Relationship development in retail consumer banking: an example from Cypriot banking

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Abstract
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The development of consumer relationships has received limited attention especially when compared to the attention given to business-to-business relationships (Moller and Halinen, 2000; Hadjikhani and Bengtsson, 2004; Netzer et al., 2008, Dagger and O'Brien, 2010). The main focus has been on relationship marketing (e.g. O'Malley and Tynan, 2000), consumer brand relationships (e.g., Fournier, 1998) and more recently discussion of customer experience (e.g. Verhoef, Reinartzand Krafft, 2010). This attention to relationship marketing/management and the management of customer experience highlights the importance of understanding how consumer relationships develop from both a managerial and a theoretical perspective. This research provides insight into consumer relationship development by exploring the processes around relationship development in consumer banking and proposes an empirical process model of relationship banking.

In order to model relationship development careful consideration needs to be given to how the temporal dimension is to be treated Halinen, (1995). Using Van de Ven (1992) as a guide suggests three categorizations of development processes: input-output, change or processual perspectives. The first perspective is the most simplistic and the latter the most encompassing as it traces relationship development by examining how things change over time by focusing on "the sequence of incidents, activities and stages that unfold over the duration of a central entity's existence" (p.170).

The majority of extant studies into consumer relationship development essentially adopt an input-output perspective and simply investigate the pertinent relationship dimensions. Considerable work, both generic and industry-specific, has been undertaken to reveal the dimensions of relationships (see for example, Bejou et al., 1998, Christopher et al., 2002, Zeithaml and Bitner, 2003, Ioannou and Zolkiewski, 2009). There is a paucity of research, however, that investigates the developmental process of consumer relationships and in understanding how such relationships unfold. Possible exceptions include, Grönroos' (1982) customer relation life-cycle model, Dwyer et al's (1987) conceptual framework model as well as the empirical models of Palmer and Bejou (1994) in the investment sector Netzer et al (2008) in an alumni-university context and, more recently, Virta and Tähtinen's (2014) work on detoxification treatment relationships.

Until recently, the only empirical research in consumer relationship development has been provided by Palmer and Bejou's (1994) cross-sectional study in the investment services industry, which may be classified under a change perspective. They reveal three key relationship variables, namely sales orientation/selling pressure, ethics and empathy and essentially propose a

life cycle model. Even though Palmer and Bejou (1994) assert that exchange relationships progress through a life cycle, they do acknowledge that "to truly establish whether a particular buyer-seller relationship goes through a life-cycle, it would be necessary to measure their perceptions over time as the relationship develops" (Palmer and Bejou, 1994 p.505), i.e. through longitudinal research.

Nevertheless, the processual perspective which maps relationship development by investigating "the sequence of incidents, activities and stages that unfold over the duration of a central entity's existence" (Van de Ven, 1992, p. 170) has been seldom utilized. Dwyer et al's (1987) model poses an exception to this, as it describes relationship development through the five stages of awareness, exploration, expansion, commitment and dissolution and identifies as change causes bilateral testing and probing, deepening and dependence. Their model, however, lacks empirical validation and as a consequence, efforts to utilize a processual perspective in consumer relationship development, remained largely at the conceptual level.

To address this gap, Netzer et al (2008) developed a hidden Markov model of the dynamics of customer relationships. The model which incorporates the effect of a series of customer-firm encounters and the resulting consumer behavior was applied in the context of university-alumni relations through longitudinal data. Their research suggests that, as a result of the longitudinal sequence of relationship interactions, consumers may shift to three different relational states: the dormant, the occasional and the active state. Such encounters, they assert, may relate to both purchase and nonpurchase exposures as well as to exposure related to relationship marketing activities. Virta and Tähtinen (2014) move research a step further by illustrating the importance of considering both clock time and event time when exploring relationship development.

However, it can be argued that a further area which calls for/renders for immediate research pertains to the understanding of the dynamics of retail exchange relationships in general and of the developmental process of retail banking relationships in particular.

To this end, with the Cypriot retail banking sector as the empirical base, this research aims to develop an empirical process model of relationship banking in a consumer context.

The choice of banking as the empirical base was made on the one hand, in light of the high involvement, continuous and interactive nature of banking services which may be seen as conducive to relationship development and on the other, in view of the fact that banking constitutes an important service industry. The choice of Cyprus as the empirical base is particularly meaningful, due to the recent financial crisis which resulted in an unprecedented change in the environment with the first time bail-in of he largest Cypriot bank, the closure of the second largest bank and the restructuring of the banking sector of the island.

A synthesized conceptual framework was devised which was based upon the Interaction Model of the IMP Group (Håkansson, 1982) but blends and integrates concepts from the work of researchers mainly from the consumer-research traditions. Even though the interaction model was developed for inter-organizational markets, it is also seen as relevant and applicable in the consumer market (Pels, 1999), in the service sector and in financial services in particular

(McKechnie, 1992). Hence, the core concepts of the interaction framework, i.e. the environment, the active participation and profiling of the interacting parties and the interaction process itself are modeled in the conceptual framework. The framework was adapted for the banking sector through the choice of relationship dimensions and their interrelationships, which was based on banking studies.

A non-probability, purposive sample was employed. Specifically, a convenience sample from the wider social network of the researcher was employed, a choice that was made in view of the sensitive nature of the research. Participants had to meet the criterion of "at least one year experience with a financial institution" and were selected on the basis of a proportional quota (age-by-gender). To add breadth and depth to the analysis (Fielding and Fielding, 1986) triangulation was pursued through the use of two focus groups and in-depth interviews with thirty-eight bank consumers. An interview guide was used which was an amalgam of both attitudinal and behavioral questions and the interviews ranged from forty-five minutes to two hours.

Further, in line with the need to adopt a processual approach, a longitudinal research design was employed through the use of both retrospective and real-time data collection. To this end, twenty retail customers were interviewed again, within a time frame that ranged from nearly nine months to three and a half years and from these a further 15 agreed to be interviewed for a third time, with a time frame between the second and third interview of 7-8 years (where the third round of interviews was after the financial crisis).

The data were transcribed and analysed in accordance with Miles and Huberman's Interactive Model (1994), whereby themes were identified and then were considered in light published constructs in the literature review. The analysis involved both a within-case and a cross-case analysis.

The results suggest that both parties share a similar perspective towards the developmental path of bank-client relationships, albeit the consumers' findings are considerably more detailed. This stems from the fact that the financial institutions have not, to date, undertaken any in-depth research investigating the customers' perspective in the relationship domain, but have arrived at this knowledge through trial and error over years of practice. Such knowledge, however, lacks detail, depth and precision. Specifically, both sides of the dyad discussed similar

(a) Contextual factors i.e. environment, product and parties of exchange,
(b) Interaction elements e.g. frequency, volume and reason of exchange, Input and Output related factors, everyday, shock, critical and momentous encounters), as well as
(c) The process factors of Experience, Learning, Assessment and Knowledge.

Overall, the findings provide further evidence to the well-documented notion that exchange relationships are conceptualized quite distinctly in different contexts.

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