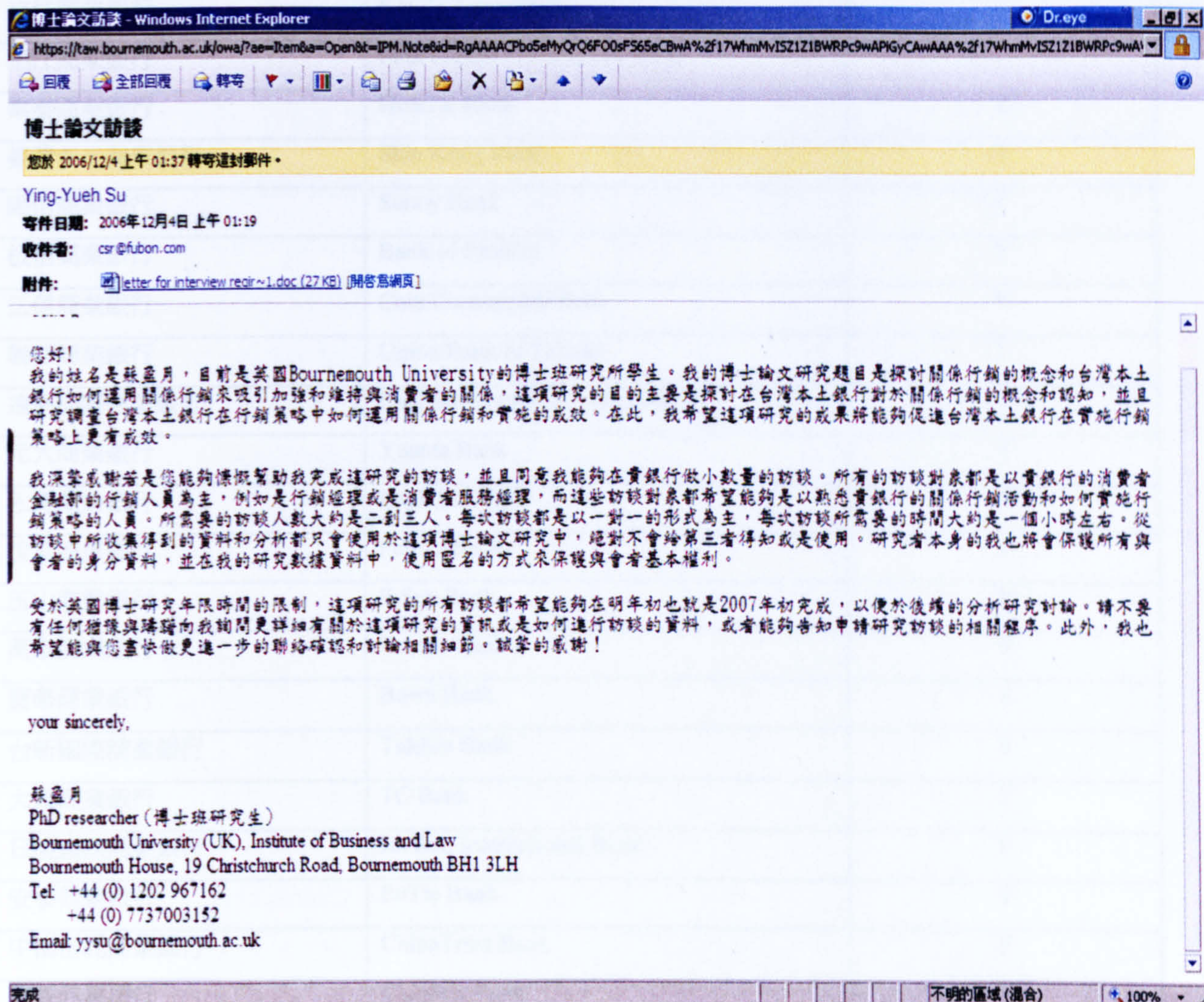
Guanxi (private relationship) (對文化上而言, 很難會在個人關係上做出終止)

Go to competitors (這些顧客會轉往其他競爭者)

Q9 how will you use relationship marketing in the future? (請問對貴銀行而言,未來會繼續實施關係行銷嘛? 有無具體方向?)

Q10 is there anything else you would like to add about relationship marketing that you have not had an opportunity to say? (除了剛剛所提及的問題之外, 有沒有額外想要補充的)

Appendix 6C: One example of email letter to the potential participants



博士論文訪談 - Windows Internet Explorer
https://law.bournemouth.ac.uk/owa/?ae=Item&a=Open&t=IPM.Note&id=RgAAAAACpbo5eMyQrQ6FO0sFS65eCBwA%2f17WhmMvISZ1Z1BWRPc9wAPIGyCAwAAA%2f17WhmMvISZ1Z1BWRPc9wA1

博士論文訪談
您於 2006/12/4 上午 01:37 轉寄這封郵件。

Ying-Yueh Su
寄件日期: 2006年12月4日 上午 01:19
收件者: csr@fubon.com
附件: letter for interview reqir~1.doc (27 KB) [開啓為網頁]

您好!
我的姓名是蘇盈月, 目前是英國Bournemouth University的博士班研究所學生。我的博士論文研究題目是探討關係行銷的概念和台灣本土銀行如何運用關係行銷來吸引加強和維持與消費者的關係, 這項研究的目的主要是探討在台灣本土銀行對於關係行銷的概念和認知, 並且研究調查台灣本土銀行在行銷策略中如何運用關係行銷和實施的成效。在此, 我希望這項研究的成果將能夠促進台灣本土銀行在實施行銷策略上更有成效。

我深蒙感謝若是您能夠慷慨幫助我完成這項研究的訪談, 並且同意我能夠在貴銀行做小數量的訪談。所有的訪談對象都是以貴銀行的消費者金融部的行銷人員為主, 例如是行銷經理或是消費者服務經理, 而這些訪談對象都希望能夠是以熟悉貴銀行的關係行銷活動和如何實施行銷策略的人員。所需要的訪談人數大約是二到三人。每次訪談都是以一對一的形式為主, 每次訪談所需要的時間大約是一個小時左右。從訪談中所收集得到的資料和分析都只會使用於這項博士論文研究中, 絕對不會給第三者得知或是使用。研究者本身的我也將會保護所有與會者的身分資料, 並在我的研究數據資料中, 使用匿名的方式來保護與會者基本權利。

受於英國博士研究年限時間的限制, 這項研究的所有訪談都希望能夠在明年初也就是2007年初完成, 以便於後續的分析研究討論。請不要有任何猶豫與躊躇向我詢問更詳細有關於這項研究的資訊或是如何進行訪談的資料, 或者能夠告知申請研究訪談的相關程序。此外, 我也希望能與您盡快做更進一步的聯絡確認和討論相關細節。誠摯的感謝!

your sincerely,

蘇盈月
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完成 不明的區域 (混合) 100%

All potential participants are located in Taiwan, so the email was written in Chinese language with an attachment of English version. This email had been sent out to all 34 Taiwanese banks.

Name of Bank (Chinese)	Name of Bank (English)	Selected Sample
臺中商業銀行	Taichung Commercial Bank	
京城商業銀行	King's Town Bank	Y
稻江商業銀行	First Capital Commercial Bank	
華泰商業銀行	HwaTai Bank	Y
臺灣新光商業銀行	Shin Kong Bank	Y
陽信商業銀行	Sunny Bank	Y
板信商業銀行	Bank of Panhsin	Y
三信商業銀行	Cota Commercial Bank	Y
聯邦商業銀行	Union Bank of Taiwan	Y
遠東國際商業銀行	Far Eastern International Bank	Y
元大商業銀行	Yuanta Bank	Y
永豐商業銀行	Bank SinoPack	Y
復華商業銀行	Fuhwa Bank	Y
玉山商業銀行	E.Sun Bank	Y
萬泰商業銀行	Comos Bank	Y
寶華商業銀行	Bowa Bank	Y
台新國際商業銀行	Taishin Bank	Y
大眾商業銀行	TC Bank	Y
日盛國際商業銀行	Jih Sun International Bank	Y
安泰商業銀行	EnTie Bank	Y
中國信託商業銀行	ChinaTrust Bank	Y
慶豐商業銀行	ChinFon Bank	Y
Total Amount	41	34

Source from Financial Supervisory Commission (FSC), Executive Yuan, Taiwan, September, 2006,
Available from: (<http://www.banking.gov.tw/lp.asp?ctNode=2022&CtUnit=483&BaseDSD=41>)

Appendix 8B: Interviewee profile: the bank (branch) and respondents coding with interview methods

18 interviews (14 by face to face and 4 by telephone)

Bank Name	Manager Interviews/Codes	Interview method	Date of Interview	During the interview
Bank 1	1AB: Sales Senior Manger of Personal Banking Dept. has 8 years work experience in marketing. (Tainan)	Face to Face	19 January 2007	82'
	1BB: Senior Executive of Marketing Management Dept. has 27 years work experience in marketing. (Tainan)	Face to Face	23 January 2007	116'
Bank 2	2BB: Vice President of Consumer Banking Market Division has 16 years work experience in marketing. (Tainan)	Telephone	01 February 2007	84'
	2CB: Senior Sales Manager of Consumer Banking Division has 12 years work experiences in marketing. (Kaohsiung)	Telephone	01 February 2007	73'
Bank 3	3BB: Manager & Sales Supervisor of Consumer Banking Division has 17 years work experiences in marketing. (Tainan)	Face to Face	13 February 2007	91'

Table Continues...

Bank Name	Manager Interviews/Codes	Interview methods	Date of Interviews	During the interviews
Bank 4	4CB: Assistant Manager of Personal Banking Division (currently are duty with house loan) has almost 8 years work experiences in marketing. (Tainan)	Face to Face	01 March 2007	82'
Bank 5	-	-	-	-
Bank 6	6AB: Senior Sales Manager of Personal Banking Division has 16 years work experiences in marketing. (Kaohsiung)	Face to Face	05 February 2007	92'
Bank 7	7AB: Vice President & Section Chief of Personal Banking (House Loan) in Southern of Taiwan has 24 years work experiences in marketing. (Kaohsiung)	Telephone	05 February 2007	69'
Bank 8	8AB: Vice President & Branch Manager has 16 years work experiences in marketing. (Taipei)	Face to Face	08 February 2007	87'
	8BB: Vice President & Branch Manager has 21 years work experiences in marketing. (Tainan)	Face to Face	09 February 2007	68'
	8CB: Senior Sales Manager of Consumer Banking has 9 years work experiences in marketing. (Tainan)	Face to Face	09 February 2007	71'

Table Continues...

Bank Name	Manager Interviews/Codes	Interview methods	Date of Interviews	During the interviews
Bank 9	9AB: Manager of Marketing Planning & Communication has 9 years work experiences in marketing. (Tainan)	Face to Face	15 February 2007	73'
Bank 10	10AB: Vice President of Personal Banking Division and has 17 years work experiences in marketing. (Kaohsiung)	Face to Face	05 March 2007	71'
Bank 11	11BB: Senior Vice President in Bank 11 and has 24 years work experiences in marketing. (Tainan)	Face to Face	16 February 2007	85'
Bank 12	12AB: Vice President & Branch Manager has 31 years work experiences in marketing. (Taipei)	Face to Face	12 February 2007	87'
Bank 14	14BB: Vice President & Branch Manager has 35 years work experiences in marketing. (Tainan)	Face to Face	27 Feb 2007	82'
Bank 15	15AB: Vice President & Branch Manager has 23 years work experiences in marketing.(Tainan)	Face to Face	16 April 2007	78'
Bank 16	-	-	-	-
Bank 17	-	-	-	-

Appendix 9: Definition of relationship marketing from Taiwanese banks

Interviews/Codes	Definition or Description	Themes and Key Constructs
1AB	RM is to do marketing through any kind of relation. Certainly, this relation has many kinds of relations include friendship, relative's relation, elder's relation, neighbour's relation. Anyway, we implement RM by various kinds of relation.	Relation, Guanxi, Friendship
1BB	The key point of RM implementation is consumers...the most important activity is to establish, maintain, and strengthen the relationship with customers. It has to be long-term with win-win relationship. We need to identify who is the key man for this customer relationship. We maintain a very good and long term relationship with this key customer to create the mutually benefits.	Establish, maintain, and strengthen the relationship, long-term and win-win relationship, identify the key man, maintain good and long term relationship, mutually benefits
1CH	RM should aim to look for new customers but still have to make a move in maintenance with existing customers. It is not only price competition but also selecting customers from existing customers within consumer banking business. The personal relationship is the most important key of RM...My concept of RM is to find out who is your value customer and the marketing activities should focus on these customers.	Look for new customers, maintenance with existing customers, selecting customers, personal relationship, find out the profits customers
2AH	RM aims to maintain the long-lasting relationship and then to innovate the customer value...uses CRM system to analysis the customer segmentation... RM focus on word-of-mouth and customer's identification...Concretely, I think RM, use CRM concept and interpersonal interaction to maintain the long-term relationship.	Maintain the long-lasting relationship, innovate the customer value, CRM, word-of-mouth, interpersonal interaction.

Interviews/Codes	Definition or Description	Themes and Key Constructs
2BB	RM, basically, helps to know where the target customer is and also understand their background and identify their situation because everyone is unique.	Get to know the target customer, identify the customer information, treat every customer individually
2CB	RM simply refers to interpersonal relationship, through by <i>guanxi</i> and further to introduce to the customer's friends...The natural of RM needs to be considered within the context of friendship with our customers in the last, so it can promote the financial products and services through by friendships and also extend his <i>Ren-Mai</i> (connection network).	interpersonal relationship, <i>guanxi</i>, introduce, friendship, , <i>ren-mai</i>
3AH	RM should understand consumer's need which means his/her demand and design the product to satisfy your customers...In practically, RM is like the integrated marketing communication , so-called IMC, which means to cooperate with other marketing channel within banks...because communication is the core concept for RM...RM needs to establish trust and develop interpersonal relationship. After building the relationship, we can sale the financial product easier...The most important notion of RM is to increase and enhance the relationship with our existing customers, increase their purchase, and shift the brand to us.	Understand consumer inside, create product to satisfy customers. Integrated marketing communication, communication, interpersonal relationship, building relationship, to increase and enhance the relationship, increase the purchase, shift brand to us.
3BB	... is more likely to utilise the friendship, personal relationship, and then seek for further sales... I think it is important to understand what your customer's need and think about for customers. Trust is very important for RM... the concept to maintenance good relationship with customers and through by interpersonal relationship to promote the products.	Friendship, personal relationship, further sales, understand customer's needs, trust, interpersonal relationship

Interviews/Codes	Definition or Description	Themes and Key Constructs
4AH	RM put emphasis on the service quality and adhering.	Adhering
4BH	There are three objectives for RM include attract new customers, enhance and maintain the relationship with customers. In customer banking, we focus on interaction within business and interpersonal relationship.	To attract new customers, enhance and maintain the relationship, interaction, interpersonal relationship
4CB	We should seize every chance with customers. We provide our best services to customers we should focuses on the emotional exchanges, such as friendship, colleagues, even family relationship, and through by relationship operation, we can extend our relationships to his <i>ren-mai</i> and increase our customer data base.	Emotional exchanges, friendship, colleagues, family relationship, <i>ren-mai</i>, customer data base
5AH	Relationship is like self-marketing which established by the trust and understanding of customers...sometimes we will establish friendship with our customers... because of good interaction between bank and customer, the customer relationship can be enforced...Interaction with customers plays the important role in RM.	Trust, understand customers, friendship, interaction, enforce relationship
5BH	RM is intended to establish the trust and understanding relationship between the bank and customers. For example, when customer has any question to ask for advises, our staffs should respond it back with the appropriated and satisfactory answer as quickly as possible... not just business relationship but also develop the friend's relationship...when we have the new financial product or service, because we already have well interaction, it will be easy and effective to promote...Moreover, the emotion is also very important with communication.	Establish trust and understand relationship, interaction

Interviews/Codes	Definition or Description	Themes and Key Constructs
5CH	I think RM stresses on interpersonal relationship. Though by interpersonal relationship, it gains more people as like customers introduce customers, so the concept of RM takes people as the core.	Interpersonal relationship, gain people (increase customer base), customers introduce customers (MGM)
6AB	RM can be applied through our relatives, colleague's relatives, their brothers and sisters, and even friends... We can join the activities of the communities that may also create the opportunities for business... Therefore, RM is to take people as the core.	Relatives, colleague's relatives, brothers and sisters, friends, (interpersonal relationship), people
6BH	RM concepts focus on the customer's trust...through by interpersonal relationship which increases the transaction easier, such as customer recommend customer.	Trust, interpersonal relationship, increase the transaction, customers recommend customers (MGM)
7AB	For our bank, RM is a marketing strategy which focuses on people, in other words, it adopts interpersonal relationship. The issue of our promotion is on personal network. If you want to do RM, the first important thing is to extend your personal relationship. You must start to contact from your <i>ren-mai</i> and then you can have that business.	Interpersonal relationship, personal relationship, <i>ren-mai</i>
8AB	RM aims to attract the new the customers, develop, and maintain the relationship with customers and this kind of process is complete RM...we have customer relationship management, so-called CRM, to manage our customer relationship.	Attract the new customers, develop, and maintain the relationship, complete RM, CRM
8BB	A completely RM should contain CRM system... Another key aspect is people and interpersonal relationship.	CRM (Customer relationship management), people, interpersonal relationship
8CB	The aim of RM is to establish the good brand fame and trust in the customer's mind... emphasis on customer retention.	Establish good brand fame, trust, customer retention

Interviews/Codes	Definition or Description	Themes and Key Constructs
9AB	RM should base on 'Trust'. When the customers trust our bank, they will relatively believe what I said and recommend to them...the result encourages more positive effective.	Trust, recommend, encourages positive effective.
9BH	In order to attract new customers, we have, for example, MGM process which means you give your customer the incentives to encourage them to introduce customers...The customers who satisfied with our services will also become referral with word-of-mouth and find new customer groups to us...contain with personal relationship and trust.	Attract new customers, MGM, satisfied with the service, find new customer groups, referral, word-of-mouth, personal relationship, trust
10AB	Actually, bank has applied RM for long time...We don't use this term RM, but we do implement RM...RM supposes to sale the financial products...should focus on emotional exchanges...through by different activities and interaction,...use every kind of <i>guanxi</i> to promote and develop the business transaction.	Emotional exchanges, interaction, <i>guanxi</i>, develop the business transaction
10BH	RM is the direct way to establish a relationship with customer. Actually, we pay lots attention in interpersonal communication when doing RM...through by <i>guanxi</i> and its operation to establish long-term emotional communication...through by <i>ren-mai</i> to promote the marketing.	Establish, interpersonal communication, <i>guanxi</i>, establish long-term emotional communication, <i>ren-mai</i> (connection network)
11AH	I would assume that all salesmen have to apply RM constantly...Maintaining the relationship with existing or prospect customers is very important for RM...The core notion of RM is people and through by people to promote the products.	Constantly, maintaining, through by people

Interviews/Codes	Definition or Description	Themes and Key Constructs
11BB	Considering the literal meaning from RM, in my opinion, RM establishes a kind of friendship or customer relationship with customer...because we already have a tacit mutual understanding with customer, the customer will introduce us new customers which extends the interpersonal relationship as arborescence.	Establish, friendship, an tacit mutual understanding, extend interpersonal relationship as arborescence
12AB	RM refers to establish relationship with customers...or it is like the customer's cognition, centripetal force, and loyalty to your bank... should focus on customer service and provide high quality and cordial services to our customers...When the customers believe us, they will put their money in our bank...RM includes variety activities such as interaction which means bank got to satisfy the customer and let the customer dependent on the bank.	Establish relationship, customer's cognition, centripetal force, loyalty, customer services, believe, interaction, satisfy, dependent on the bank
13AH	RM attempts to sale the product through by interpersonal relationship to accomplish the MGM, member get member, which means the existing customer introduce new customers to the bank...through by the current customers to reach the new customers and further to encourage the sales.	Interpersonal relationship, MGM (member get member), encourage
13BB	RM is mainly replying on interpersonal relationship. It applies different marketing method according to customer's need but not because of the products...according to different customer groups and products, we have different marketing activities.	Personal relationship, focus on customer needs, different customer groups and products has different marketing activities.
14AH	Understand every purpose of every product and find the target customers...constantly update information, and maintain customer relationship in order to attract more customers.	Target customers, update information to customers, maintain, attract

Interviews/Codes	Definition or Description	Themes and Key Constructs
14BB	RM should maintain the good relationship with customers and concern on interpersonal relationship...integrated marketing channels to promote the products...RM develops long-term and profitable relationship.	Maintain, interpersonal relationship, integrated marketing channels to promote, long-term and profitable relationship
15AB	I think RM, in my understanding; probably depend on the friendly emotions which utilise various kinds of already knowing or some unknown friendships to expand the business... It means when sometimes we have linkage with someone that will extend to the others, so the interpersonal relationship will be expanded through by this way.	Friendly emotions, friendships, linkage, expand interpersonal relationship,
16AH	RM provides the appropriate products and services to the value customers...focuses on interpersonal relationship.	Appropriate product to value customers, interpersonal relationship
17AH	RM aims to establish the trust between bank and customers and because of interpersonal relationship, we can sale our products.	Establish trust, interpersonal relationship

Appendix 10: the Conceptual categories of RM with words used by participants of this research

Interviews/ Codes	<i>Guanxi</i>	Creation	Enhancement	Maintenance	Interaction	Emotional contents	CLV	customisation	Long-term Relationship	Profitable Relationship	CRM	Row total
1AB	<i>Guanxi</i> , relation, friendship											1
1BB		establish	strengthen	maintain	mutually				Long-term	Win-win, mutually benefits	Identify the key man Select customers	7
1CH	personal relationship	Look for new customers		maintenance			Find out the valued customers word-of-mout h					5
2AH				maintain	Interpersonal interaction		identify the customer information		Long-lasting relationship	word-of-mouth	CRM	6
2BB								Treat every customer individually			Know the target customer,	3
2CB	Interpersonal relationship, <i>guanxi</i> , friendship, <i>ren-mai</i>	introduce										2
3AH	Interpersonal relationship	Build, shift brand to us	Increase, enhance		Integrated marketing communication			Understand consumer inside, Create product to satisfy customers		Increase the purchase		6
3BB	Friendships, personal relationship, interpersonal relationship					trust						3
4AH			adhering				Understand customer's needs					1
4BH	Interpersonal relationship	Attract new customers	enhance	maintain	interaction							5
4CB	Friendship, colleagues, family relationship, <i>ren-mai</i>					Emotional exchanges	Customer data base					3

Table continues...

Interviews/ Codes	<i>Guanxi</i>	Creation	Enhancement	Maintenance	Interaction	Emotional content	CLV	customisation	Long-term Relationship	Profitable Relationship	CRM	Row total
5AH	Friendship		enforce		interaction	trust					Understand customers	5
5BH					interaction	Trust	Underst and relation ships					3
5CH	Interpersonal relationship, people	Customer introduce customers, gain people (increase customer base)										2
6AB	Relatives, colleague's relatives, brothers and sisters, friends, people											1
6BH	Interpersonal relationship,	Customers recommend customers				Trust				Increase the transaction		4
7AB	Interpersonal relationship, personal relationship, <i>ren-mai</i>											1
8AB		Attract	develop	maintain							CRM	4
8BB	People and interpersonal relationship										CRM	2
8CB		Recommend		retention		Good brand fame, trust trust						2
9AB												3
9BH	Personal relationship	Attract, MGM				Trust, satisfied, referral,						4
10AB	<i>guanxi</i>				interaction	Emotional exchanges					Develop the business transaction	4
10BH	<i>Guanxi, ren-mai</i>	Establish			Interpersonal communication,	Emotional communication			Long-term			5
11AH	Through by people			maintaining					constantly			3
11BB	Friendship, extend interpersonal relationship as arborescence	Establish			mutual						a tacit understanding	4

Table continues ...

Interviews/ Codes	Guanyi	Creation	Enhancement	Maintenance	Interaction	Emotional content	CLV	customisation	Long-term Relationship	Profitable Relationship	CRM	Row total
12AB		Establish			interaction	cognition, centripetal force, loyalty, believe, satisfy and dependent						3
13AH	Personal relationship							Different customer groups and products has different marketing activities			Focus on customer's needs	3
13BB	Personal relationship							Different customer groups and products has different marketing activities			Focus on customer's needs	3
14AH		attract		maintain	Update information to customers		Target customers					4
14BB	Interpersonal relationship			,maintain	Integrated marketing channels				Long-term	Profitable relationship		5
15AB	Friendships, expand interpersonal relationship					Friendly emotion						2
16AH	Interpersonal relationship							Appropriate product to value customers				2
17AH	Interpersonal relationship					trust						2
Column totals	24	14	6	9	12	13	7	4	5	8	9	