Empirical Evidence of Bonding as a Relationship Marketing Strategy towards Organizational Performance: A Survey of the Nigerian Banking Sector

Olafemi Ayopo Olotu (PhD)
Lecturer, Department of Business Administration,
College of Management Sciences,
University of Agriculture, Makurdi, Benue State,
P. O. Box 007, UST, Port Harcourt, Nigeria.

Darego Wilson Maclayton (PhD)
Associate Professor, Department of Marketing,
Rivers State University of Science and Technology,
Port Harcourt, Rivers State, Nigeria.

Victor Olukayode Ogunro
Lecturer, Department of Marketing,
Rufus Giwa Polytechnic, Owo,
Ondo State, Nigeria.

Abstract
The new marketing paradigm of Relationship Marketing Orientation (RMO) has six dimensions which has positively impacted business performance, despite this we endeavoured to single-out the impact of bonding dimension on the performance of the Nigerian banking sector. Quantitative method was used to generate the required data that was analysed using the Rank Order Correlation coefficient through the SPSS software package. We discovered bonding as a very strong dimension of RMO and it positively and significantly correlate with the banking performance. Thus, bonding is recommended as a marketing strategy towards retaining value customers.

Keywords: Relationship Marketing Orientation, Business Performance, Measurement scale, Bonding, Market Share, Nigerian banking sector, Customer Retention.

INTRODUCTION
Several studies have shown that the new marketing paradigm is ontologically directed toward improved business performance (Gummesson, 1998:8 and Evans and Laskin, 1994: 442). Organisation participates in relationships in order to obtain benefits associated with increases in revenue and/or cost reduction (Ford, 1980: 347). More money, time and efforts are spent attracting new customers to their services/products rather than retaining customers after a purchase. However, literature review has shown that this concept is yet to be fully integrated in business performance determination. Sin et al (2002) argued that there six dimensions of Relationship Marketing Orientation RMO and one of this is bonding, which is the focus of our study.

In Relationship Marketing, ties exist between the customer and the marketing that engenders commitment and repeat purchase. The benefits of this relationship according to Holstius and Kaynak (1995:12) is mutual since, relationships are partnership and further said that, the emphasis is on social bonding, cooperation, joint problem solving, sharing resources and activities. This developed overtime as a result of interaction and play an important role in customer retention, brand loyalty and customer value equity which may lead to a yield of profitability, increase in market share and other benefits to the organizations.
Ndubuisi (2004:72) argued that, more and more firms are capitalising on strong firm-customer relationship through Bonding to gain invaluable information on how best to serve customers and this new trend is technologically based. The application of this new paradigm by foreign marketers put them ahead of the developing markets like Nigeria where relationships is rather loose than. This has placed the developed economies at vantage position in terms of consumer behaviour management. More so, the technologies required for the best practice of Relationship Marketing Orientation are not adequately available in the developing economies. The reliance of our marketers on transactional marketing will make them a failure in a competitive global market where Relationship Marketing is holding sway (Adeleye, 2007: 15).

Thus, in this study we intend conducting an empirical research on Bonding as a Relationship Marketing Orientation dimension that impacts Business Performance in the Nigerian banking industry.

REVIEW OF RELATED LITERATURE

Sin et al (2002:658) argued that there are six dimensions of Relationship Marketing Orientation and these include, Trust (Morgan and Hunt, 1994:25); Marketing communication (Ndubuisi and Chan, 2005:546; Crosby et al, 1990:72). Shared value (Morgan and Hunt, 1994:26, Evans and Laskin, 1994:441). Others include reciprocity (Callaghan et al, 1995:236); and Bonding (Hinde, 1997:142 and Egan, 2001:39). These identified variables are directly linked to and are capable of predicting customer commitment and loyalty. We shall on this basis explicitly examine the dimension of Bonding in the performance of the banking activities.

BONDING: In a relationship, most especially the one between customer and business providers requires some kind of tie otherwise called bond that unite them together. Due to its importance, researchers have been attracted to the issue of bonding in Relationship Marketing (Vierra and Ennew, 2004:74). Defining bonding Callanghan et al, (1995:235) said it is the dimension of a relationship that result in two parties (customer and supplier or buyer and seller) acting in a unified manner towards a desired goal. A bond has a number of dimensions which Chiao (1982: 348) based on some cardinal relations that includes social interaction, closeness and friendship.

In China, Sin et al (2002:661) claimed that bonding have served effectively in controlling social and business behaviour in Chinese societies. There are different kinds of bond, Ahmad and Buttle (2001:556) reiterated that in the context of service marketing there are three forms of bonding that exists between parties thus, creating different levels and these are financial, social and structural bonds. But, Vierra and Ennew, (2004:73); Sin, et al (2006:412) and Yau, et al (2000:1117) agreed that, the two most widely discussed bond are social and structural bonds. While, Social bond developed over a long period of time. It relates to the degree of mutual personal relationships premised on friendship and likeness between the parties. Social bond are positive interpersonal relationships between the buyer and the seller (Turnbull and Wilson, 1989:238). At this level of bond, the supplier regards the customer as a client with personal communication. Social bond helps to look at the similarities between two parties and remove doubts, create trust, as well as, form close relationships. This according to Hinde (1997:144) leads to greater commitment; Structural bond on the other hand, is one of the most important bonding while building a relationship. Vieria and Ennew (2004:74) argued that structural bonds are typically based on technical, knowledge, legal or economic elements which create a barrier to relationship termination.

In building a relationship, both parties consider the convenience of technology, the understanding of the legal implications or their actions as well as, the dyad benefits accrued. It was therefore not surprising when Berry and Parasuraman (1991:12) argued, that structural bonding is stronger than social bonding and is essential for keeping profitable industrial and services customers. It enables relationships to be
viewed from and built on joint or partnership relationship in any transactions which as Varey (2002:145) claimed cannot be retrieved at the end of the transactions or when the relationships end. Thus, shared investments, product transaction and process adaptations are different forms of structural bonds; which Holmlund and Kock (1996:289) argued would become a bond only when contracts and agreements are signed with payments made. Finally, we have **Financial bond** that occurred when a customer is tied to the selling firm primarily through price incentives or other forms of financial bond including loans or credit sales. Ahmad and Buttle (2001:557) concluded that price is the primary marketing mix elements used in financial bonding.

It is important at this juncture, to note that when different forms of bonds are brought to play in a relationship such as in service marketing, the customers are not only seen as clients, but also as partners. Turnbull and Wilson (1989:239) corroborated this assertion when they posit that, as partners, customized services are rendered through mutual understanding. Looking at bonding in relation to Relationship Marketing Orientation (RMO) Sin et al (2005:188) stressed that it consists of developing and enhancing consumer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization.

The banking industry is highly competitive considering the struggle among banks and other financial institutions (Fertguson and Hlavinka, 2007: 110). It is therefore Pertinent for customers to critically search and select the best banks to do business with, in order to be satisfied. The key factors influencing customer’s selection of a bank include the range of services, rates, fees and prices charged (Ahmad and Buttle, 2002b:6). It is obvious that superior service alone is not sufficient to satisfy customers. It is therefore pertinent to espouse the relationship between the Bonding variable and banks performance.

**BONDING AND BUSINESS PERFORMANCE**

Relationship Marketing Orientation includes the recognition of marketing impact on a wide range of stakeholders who in-turn contributes to the company for a dyad rewards or benefits. Competition, customer sophistication and environmental dynamism is blowing banks toward defensive marketing by maintaining and enhancing relationships with personal customers, in order to increase customer retention and improve on their general performance. Colgate and Alexander, (1998: 144) argued that while, banks were looking to create more effective and efficient relationships with their customers, competitors from outside the industry are seeking to establish their own financial service relationships with these same customers. It is therefore very important for marketers to partner with their customers in collaborative relationships towards a common objective that would yield mutual benefits. This, Sin et al (2006:408) referred to as bonding in business relationship. Smith (1998:78) states that social, structural and functional bonds provide the context from which relational outcomes such as trust, satisfaction and commitment are evaluated. In bank-business client relationships, banks widely develop bonds with customers by attracting them to make relationship specific investments that increases their switching cost and reduces attraction for other alternatives. Nohria and Eccles (1992:63) reiterated that, cooperation can be conditioned by culture and some cultures are more inclined to establish long-term relationships. It therefore means that, while developing cooperative relationships through bonding, banks prefer long-term orientation (LTO) in order to build personal relationship and develop loyalty. Mattsson (1996:48) argued that, bonding considers relationship development as a process where satisfaction, investments, and commitment develop between the buyer and the seller in successful interactions. Pesamaa and Hair (2007:65) drew a conclusion that, through bonding, if cooperation and information sharing is important to continuing the relationship, then loyalty, trust and commitment must be considered as it largely influences organizational performance. From the foregoing therefore, the following hypotheses were drawn to elicit the impact of bonding in the performance of the banks under study.
Ho1: There is no significant relationship between Bonding and Market share.
Ho2: There is no significant relationship between Bonding and Customer retention.
Ho3: There is no significant relationship between Bonding and Cost reduction.

RESEARCH METHODOLOGY

Trochim (2005: 392) argued that, the adoption of the two approaches in any research study is the most appropriate for greater level of validity and reliability. In view of this, we adopted the quantitative and qualitative method generally referred to as triangulation. Ahiauzu (2006: 8) argued that one of these methods must be dominant, in this instance, the quantitative method is dominant. The triangulation method was adopted because of the nature of the study that required adequate data from both approaches, so as to have quality results and findings that could be generalized.

Ahiauzu (2006: 6) examined research design from the dimensions of purpose of study, type of investigation, study setting, unit of analysis and time horizon. Based on the foregoing, our study made use of the survey approach in a non-contrived environment. The study was a correlational one, as well as cross-sectional survey, with hypotheses testing and the banks’ employees were our study units. Thus, the target organisation in this study is banks that are currently operating in the financial service sector of the Nigerian economy. Though, there are about 24 consolidated banks operating in the country today, with many branches scattered all over the country, but our focus was centered on those operating within Port Harcourt, Lagos, Enugu, Makurdi, and Abuja. This is necessary considering the cosmopolitan nature, the cultural diversity and the high rate of banks’ businesses in these Cities. This therefore, gave us an insight into the operations of the banks in the Country at large.

Determining a sample size is necessary because of the constraints of cost, time and accuracy. Okwandu (2004:87) argued that, the key issue in sampling is representativeness. Since, our study unit is the bank employees, the population of the study are all the employees of the selected banks operating in these cities. In all we have a total of 4,552 workers that have direct interactions with the customers and are spread among the 189 selected branches. Using the Krejcie and Morgan (1970) sampling size determination method, we have a sample size of 565 (214 Managers and 351 Marketers/Tellers). The study questionnaire was administered to key Managers, Marketers who doubled as account officers that supervise customers’ accounts and Tellers that are core employees of the banks.

Table 1: Marketers and teller analysis

<table>
<thead>
<tr>
<th>Total population</th>
<th>Non-customer related staff</th>
<th>Total no of managers</th>
<th>Total no of marketers and tellers</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,676</td>
<td>1,124</td>
<td>492</td>
<td>4,060</td>
</tr>
</tbody>
</table>

Source Desk Research, 2008

Two major sources of data were employed in this study. The primary data sources, and the secondary sources. The research questionnaire, which was our main instrument for data collection was designed in line with basic concepts meant to generate information, through a structured and standardized format. Having been administered with the research questionnaire, the respondents however failed to fill and return many of the questionnaire. But, with repeated visits, phone calls and appeals, 422 were retrieved which represent 75% but, after due sorting and cleaning, 409 of the questionnaire representing 72% was usable for the purpose of analysis. The data were presented, analysed and tested the formulated hypotheses using Spearman Rank Order Correlation Coefficient, Factor analysis and Partial Correlation.
statistical tools through the Statistical Package for Social Sciences (SPSS). It is necessary to appreciate the mode of measurements, and this was done through the operationalization of the concepts which rendered it measurable using multi-item scales. These dimensions were measured using 13 items on a 5-point Likert-scale developed by the researcher. The scale ranges from 5=strongly agree to 1=strongly disagree.

Babbie (1999: 45) posit that, after operationalizing, defining variables and applying different scaling techniques, it is important to ensure that each research instrument employed, be adequately tested for reliability and validity. In view of this therefore, the Cronbach’s Alpha Co-efficient was used to test the reliability of our research instruments. The results are contained in table 2 below.

### Table 2: Reliability Test Results

<table>
<thead>
<tr>
<th>S/No</th>
<th>The Variables</th>
<th>No of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bonding</td>
<td>4</td>
<td>.876</td>
</tr>
<tr>
<td>2</td>
<td>Market Share</td>
<td>3</td>
<td>.752</td>
</tr>
<tr>
<td>3</td>
<td>Customer Retention</td>
<td>3</td>
<td>.740</td>
</tr>
<tr>
<td>4</td>
<td>Costs Reduction</td>
<td>3</td>
<td>.765</td>
</tr>
</tbody>
</table>

**Source SPSS Output**

The reliability was tested using the SPSS computer package and revealed a high reliability coefficient for all the variables tested. The results as shown, falls within the standards of 0.7 range set by Nunnally (1978: 86).

The validity of the research instruments used in this study was measured through content validity and construct validity. Testing construct validity requires a summary test on Nomological, Convergent and Discriminant test. Nomological validity shows the ability of a scale to show positive and significant association (Sin et al, 2005; 190). In our study context, there were positive and significant relationships between the measures of RMO and Business Performances as indicated in high Market Share, high Customer Retention and low Costs Reduction. Considering the results of the correlation coefficients between Bonding and components of BP, all coefficients were positive and significant. As such, we concluded that Nomological validity is ensured in the study.

### DATA ANALYSIS

At this juncture, we proceeded to the statistical test of our research hypotheses and its subsequent interpretations in order to confirm the tentative results on Bonding and Business Performance.

It is pertinent to discuss this result from the data analyzed in table 3 where, the four items of bonding analyzed revealed a very high level of agreement with the fact that bonding is a dimension of RMO and there was further concordance through a general mean score of 4.17. This means that, bonding is viewed as a dimension of RMO used in the business cycle. On the other hand, market share, customer retention and costs reduction were analyzed and proved as good measures of Business Performance. Thus, the correlations of these strong measures were stated hypothetically in order to know the strength of
association of Bonding on Business Performance. The stated hypothesis on bonding and Market Share, Customer Retention and Costs Reduction is summarily highlighted in table 3 below.

**H**o**1**: There is no significant relationship between Bonding and Market shared.

**H**o**2**: There is no significant relationship between Bonding and Customer retention.

**H**o**3**: There is no significant relationship between Bonding and Costs reduction.

**TABLE 3: RESULTS OF INFERENTIAL TEST OF BONDING AND BUSINESS PERFORMANCE**

<table>
<thead>
<tr>
<th>Predictor variable</th>
<th>Statistical index</th>
<th>Market share</th>
<th>Customer retention</th>
<th>Cost reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonding</td>
<td>Rho</td>
<td>.351**</td>
<td>.519**</td>
<td>.417*</td>
</tr>
<tr>
<td></td>
<td>T</td>
<td>.283**</td>
<td>.412**</td>
<td>.327**</td>
</tr>
<tr>
<td></td>
<td>VIF</td>
<td>1.812</td>
<td>1.641</td>
<td>1.913</td>
</tr>
</tbody>
</table>

*Source: survey data 2008 and SPSS window output version 15.0*

**Keys:**

** = Correlation is significant at the 0.01 level (2 tailed)

* = Correlation is significant at the 0.05 level (2 tailed)

Rho = Spearman Rank Order Correlation Coefficient

T = Kendall’s tau-b

VIF = Variance Inflation Factor

The results of the three hypotheses as revealed in the above table shows a Rho of 0.351 for H**o**1 and significant at 0.01 level (P< 0.01), as such hypothesis one is rejected. This means that, bonding is positively and significantly correlated with market share though, this association is not too strong. In the case of H**o**2 which analyzed the relationship between bonding and customer retention, the Rho and Kendall’s tau-b are 0.519 and 0.412 respectively. The outcome here showed a strong positive relationship that is significant at P<0.01 level. This proved that H**o**2 be rejected i.e. there is a significant relationship between bonding and customer retention.

Finally on H**o**3, the outcome inferred a positive and significant relationship between bonding and cost reduction. The Rho = 0.417 and Kendall’s tau-b = 0.327 at P< 0.01 level. This result justified the rejection of H**o**3 meaning that, there is a fairly strong, positive and significant relationship between bonding and costs reduction. Suffice to say that the results showed that there is no multicollinearity (VIF) i.e. none of the variable has too high correlation that would required variable removal.
Obtaining a broad based empirical frame, is a necessary and final step toward drawing a valid inference from the research question and through the tenets of the positivist approach, it was nomothetically executed. In view of this, the following submissions were drawn:

- That there is a fairly strong but, positive and significant relationship between bonding as a dimension of RMO and business performance as related to market share, customer retention and costs reduction.

- The significance of the three results at P<0.01 shows that the positive correlation of bonding and business performance did not occur by chance rather, the likelihood that a strong relationship would confidently occur or hold in the population is confirmed.

In view of the above therefore, we concluded that, bonding is a quality and acceptable measure of RMO. These were affirmed through our descriptive analysis while, the level of association was confirmed to be positive and significant. Bonding is thus, an approving contributor to business performance in relation to the three measures considered for this study. Bonding was found to be a strong measure of RMO that positively and significantly enhances Business Performances such as Market Share, Customer Retention and Cost Reduction.

**DISCUSSION OF FINDINGS**

In line with our bivariate findings as encapsulated in the integrated findings, there is a positive and significant correlation between RMO dimensions and Business Performance. Specifically, Bonding has a strong, positive and significant impact on Business Performance in the banking industry, this is in response to our research question. In confirming the above stated finding, we expanded the frontier of bonding as a relational exchange dimension that played a major role in achieving set objectives in the service market. Callaghan et al (1995: 235) viewed bonding as working together toward common goals. This is based on certain cardinal relations, which include social interaction, closeness and friendship (Chiao, 1982:348). This correspond with our result that, customers strongly feels a sense of involvement as they interact with their banks, as a result of this interactions, a long business ties is established that would culminate in total reliance on the banks’ services by customers. No wonder, a marketer posits that “we looked at the immediate and future needs of the customers and offer services that would satisfy them”. By so doing a social bond is created to justify what Hinde (1997: 144) refers to as, greater commitment. At one of the new generation banks, new innovations were introduced to service the customers better and win their loyalty and commitment. This refers to structural bonding which Vierra and Ennew (2004: 74) claimed were typically based on technical, knowledge, legal or economic element, that create quality services. The recently introduced fraud proof machines, security doors, ATM, E-Banking, and information technology have contributed greatly to confidence building and eventual staying back with the bank. With reference to the above facts, one may conclude that Bonding is a strong dimension of RMO and positively contributed to the correlations between RMO and Business Performance as indicated by high Market share, high Customer retention and low Costs reduction through its impact on long-term relationship, loyalty and commitment.

**SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

Our theoretical framework could be traced back to relational exchange, as a new marketing paradigm in a turbulent business environment that would yield positive Business Performance, most especially in the banking service sector. Within the last six years, marketing strategies evolved from the traditional “transactional marketing” to a new paradigm called “Relationship Marketing” in the Nigerian financial
service sector. On the basis of the evidence collated, analyzed, findings and discussions elicited, the following conclusions arising therefrom were summarized. The primary conclusion drawn is that, there is a significant and positive relationship between Relationship Marketing Orientation and Business Performance in the Nigerian banks and these relationships are as well strong. This is conceptualized on theoretical models of RMO that is built on the concept of Bonding. Importantly, this dimension or RMO component has strong association with Relationship Marketing Orientation construct. Hence, the derived strength it positively and significantly impact on Business Performance. Finally, Bonding is about building an enduring relationship with a partner. In the context of this study, the relationship building is between the bank and the customer on one hand and the account officer (Market) and the customer on the other. The bond between the account officer (Market) and the customer is viewed to be stronger because of the informal socialisation that exists between the account officer and the customer.

This research study is therefore meant to contribute to the body of knowledge, judging from our empirical analyses, results and findings and also to provide empirical evidences on the tested scales that are both reliable and valid. This gives a new theoretical insight into the generation of Bonding as a dimension of RMO construct. The findings could be employed for the verification of the application in other areas and even act as basis for further studies. Practically, the implication of the study showed marketers having strong views that Bonding has a purpose of enhancing marketing performance by achieving efficiency and effectiveness. This held view was validated by our findings that Market Share, Customer Retention and Costs Reduction among others, were improved upon at the practice of RMO through Bonding in the banking service sector. As such, banks in Nigeria wishing to improve their performances should adopt an improvement on the practice of Bonding.

The RMO measurement scale could be used to set benchmarks or core values (norm) that would act as the banks “operational commandment”. This can be aligned with industrial standards in order to have competitive edge.

Perusing through the results, findings and conclusions of this scientifically and systematically conducted research work, the following recommendations were made;

The banking service sector must improve on the practice of Relationship Marketing Orientation through Bonding, as a new marketing paradigm to outwit competitors and retain customers. Bonding must be seen as Internal marketing concept in the banking system to woo commitment and loyalty from the customers. Measures be put in place to ensure that relationships between banks and customers be greater than those between account officers (Market) and the customers. This implies that the Bond between the customer and the bank should be stronger. Prompt responses to feedback must be timely, while complains and disservices are treated, corrected and immediate apology rendered.

An integrated training programme should be organized for the staff at timely intervals, to keep them informed and on their toes for the need to establish very close tie with their customers. The staff must build family-line with the customers in order to be a step ahead of their competitors.

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Authors

O. A. Olotu, is a PhD holder (Strategic Marketing) and Marketing lecturer in the Department of Business Administration of the College of Management Sciences, University of Agriculture, Makurdi, Benue State, Nigeria. He is a Social Science Researcher and analyst of repute. Currently, He is a consulting partner with CHENCONSULT (A Management & Marketing Consulting firm based in Nigeria).

D. W. Maclayton (PhD) is an Associate Professor in the Department of Marketing, Rivers State University of Science and Technology, Port Harcourt, Rivers State, Nigeria.

V. O. Ogunro, is a Lecturer in the Department of Marketing, Rufus Giwa Polytechnic, Owo, Ondo State, Nigeria.