How *Relationship Marketing* contributes to gaining *customer loyalty* to securities brokerage firms in *The Stock Exchange of Thailand (SET)*?

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Presentation Structure

- Literature Review
- Research Question & Objectives
- Research Methodology
- Findings & Conclusion
- Research Contributions
- Discussion
Literature Review

Review of three constructs underlying the research

- Relationship Marketing (RM)
  - Loyalty
  - RM and its Impact on Loyalty

Review of RM in financial services

- RM in Financial Services Context
- Thailand’s Capital Market
- RM in Thailand’s Financial Services
- RM in Thailand’s Securities Brokerage
RM in Various Perspectives

- RM involves the use of database in which information is compiled, analysed and reformulated to meet individual needs of customers (Nowesnick, 1993).

- Ongoing, interactive use of customer databases leads to mutually beneficial relationships (Gilbert & Choi, 2003).

- The transformation of customer information systems from basic data depositories into customer-driven marketing information is the key to long-term competitiveness (Lacey & Morgan, 2009).
RM in Various Perspectives (Cont.)

- RM requires formal and informal exchanging and sharing of meaningful and timely information (Camarero, 2007).
- RM means providing information that is trustworthy, deals with quality and fulfils promises (Ndubisi & Wah, 2005).
- RM requires strong personal relations, interaction and social exchange in order to succeed (Zineldin & Philipson, 2007).
RM in Various Perspectives (Cont.)

- RM requires traditional external marketing tools, activities and process to support it, e.g. the 4Ps, advertising, direct mail, marketing communication and relationship building (Gronroos, 2000).

- The organisations must undertake RM activities at an appropriate level to remain competitive (Ward & Dagger, 2007).
Differences of CRM and RM

- CRM is more tactical
- CRM focuses on building relationship with customers
- CRM focuses on how management can maintain and enhance relationship

- RM is relatively more strategic
- RM focuses on building relationship with all stakeholders
- RM concentrates on customer emotions and behaviours e.g. bonding, empathy and trust.
Shift of TM’ to ‘RM’

Mutual interdependence

Relationship Marketing (RM)

Transaction Marketing (TM)

Competition and conflict

Independence and choice

Mutual cooperation

Source: Sheth and Parvatiyar (2000)
RM involves a process of attracting, maintaining and enhancing relationship with customers and stakeholders … (and, when necessary, terminating them) at a profit, so that the objectives of the parties involved are achieved through mutual exchange and fulfilment of promises.

(Das, 2009, Zineldin and Philipson, 2007)
Customer Loyalty

“There is no universally agreed definition of customer loyalty, but it can be seen as a commitment to continue to do business with particular firm on an on-going basis” (Zineldin, 2006)

Loyalty has two dimensions – *behavioural* loyalty and *attitudinal* loyalty (Lam & Burton, 2006).

- **Behavioural loyalty** measures by frequency of purchase or word of mouth.
- **Attitudinal loyalty** is the feeling of attachment, psychological bonding, linkage to one provider.
RM and its Impact on Customer Loyalty

- RM is considered an effective strategy, not only for promoting loyalty, but it also crucial in moving target customers up the ladder of loyalty (Payne et al., 1995).
- The ultimate goal of RM is to bolster already strong relationships and convert indifferent customers into loyal ones (Ndubisi, 2007).
The RM Ladder of Customer Loyalty

Source: Adapted from Payne et al. (1995)
RM in the Financial Context

- The banking sector has advocated RM as a key option in gaining customer loyalty (Gilbert & Choi, 2003).

- In the high-level financial services, the relationship is a major factor in satisfaction and customer loyalty (Leverin & Lijandar, 2006).

- RM can, but need not, to be directed towards all customers of an institution. It is often directed only at the most profitable areas (Abratt & Russell, 1999).
Ineffective relationship management appeared to be a key contributor to service switching (Lam & Burton, 2006).

In RM, financial institutions are advised to focus on the emotional tone of their interactions with customer and to understand of their customers’ behaviours (Lam & Burton, 2006).

Two-thirds of information and knowledge derive from informal face-to-face interaction; the remaining comes from documentation (Davenport, 1994).
The Owner and Financier Relationship

Types of Owners
1. Private business run by core owner
2. Long-term investors
3. Short-term investors
4. Cooperative Partnerships
5. Government ownership

Other Types of Financiers
1. Banks
2. Suppliers
3. Customers
4. Subsidies

Other influencers
1. Financial analysts
2. Investment brokers
3. The stock exchange
4. Government
5. Media

Source: Gummesson (1999)
RM in Thai Financial Services

- Thailand is a high-context culture, therefore, strong relationship being a cornerstone of this society (Holmes & Tangtongtave, 1997).
- Among Thai cultural characteristics, communication and personal interaction is very important (Petison & Johir, 2008).
- Thai consumer behaviour is distinct, placing a lot of importance on the ‘personal touch’ (Chaoprasert & Elsey, 2004).
Gap & Motivation

- In financial services, RM practices are not yet fully developed and implemented (Gilbert & Choi, 2003).

- There is a significant lack of practical and empirical research, focusing on the consequences of maintaining long-term relationship between customers and services providers (Molina et al., 2007).

- RM research has concentrated more on theory building than on applications relevant to industry and practitioners (Ward & Dagger, 2007 and Das, 2009).
Originality of this Research

“Incomplete development and implementation of RM in financial services”

No research on RM and its impact on customer loyalty in the Thai securities industry.
Research Question

“How does ‘relationship marketing’ contribute to gaining customer loyalty to securities brokerages?”

Research Objectives:

- To investigate RM practices in securities brokerage firms in Thailand
- To investigate factors that impact customer loyalty to securities brokerage firms in Thailand
- To explore how these RM practices impact customer loyalty to securities brokerage firms in Thailand
- To produce academic knowledge that contributes to understanding how RM impacts customer loyalty to securities brokerage firms
Research Methodology

Interpretivism

Inductive Approach

1st & 2nd Phases (Pilot Studies)

Methods
1) 16 Semi-structured Interviews
2) 3 Non-participant Observation Cases

Analysis
Qualitative Content Analysis
Interview Task
1) Noting & Tape Recording
2) Transcribing & Coding
Observation Task
1) Noting & Coding
2) Typing & Summarising

3rd Phase (Main Study)

Methods
1) 24 Semi-structured Interviews
2) 4 Participant Observation Cases

Analysis
Qualitative Content Analysis
Interview Task
1) Noting, & Recording
2) Transcribing & Coding
Observation Task
1) Noting & Coding
2) Typing & Summarising

Testing & Modification
- method & technique
- validity
- interview questions

Research Design
Research Methodology (Main Study)

Multi-method of Data Collection
- Semi-structured interviews (24)
  - Local and international brokerage firms
  - Institutional and retail customers
- Participant observations (4 cases)
- Author’s research diary
- Research documentation

Data Analysis Techniques

Interview Tasks
- Qualitative content analysis
  - Noting and recording
  - Transcribing and coding

Observation Tasks
- Noting and coding
- Typing and summarising
Research Findings
First Objective: RM Practices

Findings confirmed that securities brokerage firms in Thailand implemented three types of RM activities:

- Information marketing activities
- Relationship-building activities
- Database marketing activities

The research also revealed a number of similarities and variations between stakeholders in relation to RM practices.

Details are as follows ……
Three Types of RM Activities

RM Practices

Information-marketing activities:
- Provide high quality research papers
- Arrange small group seminars
- Corporate accesses & company visits
- Meeting with government officials & experts
- Telephone
- Informal information updates

Relationship-building activities:
- Inviting customers to lunch / dinner
- Leisure activities e.g. day trip, river cruises
- Sporting activities e.g. taking customer to golfing, tennis tournaments
- Special events e.g. thank you parties

Database-marketing activities:
- Customer Relationship Management system (CRM)
- Customer's needs and behaviours
- Life styles
- Sending cards, emails & SMS
- Direct marketing e.g. customer segmentations
Local Securities Brokerage Firms

RM Practices for ‘Short-term Individual Customers’

- Information-marketing activities
- Relationship-building activities
- Database-marketing activities

Short-term individual customers
RM Practices for ‘Institutional and Long-term Individual Customers’

Local Securities Brokerage Firms

- Information-marketing activities
- Relationship-building activities
- Database-marketing activities

Institutional and long-term individual customers
RM Practices for ‘Foreign Institutional Customers’

- Information-marketing activities
- Relationship-building activities
- Database-marketing activities

International Securities Brokerage Firms

Foreign institutional customers
Second Objective : Influential Factors

Findings demonstrated three main factors impacting on customer loyalty:

• Providing high quality research papers
• Having close relationships with customers
• Providing efficient trade execution services

A significant addition to current theory and practice was the finding that various types of participants were influenced differentially by each of these factors.
Most Influential Factors for ‘Local Securities Brokerages’

Factors

- Information services
- Understanding customers’ investment behaviours
- Providing one-stop services

Quality of RM Practices

Outcome

Behavioural Loyalty
Most Influential Factors for ‘International Securities Brokerages’

Factors

- Having good relationships with customers
- High quality summaries of key information
- Providing un-biased and independent advice

Outcome

Quality of RM Practices

Behavioural Loyalty
Most Influential Factors for ‘Institutional Customers’

Factors

- Superior research papers and recommendations
- High quality executions
- Efficient marketing services

Quality of RM Practices

Outcome

Behavioural Loyalty
Most Influential Factors for ‘Retail Customers’

Factors

- Human relationships or personal touch
- High quality recommendations and research support

Outcome

Quality of RM Practices

Behavioural Loyalty
Third Objective: RM Impacts

The study confirmed that, by implementing RM with targeted customers, brokerages not only ‘gained’ and ‘strengthened’ - but effectively ‘maintained’ significant customer loyalty.

RM Practices
- Information-marketing Activities
- Relationship-building Activities
- Database-marketing Activities
Conclusion

This research confirmed that RM had a demonstrable impact in gaining customer loyalty to securities brokerage firms in Thailand. 

However, RM positively impacted individual short-term investors’ loyalty to particular staff and not to the brokerage.
Summary of Key Research Findings

Brokerage Firms

Local Brokerage
- Information-marketing Activities
- Relationship-marketing Activities
- Database-marketing Activities
  - Short-term Individual Customers
  - Long-term Individual Customers
  - Institutional Customers
  - Foreign Institutional Customers

International Brokerage

1st Objective
RM Practices

2nd Objective
Influential Factors

Institutional customers
- Research papers & recommendations
- Dealer executions
- Marketing services

Retail customers
- Relationships & personal touch
- Good recommendations & research support

Local brokerages
- Information services
- Understanding customers’ behaviours
- Providing one-stop services

International brokerages
- Good relationships
- Summaries of key info.
- Un-biased and independent advice

3rd Objective
RM Impacts

Research Outcome

Trust

‘Maintaining’ Loyalty

‘Strengthening’ Loyalty

‘Gaining’ Loyalty

RM has an impact in gaining customer loyalty to securities brokerage firms.

however, short-term retail customers' loyalty to particular staff, not to the firm.
Research Contributions
Theoretical Contributions

This research adds to current theory by bringing together three main RM components which had previously been treated separately in literature:

1. Information-marketing activities
2. Relationship-building activities
3. Database-marketing activities

This is the first study to provide a synthesised investigation of these activities.
Professional Practical Contributions

The research findings support and extend the current body of practice knowledge on RM in the financial services sector.

The securities brokerages have to develop systematised database marketing to increase customer satisfaction and loyalty.

The research established the three factors that most influenced customer loyalty and explained the dynamics of how these impacted on different types of participants.

RM in practice, ‘knowing your customers’. 
Policy Implications

The findings have significant implications for the SET’s current policies and practices. For example:

- It is crucial to promote RM and its benefits to stakeholders;
- SET and securities brokerage firms must develop a more subtle understanding of customer needs and behaviours;
- SET/CMDF and related organisations should create or set up a ‘research portal’ for the industry;
- Improving the competence of marketing/sales officers in product knowledge and RM.

In RM, **one size does not fit all.**
The research found brokerage firms did not utilise customer databases in a systematic fashion. An in-depth study of **customers database management and implementation** will be very useful for the industry.

Research is required to develop an in-depth understanding of investors’ needs, expectations and behaviours and how to move their loyalty from **brokerage staff to brokerage firms**.

The findings indicated an opportunity for a **comparative study** of the interaction of culture and RM in developed and emerging stock markets.
In this highly competitive environment, we must pay more attention to gaining and maintaining customer’s loyalty in order to retain competitive advantage.

Consequently, RM is a key strategy to our success.

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Thank you