Analyzing the Effectiveness of Customer Retention Strategies with Existing Customers in Banking Industry

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ABSTRACT

The rationale of this study is to find out the effectiveness of customer retention strategies from the perspective of the existing customers of a bank in Dehradun (India). The literature suggests that the retention is influenced by four levels namely financial bonds, social bonds, structural bonds and customization bonds along with some additional variables. The questionnaire survey was responded by 108 existing customers of a leading private sector bank. Chi-square test revealed that the effectiveness of retention strategies is independent of demographic variables except education. The factor analysis indicated the grouping of the seventeen variables into three factors namely: Value added services, convenience and business development. Finally, a multiple regression analysis revealed that the factors extracted in factor analysis are significant in determining the effectiveness of customer retention strategies.

Keywords: *Banking Industry, Customer Relationship Marketing, Customer Retention, Electronic Commerce, Relationship Marketing*

INTRODUCTION

Berry and Parasuraman (1991) defined relationship marketing as a process of attracting, maintaining and enhancing relationships with customers. It benefits the customers as well as the organizations. Customers can reduce their time and search costs and avoid anxiety by selecting services from a known supplier. Organizations can also save on the time and effort involved in attracting new customers.

Relationship marketing is not a new concept but still is of great importance as the competition is increasing day by day. It has been defined by different authors as -Relationship marketing is attracting, maintaining and – in multiservice organizations-enhancing customer relationships (Berry & Parasuraman, 1991).

Relationship Marketing is an integrated and coordinated effort to identify, maintain and build up a network with individual consumers

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and employees and continuously strengthen the network for mutual benefits of both sides through interactive, individualized and value added contacts continuously over a long period of time (Shani & Chalasani, 1992).

The purpose of relationship 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 and this is Achieved through a mutual exchange and fulfillment of promises (Christian, 2001).

Here, the study focuses on relationship marketing in banking benefits customers as well as banks. Customers can reduce their time and search costs and avoid anxiety by selecting banking services from a bank. The banks can also save on the time and effort involved in attracting new customers. They can also benefit from the positive word of mouth publicity given by loyal customers. Some of the factors of relationship marketing are: Focus on customer service, Long term orientation, High commitment to customers, more customer interaction, commitment to quality. It is always said that its worth to retain a customer as they are the assets and the best and cost efficient promotional channel. Some of the retention strategies used by the customers are: offering financial incentives, forming social bonds, customization and social bonds, monitoring relationships, adding value to the services, increasing customer contact, enhancing customer service (Kotler, 2001).

Sometimes, despite the efforts made by the banks to offer service with zero defects, some errors creep in and the customer may experience problems. To deal with such situations, banks maintain a proper recovery system in place to identify and solve problems at the earliest and minimize the inconvenience caused to customers. The banks practicing relationship marketing give the utmost importance to two way communication to reap the desired benefits.

LITERATURE REVIEW

The survey of literature reveals some of the critical dimensions of Relationship Marketing in banking industry. We shall focus on a few vital facets. Thus, based on the variables extracted in the Literature, our study will be specifically dealing with retention strategies.

Relationship Marketing-Concept

Bhattacharya and Singh (2006) studied the Analytical CRM in Indian Retail Banking. The study (takes a look at the status of analytical Customer relationship management in major banks operating in India. The efforts of the banks have been analyzed in terms of a strategic framework and points out some of the deviations that have occurred in the implementation of the analytical Customer relationship management qualitative methodology as well as quantitative one in two stages. Informal interviews were held with key people in various banking companies. Their expectations and strategic objectives in the adoption of the CRM system were discussed. Also, literature about CRM capabilities was used. These led to identification of those variables which represented the major capabilities of analytical CRM systems in the banking sector. The major variables identified in stage 1 were used as items in a questionnaire and administered to key personnel in various companies. The research for stage 2 was diagnostic and descriptive in nature. The gaps between the desired levels of these variables in tune with the strategic support of analytical CRM to current business strategies and existing capabilities of the same were identified. The cities of Bangalore, Hyderabad and the National capital (India) region were included using a non –probabilistic convenience sampling was used for data collection. The research used self-structured questionnaires on a five point Likert's scale. The findings of the study are that there is strong recognition of analytical CRM systems benefits for the long term organizational survival at both top and middle levels of management amongst Indian banking companies. Issues like business process changes, organizational cultural transformations, top management involvement and clear implementation benefits' measures have to be worked out in the long run to make a strong for analytical CRM to be implemented in the Indian banking sector.

It has been enquired (Peattie & Peattie, 1994) that why the sales promotion activities are not very common in banking industry. It also tells that though some tools are inappropriate for financial services, there are others that offer considerable opportunities for effective marketing communications. The authors gathered details on 2,646 different UK sales promotion competitions over a three-year period by using a nationwide network of fellow "compers" as information gatherers. The sample consisted only of competitions which were available on a national or regional basis (local ones were not considered) and which were associated with a product or service, as opposed to being all or part of the product or service itself (so the numerous competitions which are regular features of magazines were not included). The study suggests that despite their suitability as a promotional tool for financial services, competitions are still in the early stages of the innovation diffusion process. There is considerable room for improvement among the competitions currently run by financial service providers in terms of breaking away from a very conservative, formula-based approach to competition design and in terms of creating better integration between the competitions developed and the service being promoted. Sales promotions tend to go wrong because of one of the two reasons. Either, they do not receive the sort of thorough planning that is reserved for advertising campaigns, or the planning and evaluation is delegated too far down the marketing organization (Strang, 1976), like any form of sales promotion, are only effective if not overused. Overall, competitions are a highly flexible and cost effective means of marketing communications which, if properly managed, can add value and distinctiveness into the offerings of financial services providers.

Lie and Tang (2002) in their paper e-commerce roadmap for success in the banking industry: a Customer Relationship Management Approach studied new developmental strategies to create value through the electronic commerce on customer relationship management. It also reviews practices and events in the banking industry to find out the critical activities for every strategy and attempts to provide a roadmap for success to customer effective electronic commerce for the banking industry. The study is a qualitative research done by the authors to highlight the relationship between electronic commerce and customer relationship management including the following parameters: Customer Centric electronic commerce, technology and customer relationship management, customer relationship management for electronic commerce success, impact on banking industry from electronic commerce and customer relationship management. The study then describes the action programs of E Commerce in the banking industry through customer relationship management with parameters like exploration and content of the strategy. It had also listed out some of the best practices on E Commerce and customer relationship management along with its content including channel management, customer data management, enterprise wise strategy, Information Technology commerce strategy in banking industry along with the critical issues. The study reveals that the strategy of customer relationship oriented E Commerce is the most important point for banking industries to evaluate whether it is competitive or not. The research study indicates that the variables like channel management, customer data management, enterprise wise strategy, Information Technology have an important relevance in implementing E Commerce oriented customer relationship management.

Ndubisi and Moi (2005) aimed at evaluating the relationship marketing practices by measuring the impact of sales promotional tools, namely coupon, price discount, free sample, bonus pack, and in-store display, on product trial and repurchases behaviors of consumers. In addition, the moderation role of fear of losing face on the relationship between the sales promotional tools and product trial was tested. The studies provide important insights into the effects of sales promotions, the usefulness of most in predicting the effects of sales promotions on product trial and repurchase behavior of consumers is limited as they place too much emphasis on coupons at the expense of other equally important promotional tools. In other words, more work needs to be done to investigate the effects of other sales promotional tools such as free sample, bonus pack, price discount, and in-store display on product trial and repurchase behavior this study has especially been done among Malaysian customers, whose behavioral responses to promotional strategies are less understood due to lack of research on them. In this study, five consumer promotion tools-coupons, discount, samples, bonus packs, and in-store display were investigated for their impact on consumer purchase behavior. Trial and repurchase behavior of consumers were measured with items adapted from Gilbert and Jackaria (2002).The sample points for the research were supermarkets in Kota Kinabalu, Malaysia. A total of 420 randomly selected customers were surveyed using, out of which, 312 usable responses were received. Cronbach's alpha test was used to ensure the reliability of the variables. The results show that coupon, price discount, free sample, bonus pack, and in-store display contribute significantly and predict approximately 30% of the variations in product trial. Bonus pack is moderately associated with product trial. The results indicate that in-store display is the strongest predictor of product trial followed by free sample, price discount and bonus packs and there is not much significant relationship between coupon and product trial.

Banking Industry

Banking industry is built on trust. Customers deposit their money with a bank only if they trust the bank and the bank gives loans to its customers only if it trusts them. Banks do business with customers' money by accepting deposits from them and by giving loans on interest. The banking service today has become a necessity for all, from higher class to lower class. The market has expanded immensely for banks over the years. The banks today face aggressive competition in the market with the advent of many banking and non banking financial institutions. The banks need to gear themselves up to survive and thrive in the new market by offering innovative services to customers and to improve their business. A bank's customers include individual customers (retail customers) and corporate customers. The changes in the needs and expectations of these customers directly or indirectly influence the formulation of the marketing mix of banks. Sanayei and Karin (2003) in their study on Customer Relationship Management in the third millennium in the banking industry focused mainly on providing a high level insight of the fundamental principles behind customer relationship management and its characteristics along with the pros and cons. It also examines the influence of a customer relationship management on quality of relationship between customers and their main provider of banking services and makes an attempt to compare the overall relationship quality between those banks who have successfully implemented customer relationship management and those banks who have encountered problems

The study is qualitative in nature and it starts with the overview of customer relationship management. The authors developed the right mix of people, process and technology to derive the CRM benefits and problems and then emphasized on developing relationships and the positive and negative consequences of a relationship strategy. It also highlighted the key implementation issues associated with the successful implementation of a CRM system and the strategic planning for the same. The future strategies of CRM like extension of CRM to channel partners, visual tools and consolidation of CRM vendors have also been given prominence. The findings suggest that there are negative and positive consequences of a relationship strategy. The ability to keep promises, friendliness of a relationship manager, their understanding of the business needs and their speed of response to requests are the four most critical factors and having a relationship orientation is not enough but knowing how to execute this strategy is more important.

A study by office of Comptroller of the currency: International and Economic Affairs Department Law Department (2003) namely Today's Credit markets, Relationship banking and tying –Office of the Controller of the currency focused on the practice of relationship practices widely employed in the financial services industry and on the issue of possible tying by banks and describes relationship practices prevalent in the markets. The study also provides an economic analysis of relationship banking and concludes that relationship banking is more likely the result of cost savings, not anti-competitive tying and provides recommendations for clarifying the tying requirements applicable to the relationship banking practices in today's credit markets. The study is of qualitative type and it starts with Economic and Market Analysis of Relationship Banking and proceeds to Analysis of the Anti-Tying Legal Framework Applicable to Relationship Banking. The economic analysis consists of description of anti-competitive tying, The Economic Performance of Diversified Commercial Banks, Specialized Investment Banking Companies and Cost Savings for Both Banks and Their customers through CRM and the analysis of the anti-tying legal framework applicable to relationship banking consists of description of Section 106 and its Legislative History, Case Law, and Board Actions Support the Permissibility of Relationship Banking, prohibitions, safety and soundness consideration, legal framework of Section 106(b). The analysis reveals that relationship banking practices involving an evaluation of whether a customer's total relationship with the institution meets internally-established profitability standards have become commonplace, although, in fact, relationship business arrangements are nothing new to banks or corporate entities generally.

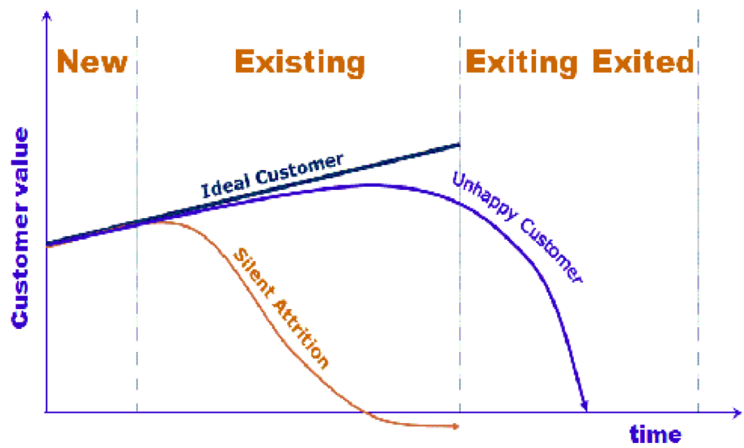
Applying the anti-tying legal framework to relationship banking strongly supports a conclusion that today's practices can be consistent with the plain language of section 106 and the purposes underlying enactment of the statute. The economic and legal analysis presented in this paper provides background for the appropriate federal banking agencies concerning the scope of section 106. To enhance revenues and meet profitability benchmarks, a bank may offer customers the choice of an array of additional products and services, including traditional bank products, such as loan and deposit products, and also non-traditional products, such as investment banking services. If standards are not met, a bank may make a necessary business decision to exit an unprofitable customer relationship.

Four Level Retention Strategy (Berry & Parasuraman, 1991)

The customer retention strategies can be formulated at various levels like establishing financial bonds, social bonds, customization bonds and structural bonds with customers. The level of strategy adopted by the firm will determine the strength of customer relationship and thereby, the competitive advantage to the firm. The current study is based on the customer retention strategies suggested by Berry and Parasuraman (1991) in the book Marketing Services. The four strategies are described:

1. Making Financial Bonds through discount coupons, gifts and membership benefits.
2. Establishing Social bonds with the customers through special attention, informing customers about new services and wishing customers on their anniversaries and birthdays.
3. Customization bonds through personalizing services and offering a combination of services that suit customers' specific needs.
4. Structural bonds through integrating systems with customers, making joint investments on technology and sharing processes or equipments.

Figure 1. Bank customer retention strategies (http://www.genroe.com)



However, some other sources of literature suggested a few more important variables of customer retention strategies related to banks (Figure 1).

With headquarters in Sydney Australia, Genroe has been a driving force in helping companies better understand and generate higher value from their existing customers. Since 2002, banks, insurance companies and telecommunications providers have used Genroe's wide analytical platform to maximize profitability and revenue potential.

Genroe mentions that the best bank customer retention strategy for existing customers is to classify each type of customer (silent attrition, ideal and unhappy) and create appropriate initiatives to change their behavior. The lifecycle is shown along with the value that different types of customers contribute to the business at different parts of the cycle.

The present study has adopted the Berry and Parasuraman (1991) model along with a few additional variables taken from Genroe. Thus, the additional variables that were found necessary by Genroe for customer retention were Cross-sell leads management, driving customers to highest ROI channel mix, Low value relationship programs, Usage stimulation, Payment automation optimization and Active customer complaints management.

RESEARCH GAPS

1. **Impact of Demographic Variables on Effectiveness of Customer Retention Strategies:** Through literature survey, it was found that most of the articles focused on the formal customer retention strategies designed by the banks. They have forgone the psychological aspect i.e., the effect of some demographic variables like age, gender, income and education on customer retention strategies. Thus this study has analysed the impact of demographic variables on effectiveness of customer retention strategies.
2. **Explore the Actual Factors Influencing Customer Retention Strategies:** The variables mentioned for customer retention in the model of Berry and Parsuraman (1991), have not been discussed in detail in Indian context. It has also been found that the variables of this model are not collectively exhaustive leaving a scope for some more specific aspects of customer retention strategies. Thus this study attempts to explore the actual factors influencing customer retention strategies.
3. **Dependence of Effectiveness of Customer Retention Strategies on Number of Diverse Variables:** This aspect has been

taken to find out the strength of association between the effectiveness of customer retention strategies and the factors identified in (2).

OBJECTIVES

1. To study whether the demographic characteristics of the existing customers of the bank influence their perspectives on customer retention strategies.
2. To find out a set of variables that can be represented as factors of customer retention of a bank.
3. To measure the strength of association between factors of customer retention and customer retention of a bank.

SAMPLING DESIGN

A private sector bank was chosen for conducting the research. The study has taken into consideration the customer retention strategies for its existing customers. The decision to select this particular bank was taken because the senior authorities of this bank allowed conducting this study. The bank has been implementing different kinds of retention strategies for its existing customers.

The target population of this study is the existing customers of the bank. The sampling frame comprises of all the branches of the particular bank in the city of Dehradun. The sample unit is the existing customers of the bank. Simple random sampling was done to select the sample units. 120 questionnaires were administered in 6 branches of the bank out of which 108 valid responses were recorded and the analysis is based on these 108 responses.

QUESTIONNAIRE DESIGN

The questionnaire was designed on the basis of customer retention strategies mentioned in the chapter of relationship marketing of Marketing services by Berry and Parasuraman (1991) and There were 17 attributes which are given below: discount coupons, gifts, membership benefit, cross selling, driving customers to high ROI channel, special attention, informing customers about new services (alerts), wishing customers on special occasions, low value relationship programs, usage stimulation, personalized services, combining offers, payment optimization, complaint management, integrating systems with customers, making joint investments, sharing processes.

Measurement Scale: The questionnaire consisted of a series of statements, where the existing customers were requested to provide answers in the form of agreement or disagreement to express their attitude towards the retention strategies of the bank. A Likert scale was used so that the respondent can select a numerical score ranging from 1 to 5 for each statement to indicate the degree of agreement or otherwise, where 1, 2, 3, 4, and 5 denote "Strongly Disagree," "Disagree," "Neither Agree nor Disagree (Neutral)," "Agree," and "Strongly Agree," respectively.

METHODOLOGY

The statistical calculations have been undertaken with the help of a software called Statistical Package for Social Science (SPSS).

Reliability Analysis: It was conducted for checking the reliability of the questionnaire and the results were obtained. The Cronbach's alpha (a measure of reliability) was calculated for the questionnaire. According to Hair et al. (2007), this coefficient (0.89) indicates reliability as it meets the minimum acceptable level of 0.7.

CHI-SQUARE ANALYSIS

The chi square analysis has been carried out to study the relationship between demographic variables and the retention strategies.

Table 1. Results for chi-square analysis

S.No	Demographic Variable	Chi-Square Statistic
1	Age	13.179 < 26.217 (Insignificant)
2	Gender	2.503 < 13.277 (Insignificant)
3	Income	2.801 < 13.277 (Insignificant)
4	Education	46.762 > 26.217 (Significant)

Chi-Square Test of Independence (Age and Customer retention).
- H0: Customer retention and age are independent.
- H1: Customer retention and age are dependent.

Chi-Square Test of Independence (Gender and Customer retention).
- H0: Customer retention and gender are independent.
- H1: Customer retention and gender are dependent.

Chi-Square Test of Independence (Income and Customer retention).
- H0: Customer retention and income are independent.
- H1: Customer retention and income are dependent.

Chi-Square Test of Independence (Education and Customer retention.
- H0: Customer retention and education are independent.
- H1: Customer retention and education are dependent.

The values of chi-square statistics obtained from the calculation for all the combinations of age, gender and income with customer retention (13.179, 2.503, and 2.801 respectively) are insignificant. Thus, the null hypothesis is not rejected and it can be concluded that customer retention is independent of age, gender and income. The value of chi-square statistic obtained from the calculation for the combination of education with customer retention (46.762) was found to be significant. Thus the null hypothesis for education is rejected and it can be concluded that customer retention is dependent on education level of existing customers (Table 1).

FACTOR ANALYSIS

The scores of the existing customers for each attribute of customer retention strategy provided a clear picture on their view on the effectiveness of the retention strategies. Since their responses on a set of variables had to be represented as functions of major groups of customer retention strategies, an exploratory factor analysis was applied for grouping the variables into factors based on this data. The factors were extracted using Principal Component Analysis as it explained more variance than could be obtained from any other method of factoring. Varimax rotation was used to maximize the variance of the loadings within each factor to simplify the columns in the factor analysis. It helped in developing clearer factor loading patterns with some variables having high loadings on a particular factor and other variables having a loading nearer to zero. The factor loading of rotated components is presented in Table 2 through Table 5.

Here the component 1 consists of those strategies which form a financial, social and structural bond with the customers. So it has been newly named as value added services. The second factor consists of the characteristics which involve various services providing convenience to the customers for utilizing services and thus named as convenience. The third and the last one comprise of strategies which benefits the customer as well as the banks as a part of business enhancement and hence named as business development (Table 5).

Table 2. KMO and Bartlett's Test

	Kaiser-Meyer-Olkin Measure of Sampling Adequacy	**.877**
Bartlett's Test of Sphericity	Approx. Chi-Square	1275.072
	Df	136
	Sig.	.000

Table 3. Total variance explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	4.638	27.280	27.280
2	3.715	21.855	49.136
3	3.039	17.878	67.014

MULTIPLE REGRESSION ANALYSIS

The results of the factor analysis were carried forward by which the three independent variables (Factor 1 and Factor 2 and Factor 3) were used to predict the dependent variable effectiveness of customer retention strategies by multiple regression (Table 6).

The Regression equation is as follows:

$$Y = \alpha + \beta1F1 + \beta2F2 + \beta3F3$$

Where Y = Effectiveness of customer retention strategies;
α= Intercept;
F1= Value added services;
F2= Convenience;
F3= Business development
$\beta1, \beta2, \beta3$= Slopes associated with F1, F2, F3

The factors included in the multiple regression model are capable of explaining 67.014% variation in the effectiveness of customer retention strategies. Thus, one can conclude that regression model is statistically significant in explaining the effectiveness of retention strategies (Table 7).

RESULTS AND CONCLUSION

1. **Chi-square analysis:** The results of chi-square analysis indicate that demographic characteristics of existing customers of banks like age, gender and income are not statistically significant when it comes to determining the effectiveness of customer retention strategies whereas education level is statistically significant in determining the effectiveness of customer retention strategies. It was used as a test of independence to evaluate the relationship between the demographic characteristics and customer retention.

Figure 2 shows the Chi-square hypothesis test at the 0.01 level of significance, showing acceptance region (white portion) and sample chi-square value (Rejection region-Blue portion).During the analysis, it was found that the Sample Chi-square values for the relationship between customer retention with age, gender and income (13.179, 2.503 and 2.801) were found within the acceptance region. Hence, it is concluded that null hypothesis is accepted and customer retention and age, customer retention and gender and customer retention and income are independent. It indicates that customer's

Table 4. Extraction method: Principal component analysis

	1	2	3
Discount coupon	.676	-.109	.372
Gifts	.536	-.041	.592
Membership benefit	.362	-.053	.702
Cross selling	.361	.208	.655
Converting to high ROI	.043	.431	.647
Special attention	-.065	.342	.726
Alerts	.573	.239	.472
Wishes	.784	.179	-.008
Low value relationship	.747	.379	.052
Usage stimulation	.565	.326	.253
Personalized service	.367	.798	.125
Combos	.322	.804	.166
Payment optimization	.067	.909	.152
Complaint mgt	.617	.523	.193
Integrated systems	.532	.540	.335
Joint investment	.646	.425	.294
Sharing technologies	.695	.397	.301

Table 5. Summary of factors extracted after analysis

Items in Component/Factor 1 (Value added services)	Items in Component/Factor 2 (Convenience)	Items in Component/Factor 3 (Business development)
Discount coupon	Personalized services	Gifts
Wishing customers on special occasions	Combining offers	Membership Benefits
Informing customers about new services	Integrating systems with customers	Driving customers to high ROI channel
Low value relationship	Payment optimization	Cross Selling
Usage stimulation		
Complaint management		
Making joint investment		
Sharing processes		

Table 6. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681	.464	.448	.50610

Table 7. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.029	3	7.676	29.969	.000[a]
	Residual	26.638	104	.256		
	Total	49.667	107			

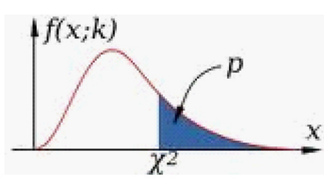
age, gender and income does not influence the effectiveness of customer retention strategies .There are certain other factors which are crucial in determining effectiveness of customer retention strategies. However, the sample chi-square value in case of customer retention and education (46.762) is in the rejection region. Hence, the null hypothesis is rejected and it is concluded that customer retention and education are dependent on each other. It indicates that the educational level of customers is a vital element in determining the effectiveness of customer retention strategies.

2. **Factor Analysis:** The results of factor analysis suggests that the there are three factors namely value added services, convenience and business development under which the retention strategies for existing customers can be categorized. The factor loadings are the factor-variable correlations that explain how closely the variable is related to a factor. In our rotated component matrix, Discount coupon(0.676), Wishing customers on special occasions(0.784), Informing customers about new services(0.573), Low value relationship(0.747), Usage stimulation(0.565), Complaint management(0.617), Making joint investment(0.646) and Sharing processes(0.695) have high factor loadings on the first factor compared to other two factors. Thus, we can infer that these variables are highly correlated and represent an underlying common factor. Similarly, personalized services (0.798), combining offers (0.804), integrating systems with customers (0.540) and Payment optimization (0.909) have high factor loadings on the second factor compared to the other two factors. The remaining variables namely Gifts (0.592), Membership Benefits (0.702), Driving customers to high ROI channel (0.647) and Cross Selling (0.655) have high factor loadings on the third factor compared to the other two factors.

The total variance explained by each factor can help in understanding how well the factors are able to summarize the data. The first factor explains 27.28% of the variation in the data, the second factor explains 21.855% of the variation and the third factor explains 17.878% of the variation in the data. The total variance explained by these three factors is 67.014.The remaining 32.98% variance in the data remains unexplained.

Bartlett's test of sphericity: It is a test statistic used to examine the hypothesis that the

Figure 2. Chi-Square hypothesis test



variables are uncorrelated in the population i.e., population correlation matrix is an identity matrix and each variable correlates perfectly with itself(r=1) but has no correlation with other variables(r=0).Its value 1275.072 indicates that the variables are uncorrelated in the population.

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy: It is an index used to examine the appropriateness of factor analysis. The high value of 0.877 indicates that factor analysis is appropriate.

3. **Multiple Regression analysis:** The results of multiple regression analysis indicate that the three factors, namely value added services, convenience and business development derived in factor analysis are statistically significant in explaining the effectiveness of retention strategies.. These three factors can influence the existing customers' views on these strategies.

Adjusted R Square: The coefficient of multiple determinations (Strength of association) is adjusted for the number of independent variables and the sample size to account for diminishing returns .After the first few variables; the additional variables do not make much contribution. Thus, a value of 0.448 is less for a good strength of association in this case.

F test: It is used to test the hypothesis that coefficient of multiple determinations in the population is zero. The F value 29.969 lies in the rejection region (Significant) which indicates that null hypothesis is rejected and it can be concluded that regression as a whole is significant because p value is 0.00 which is less than our significance level of 0.01.

LIMITATIONS

1. The study is restricted only to a bank and to one city only.
2. The customer satisfaction level is very complicated to measure in exact quantity /absolute terms through relationship marketing practices.

SCOPE FOR FURTHER RESEARCH

The study emphasizes that more integral conception and a structural framework is needed to implement subsequent research on relationship marketing in banks. The relationship practices are yet to make a significant mark in the banking industry. A research may be carried out to strengthen the effort of ensuring that the relationship strategy should not only deliver correctly but also well perceived by customers.

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