



**ENHANCING CUSTOMER RETENTION WITHIN MALAYSIA BANKING:
EXPLORING THE IMPACT OF RELATIONSHIP MARKETING, SERVICE
QUALITY, PRICE, AND MEDIATING ROLE OF SATISFACTION**

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ABSTRACT

The value of Customer Retention as the primary goal is to cultivate a loyal customer base that continually generates revenue through repeat transactions. The merger undertaken by the bank has resulted in a more extensive customer base, affording the opportunity for cross-selling various financial products. It is noteworthy that the performance of banks exhibited fluctuations. Remarkably, smaller banks can outperform their larger counterparts. As a result, this study aims to explore the strategies that enhance customer satisfaction by nurturing customer relationships through the perspective of Relationship Marketing. The establishment of long-term relationships emerges as a pivotal approach for banks to deliver quality services, encompassing both human and non-human interaction. Satisfaction plays a mediating role in achieving customers' expectations in addition of the pricing strategy employed by banks, particularly the interest rates extended to customers. To obtain empirical insights, quantitative research is being conducted. Questionnaires have been distributed to customers selected at random from three distinct areas in Perak state. A total of 129 questionnaires were gathered and analyzed with SmartPLS. The outcomes were positive and supported relationship between relationship marketing and service quality in promoting retaining customer, with the two variables being mediated by satisfaction. Despite that, the linkage of pricing strategies and Customer Retention is not substantiated, and no mediation through customer satisfaction is observed. This implies that customers may be highly inclined to switch if being offered more competitive pricing. For future investigations, in the banking performance, are encouraged to explore the perspective of banks' operation cost and management expenses.

Keywords: *Customer Retention; Relationship Marketing; Service Quality; Price; Satisfaction*

RESEARCH HIGHLIGHTS

This study underscored the crucial need for the banking sector to implement effective Customer Retention strategies to sustain their business performance which fluctuate between the years where some banks in the lower-tier category able to outperformed the top-tier banks. As per Kiki and Ogutu (2021), Customer Retention involves the ongoing effort to retain current customers, ensuring they do not shift to competitors for similar offerings. Thus, Customer Retention is to sustain a steady revenue stream from these existing customers from their repeat purchase and referral.

Utilizing Relationship Marketing facilitates the development of enduring relationships between banks and customers, bolstered by Service Quality aimed at enhancing customer satisfaction. Nevertheless, the findings revealed that despite customers being satisfied with the service quality, competitive pricing from rival banks could potentially lure retained customers to switch to the competitors' services. Differences of small percentage in interest may affect either the bank's income or the customers' saving or loan products. As mentioned by Zhao et al. (2021), if the banks offer a premium pricing, customers are not doubtful to take up offer from another bank. Consequently, banks must provide a reasonable price, but yet able to make a profit and customers feel satisfied.

Research Objectives

The study is to furnish some solid idea especially for the banks' practitioner on how to apply Customer Retention strategy due to the fluctuation of their yearly performance. On

contrary, the academicians may use this research outcome for future research. With Customer Retention in place, constant revenue from the existing customers helps the bank growth. The impact of this study is Customer Retention originates from Relationship Marketing, Service Quality, Price, and mediated by Satisfaction. Relationship Marketing starts from the moment customers walk into the banking hall. The aim is to allow customers feel at ease as this will create a satisfied customer. Satisfied customers will help in spreading the good Service Quality and thus, reduce the advertising expenses which is one of the cost contributing factors. By providing exceeded Service Quality, customers may remain with the existing bank even more competitive pricing being offered by the competitor banks. Thus, Social Exchange Theory (SET) is being applied in this study as what mentioned by Ferm and Thaichon (2021), SET represents a mutually dependent relationship between two participants and is based on reciprocity and the acknowledgement of actions that bring rewards from others.

Methodology

The population of this study is unobtainable because it involves private and confidential financial information of bank customers, which banks do not disclose to the public. Thus, sampling will be carried out among commercial banks situated in the state of Perak comprising two banks from the top-ranking and another two from the bottom-ranking. The areas involved industries from agriculture, retailing to manufacturing. The sample size will be 129 based on the calculation from G-power.

A convenient sampling will be employed from Non-probability Sampling technique. This approach involves selecting individuals from the (banks) population who are readily available. Additionally, as highlighted by Kumar et al. (2013), this sampling is most popular among the researchers due to efficiently to obtain from a sizeable a number of respondents quickly. In addition, Munyoro and Nyereyemhuka (2019), mentioned that non-probability sampling techniques is based on convenience, primarily due to time, cost, and other resource constraints.

The collection will be an intercept survey by using a self-administered questionnaire and consists of 22 items. Statistical Package for the Social Sciences (SPSS) software will be used to conduct a descriptive analysis of respondents' demographic profiles. Conversely, inferential analysis will be analysed with PLS-SEM.

Results

Overall, this study yielded mixed findings. The outcome of the linkage of Relationship Marketing and Service Quality is supported that lead to Customer Retention. Nonetheless, the outcome of linkage of Price and Customer Retention is unsupported.

As for the direct relationship of independent variables with the mediator of Satisfaction, the outcome indicated there is a supporting linkage of the Relationship Marketing and Service Quality. In contrast, it is an unsupported outcome of the linkage of Satisfaction and Price

even though the outcome for the relationship between Satisfaction and Customer Retention was supported.

The outcome of the mediation is there is a mediation effect on Relationship Marketing by Satisfaction towards Customer Retention. However, Service Quality and Price are not mediated by Satisfaction that can lead to Customer Retention.

This study deduced that Relationship Marketing is an important variable for the banks to be implemented. Even though the Customer Retention relationship with Satisfaction is supported, Price is still one of the main variables where customers will move to a competitive bank if the price offered is better, and even service provided by the existing bank meets their expectations.

Findings

As noted by noted by Ogbechi et al. (2018), enhancing customer relationship marketing involves building confidence and recognition, followed by demonstrating the bank's undertaking the responsibility. The supported relationship between Relationship Marketing and Customer Retention underscores the importance of trust, particularly in the banking sector. Gummesson (2017), emphasized that sector players must understand the significance of relationships, socializing, and interactions, all handled with efficient attention. Additionally, Mahapatra and Kumar (2017), highlighted that banks need to prioritize and pay attention on the elements that can enhance Service Quality through Relationship Marketing to retain customers.

The findings suggest that maintaining Customer Retention through Service Quality hinges on banks' ability to meet customer needs. Hamilton-Ibama and Elvis (2022), emphasized the crucial role of Service Quality in the banking sector, directly impacting customer satisfaction. Consequently, businesses recognize the importance of differentiating themselves through superior Service Quality to gain a competitive edge. However, if a rival bank offers competitive Pricing, customers may switch without hesitation. The relax of trading rules and regulations of the country has paved the way of economic growth and development, thus, intensified the competition, prompting bankers to focus on marketing strategies that tied to Service Quality for enhancing customer satisfaction (Arora & Narula, 2018).

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Author's Biography



Chim WK is a PhD graduate majoring in Marketing Management and presently works in Universiti Tunku Abdul Rahman as an Assistant Professor in Department of Marketing. His expertise is in Relationship Marketing, Service Quality, Price, Satisfaction and Customer Retention. He has been in the banking sector more than 22 years and last posting was Regional Sales and Support Manager in one of the commercial banks in Malaysia, overseeing the marketing and sales of the region. He is a member of Asian Institute of Chartered Bankers and Institute of Marketing Malaysia.