

HOW ‘RELATIONSHIP MARKETING’ CONTRIBUTES TO GAINING CUSTOMER LOYALTY TO SECURITIES BROKERAGE FIRMS IN THE STOCK EXCHANGE OF THAILAND?

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Declaration

No portion of the work referred to in this thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning. Except insofar as stated in the acknowledgements to this thesis or in the text itself, the work contained herein is that of the author.

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Abstract

Relationship marketing (RM) is widely acknowledged as a useful tool in gaining customer loyalty in various sectors. However, to date, there had been no research on how RM impacts customer loyalty in the securities brokerage firm industry in The Stock Exchange of Thailand. This study employs an inductive research approach to explore RM in securities brokerage firms in Thailand's financial services sector and gain an understanding of customers' and other stakeholders' views of RM activities and loyalty to brokerages in an emerging market.

Multiple data collection methods were employed, including semi-structured interviews as the main collection method and participant observations in a supporting role. Qualitative content analysis and coding techniques were used for analysing the data. This pioneering research provides new theoretical and practice knowledge and delivers a far more subtle and nuanced analysis of the dynamics at play between customer loyalty, various RM strategies and different customer types – compared to the current literature.

The study found that securities brokerage firms in Thailand implemented RM practice but with differences in relationship marketing strategies, depending on the types of customers being targeted. The study identified the main factors impacting on customer loyalty to both local and international securities brokerage firms. Finally, the research confirmed that RM had a demonstrable impact in gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand (SET), but with intriguing characteristics, for example, RM's positive impact on individual short-term investors' loyalty, not to brokerages, but to particular staff.

This investigation provides a starting point for further academic work on RM and customer loyalty in financial services, particularly amongst securities brokerage firms in SET. The lack of research in this area renders this study highly significant academically, by extending the body of knowledge concerning RM and customer loyalty in financial services marketing. Professionally, this study could be very influential in improving RM strategies and customer loyalty for Thai securities brokerage firms in Thailand and developing more appropriate investor marketing and education policies for SET.

Key Words

Relationship Marketing, Customer Loyalty, Securities Brokerage, Stock Market, and Thailand

Table of Content

Chapter 1: Introduction

1.1 Introduction	1
1.2 Background to the Research	1
1.3 Initial Motivation	3
1.4 Aims and Objectives	4
1.5 Originality of Research, Research Contributions and its Relevance to Practice	5
1.6 Research Outline	6

Chapter 2: Literature Review and Conceptual Framework of the Project

2.1 Introduction	9
2.2 Relationship Marketing (RM)	9
2.2.1 Relationship Quality	20
2.2.2 Relationship Quality as a Contributor to Loyalty	23
2.3 Loyalty	24
2.3.1 Behavioural and Attitudinal Loyalty	27
2.3.2 Loyalty in Services Industries	28
2.3.3 Loyalty in Financial Services Industry	29
2.4 RM and its Impact on Customer Loyalty	31
2.5 Summary	32

Chapter 3: Relationship Marketing in Thai Financial Services

3.1 Introduction	35
3.2 RM in the General Financial Context	35

3.3 Thailand's Capital Market	43
3.4 RM in the Context of Thailand's Financial Services	49
3.5 RM in Thailand's Securities Brokerage Services	50
3.6 Key Issues to be Investigated in this Research	52
3.7 Summary	59

Chapter 4: Research Methodology

4.1 Introduction	61
4.2 Research Methodology	61
4.2.1 Philosophical Perspective	63
4.3 Research Approach	65
4.4 The Study Research Plan	70
4.5 The Pilot Study Research Plan	70
4.6 Key Findings of Pilot Studies	88
4.7 Research Contributions to the Main Study	94
4.8 The Main Study Research Plan	95
4.9 Validity and Reliability of the Research	115
4.10 Research Limitations	119
4.11 Ethical Considerations	121
4.12 Summary	121

Chapter 5: Main Research Study

5.1 Introduction	122
5.2 Findings from Securities Brokerage Firms	124
5.2.1 Local Securities Brokerages	124
5.2.2 International Securities Brokerages	151

5.3 Findings from Customers (investors)	170
5.3.1 Institutional Customers (investors)	170
5.3.2 Retail Customers (investors)	194
5.4 Summary	212
 Chapter 6: Discussion and Implications	
6.1 Introduction	218
6.2 Contextual Background of RM in Securities Brokerage Firms in Thailand	219
6.3 RM Practices in Thai Securities Brokerage Firms	223
6.4 Factors Impacting Customer Loyalty in Securities Brokerages	237
6.5 RM and its' Impact on Customer Loyalty to Thai Securities Brokerage Firms	242
6.6 RM's Contributions to the Thai Stock Market Environment	252
6.7 Summary	258
 Chapter 7: Conclusion	
7.1 Introduction	263
7.2 Research Conclusion	263
7.3 Examination of Research Objectives	269
7.3.1 Examination of the First Research Objective	269
7.3.2 Examination of the Second Research Objective	277
7.3.3 Examination of the Third Research Objective	283
7.3.4 Examination of the Fourth Research Objective	287
7.4 Research Limitations	291
7.5 Recommendations for Further Research	292
7.6 Research Contributions	294
7.6.1 Theoretical Contributions	294

7.6.2 Professional Practical Contributions	296
7.6.3 Policy Implications	297
References	299
Appendices	
Appendix 1: Definition	322
Appendix 2: Purpose of Interview Questions	326

List of Tables

Table 1: SET Statistical Data	45
Table 2: Components of RM	56
Table 3: Components of Customer Loyalty	57
Table 4: Characteristics of Thai Securities Brokerage Firms	58
Table 5: RM Studies which adopted an Inductive Approach	69
Table 6: Observation Check List	82
Table 7: Respondents' Profiles	104
Table 8: Participant Observation Check List	107
Table 9: Data Collection Techniques	114

List of Figures

Figure 1: Axioms of Transaction and Relationship Marketing	16
Figure 2: The Six-Markets Model	17
Figure 3: The Relationship Marketing Ladder of Customer Loyalty	26
Figure 4: The Owner and Financier Relationship	38
Figure 5: The Philosophical Approach Underlying the Research Methodology	62
Figure 6: Deductive and Inductive Approaches and Relationship between Theory and Research	67
Figure 7: Outline of the Pilot Studies' Research Plan	72
Figure 8: Outline of the Main Study's Data Collection and Analysis	96
Figure 9: RM Practices in the Thai Securities Brokerage Industry	270
Figure 10: RM Practices for Short-term Individual Customers	274
Figure 11: RM Practices for Institutional and Long-term Individual Customers	275
Figure 12: RM Practices for International Brokerage Firms	276
Figure 13: Most Influential Factors for ' <i>Local Securities Brokerages</i> '	279
Figure 14: Most Influential Factors for ' <i>International Securities Brokerages</i> '	280
Figure 15: Most Influential Factors for ' <i>Institutional Customers</i> '	281
Figure 16: Most Influential Factors for ' <i>Retail Customer</i> '	282
Figure 17: RM Practice and its Effect on Customer Loyalty	286
Figure 18: Summary of Key Research Findings	289

Chapter 1

Introduction

1.1 Introduction

This chapter begins with the background to, and the initial motivation for, this study, followed by the research question and objectives, the originality of the study, its research contribution and relevance to practice.

1.2 Background to the Research

In the world of business, the concept of relationship marketing (RM) is widely understood, both academically and professionally. Its goal is to bolster already strong relationships and convert indifferent customers into loyal ones (Berry and Parasurarnan, 1991). It involves a process of attracting, maintaining and enhancing relationships 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 the fulfilment of promises (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003; Gronroos, 1994, 2004; Kotler and Armstrong, 1999; Berry, 1995). In business, RM brings stability and decreased uncertainty to a company by acting as a barrier to competitor entry and maintaining a stable and solid base of customers (Alexander and Colgate, 2000). For customers, RM provides closer and longer-term relationships that yield three types of benefits: 1) social (familiarity, friendship and information-sharing), 2) economic (discounts or other money-saving benefits) and 3) customisation (tailor-

made services/products), as noted by Sheth and Parvatiyar (1995), Berry (1995), Gwinmer et al. (1998) and Peterson (1995).

In financial services, relationship marketing events are very important. Furthermore, significant amounts of money, risk and confidential information are endemic to the nature of the financial services industry (Gilbert and Choi, 2003). Thus, it is vital that marketers focus on creating long-term relationships and garnering commitment and trust from customers (Eisingerich and Bell, 2007). In this sector, RM delivers multiple benefits to many parties. For example, customers can reduce the risk of purchasing unsuitable services (Sheedy, 1997), which is very important when large sums of money are involved. The firm also benefits from RM, as customers are more likely to share information (for example their financial needs) with them if there is a strong and positive relationship (Lages et al., 2005). Financial service quality is also enhanced as providers can customise their services and offer more value to customers if they know them well (White and Nteli, 2004; Shamdasani et al., 2008; Ndubiai and Wah, 2005).

However, Gilbert and Choi (2003) noted that, in the financial services industry, RM practices are not yet fully developed or implemented. Hunt, Arnett and Madhavaram (2006) also confirmed that RM theory is an extremely rich area of research and, although it is a relatively young field of inquiry, it has a huge potential to deepen the understanding of business strategy. Das (2009) and Ward and Dagger (2007) emphasised that, to date, RM research has concentrated more on theory building than on applications relevant to the industry and practitioners. There is a need to conduct extensive research on untapped industries and sectors (Das, 2009). Molina et al. (2007) pointed out that, in the financial services sector, there is a significant lack of practical

and empirical research, focusing on the consequences of maintaining long-term relationships between customers and services providers. Moreover, there is limited analysis of how customers are actually retained by organisations (Farquhar, 2004) and how RM activities impact relationship outcomes (Leverin and Liljander, 2006). Without a more systematic and comprehensive approach to RM, financial services firms are unable to gain or maintain competitive advantage (Lam and Burton, 2006). For example, it was noted that ineffective relationship management was a key contributor to service switching in banking (Lam and Burton, 2006). These findings, highlighting the underdevelopment of RM research in financial services and its consequences, were what first inspired the author to conduct this investigation.

1.3 Initial Motivation

From of a review of RM and customer loyalty literature, three pilot studies and 15 years experience in marketing in Thailand's financial services sector (particularly in the stock market), it became apparent that researching RM and customer loyalty in the securities brokerage industry would be a pioneering effort, remedy an important deficit in the sector and contribute significantly to both theoretical and practice knowledge of RM and customer loyalty in financial services. It should be noted that there is no research currently available on RM and customer loyalty in securities brokerage firms in Asia. Consequently, this study – investigating RM and customer loyalty in the securities brokerage industry in Thailand – provides a significant and influential beginning to the development of academic knowledge in RM and customer loyalty in Asian countries, particularly in South-East Asia.

Emerging from the pilot studies, the review of existing RM and customer loyalty literature and the author's initial motivation, the main research question addressed by this thesis is:

“How ‘relationship marketing’ contributes to gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand?”

1.4 Aims and Objectives

The aims of this research are to investigate how relationship marketing (RM) contributes to gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand (SET). The study also examines RM strategies and practices of securities brokerages to enable a deeper understanding of customers' and other stakeholders' views of RM activities and loyalty to these companies. In addition, this research aims to make significant contributions to professional practice and apply these to SET and securities brokerage firms.

Research Objectives:

1. To investigate RM practices in securities brokerage firms in Thailand;
2. To investigate factors that impact customer loyalty to securities brokerages firms in Thailand;
3. To explore how these RM practices impact customer loyalty to securities brokerage firms in Thailand;
4. To produce academic knowledge that contributes to understanding how RM impacts customer loyalty to securities brokerage firms.

1.5 Originality of Research, Research Contributions and its relevance to practice

To date, there has been no research undertaken on RM and its impact on customer loyalty in the securities industry in Thailand. Moreover, there has been very limited study of RM and customer loyalty in securities brokerage firms generally (Srijumpa, et al., 2002; Rotchanakitumnuai and Speece 2003; Chiu, et al., 2003). Although RM is firmly established as a marketing approach, it remains one of the least understood (Zineldin and Philipson, 2007). Studies in the area have been largely confined to the USA, the UK and China and other countries have not been exposed to any significant RM research (Das, 2009). Consequently, this is the first study of RM and its effect on customer loyalty in the securities brokerage industry in Thailand or in any other emerging stock market.

This pioneering investigation will make an important contribution to expanding and enhancing the in-depth understanding of RM and its impact on customer loyalty in the financial services sector. The research empirically examines and extends the links between RM and customer loyalty and the factors influencing loyalty behaviour in Thai securities brokerages and, accordingly, is the first investigation of factors influencing customer loyalty in the securities brokerage industry. Consequently, it is an important and potentially influential study, offering unique theoretical and professional value by providing nuanced explanations of the subtle dynamics between RM practices and customer loyalty in that sector. Most importantly, because Thailand shares many cultural and developmental attributes with other East and Southeast Asian countries, this investigation could be of immense benefit to the industry across the region (Srijumpa, Chiarakul and Speece, 2007).

In summary, the research provides a significant beginning to the development of academic and practice knowledge of RM and customer loyalty in the securities brokerage sector and meets the university's requirements for a doctoral degree in business administration.

1.6 Research Outline

This thesis consists of seven chapters as outlined in this section.

Chapter One: Introduction

The opening chapter introduces the background and initial motivation underlying this research, the research question and objectives, the originality of the study and the research outline.

Chapter Two: Literature Review and Conceptual Framework of the Project

This chapter reviews the literature based on three constructs which underlie the thesis. Firstly, it provides a review of existing theory on '*relationship marketing*' (RM) in general and an examination of its contribution to customer loyalty. Secondly, existing literature on '*loyalty*' is discussed, including an investigation of its behavioural and attitudinal determinants and its characteristics in the service industry. Finally, the discussion turns to the issue of '*RM and its relationship to customer loyalty*'. The chapter describes the current stage of development in the understanding of '*relationship marketing*' and its relationship to '*customer loyalty*' and how that relates to this study's research question and objectives.

Chapter Three: Relationship Marketing in Thai Financial Services

The third chapter presents a review of existing RM literature in the financial services industry. It opens with an overview of RM and its role in the financial services context. Then, the current understanding and characteristics of Thailand's capital market, The Stock Exchange of Thailand (SET) and the roles of securities brokerage firms operating in Thailand are discussed and explained. The review next examines current RM practice in the context of Thailand's financial services industry and focuses on the current status of RM in Thai securities brokerage services. Finally, the chapter identifies and describes the key issues to be investigated in this research.

Chapter Four: Research Methodology

This chapter describes the study's overall research methodology: 1) the areas of inquiry, 2) the research methodology, including the study's philosophical perspectives and the particular approach adopted in this research, 3) the pilot studies research plan, including methods of data collection and analysis used in the author's pilot studies and a brief background to those studies, 4) the findings of pilot studies, including research contribution to the main study, 5) the principal study research plan, including a comprehensive discussion of the research methods employed, data collected and data collection processes, 6) validity and reliability and 7) the ethical issues pertinent to the study.

Chapter Five: Main Research Study

This chapter deals with the findings of the main research by presenting in-depth qualitative data from 24 semi-structured interviews and four participant observations. A comprehensive discussion of findings is organised into sections, according to respondent type.

Chapter Six: Discussion and Implications

This chapter examines the study's findings in relation to the principal research question and the research objectives. It begins with a consideration of the contextual background to RM in Thailand and then discusses RM practices, their impact on customer loyalty and RM's contributions to the Thai stock market. The chapter not only indicates areas where the study confirms existing RM theory, but also highlights new insights into, and contributions to, professional practice.

Chapter Seven: Conclusion

The final chapter gives a brief overview of this research. The interpretation and implications of the research findings are then further developed. This is followed by an examination of the research objectives. Research limitations and difficulties are noted. Finally, the chapter offers recommendations for further research and highlights the unique and influential contributions of this study.

Chapter 2

Literature Review and Conceptual Framework of the Research

2.1 Introduction

This chapter discusses the literature concerning three constructs which underlie this thesis. Firstly, the chapter provides a review of existing theory on '*Relationship Marketing*' (RM) in general and its contribution to loyalty. Secondly, current literature on '*loyalty*' is discussed, including an investigation of its behavioural and attitudinal determinants and characteristics in the service industry. Finally, the discussion turns to the issue of '*RM and its relationship to customer loyalty*'.

The objective of this chapter is to theoretically position this research within the existing literature by describing the current stage of development in the understanding of '*relationship marketing*' and its impact on '*customer loyalty*' and how that relates to the study's research question and objectives.

2.2 Relationship Marketing (RM)

Relationship marketing, the central construct in this study, is concerned with how a firm relates to its customers and stakeholders and how this, in turn, impacts on business development and the management of customers' needs (Gronroos, 2000). RM is referred to as a process of attracting, maintaining and enhancing relationships 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 the fulfilment of promises (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003; Gronroos, 1994, 2004; Kotler and Armstrong, 1999; Berry, 1995).

Relationship marketing involves interactions, relationships and networks as the three central pillars of this marketing perspective (Gummesson, 2003, 1999). It also includes the use of databases in which information is compiled, analysed and reformulated to meet the individual needs of customers, thus increasing their life-time value to a financial institution (Nowesnick, 1993). The ongoing, interactive use of customer databases (Nowesnick, 1993) leads to mutually beneficial relationships (Gilbert and Choi, 2003). Adamson et al. (2003) focused on the fulfilment of promises between customers and service providers. RM creates mutual value (Bruhn, 2003) which impacts on how a business develops and how customers' needs are managed (Gronroos, 2000). Eiriz and Wilson (2006) noted that database/interactive marketing's major contribution to RM strategy is to help manage restricted utilitarian exchanges which primarily focus on sales within consumer markets. In addition, database/interactive marketing can be accommodated within the traditional marketing-mix paradigm rather forming a new RM paradigm. The rise of database marketing activity has created many opportunities for the conduct of RM at a very low cost. Once established, a computer database of beneficiaries can be used for targeted direct marketing and for detailed market segmentation activities (Bennett and Barkensjo, 2005; Tapp, 2005). However, Lawson (2008) stated that getting the single customer view (SCV) from the number touch-point to which a customer has access is not simple. Furthermore, it is important that customers not receive duplicate messages from an organisation, whether by mail, email, SMS or telemarketing. Therefore, messages sent

to customers need to be personalised, reflecting their needs and preferred communication channels. Finally, Lacey and Morgan (2009) concluded that the transformation of customer information systems from basic data depositories into customer-driven marketing information is the key to long-term competitiveness.

Another view of RM is that it deals with the analysis, planning, realisation and control of measures that initiate, stabilise, intensify and reactivate business relationships with the corporation's stakeholders (mainly customers) and the creation of mutual value (Bruhn, 2003). In other words, RM is about mutually beneficial relationships between customers and service providers. In the exchange process, its economic nature is manifested in goods, services, delivery systems, financial solutions, material administration and the transfer of information (Gilbert and Choi, 2003). RM is not a collection of ingredients that can be stirred into the marketing mix but rather, it requires traditional external marketing tools, activities and processes to support it and facilitate the management of customer relationships, for example, the "4P's", advertising, direct mail, marketing communication and relationship pricing (Gronroos, 2000). Gilbert and Choi (2003) and Morris et al. (1998) explored these characteristics as RM practices in a business context, for example, invitations to cocktail parties, receptions/meals, seminars, introductions to new products/services, information exchange, provision of research/newsletters, updating client databases and providing regular information updates. Moreover, Vargo and Lusch (2004) stated that interactivity, integration, customisation and co-production with customers are the hallmarks of a service-oriented view which focuses on the customer and relationship building. These types of RM activities are investigated later in this study.

Das (2009) added that RM has been defined in many ways, for example, as customer satisfaction, share of customers, customer retention and loyalty. All of these can be characterised according to the related underlying constructs of trust, commitment, cooperation, closeness and relationship quality. Das (2009) also pointed out significant differences between RM and CRM (Customer Relationship Management). Firstly, he noted that RM is relatively more strategic in nature while CRM is more tactical. CRM is also about implementing RM using information technology (Ryals and Payne, 2001). Secondly, RM goes beyond the customer and supplier tradition and encompasses building relationships with all stakeholders (Gummesson 1994; Mitussis et al., 2006; Hunt et al., 2006; Payne et al., 2000). Finally, RM concentrates more on the emotional and behavioural, using concepts such as bonding, empathy, reciprocity and trust. On the other hand, CRM focuses more on managerial concepts such as how management can maintain and enhance customer relationships (Sin et al., 2005; Yau et al., 2000). These constructs will be discussed later in this chapter.

In regard to RM communications, communication in RM means providing information that is trustworthy, deals with quality and fulfils promises. It is the marketer's task to build awareness and customer preference by promoting quality, value, performance and other features, and to encourage interested buyers to make purchase decisions (Ndubisi and Wah, 2005). Communication is defined as the formal and informal exchanging and sharing of meaningful and timely information (Camarero, 2007). Bennett and Barkensjo (2005) suggested that two-way communication helps customers to interact with the organisation, for example, by receiving newsletters, brochures, information on upcoming events, email or accessing a web site. Customers are then able to respond to the organisation by seeking more information or advice.

Two-way communication and non-verbal interactive communication is also important (Duncan and Moriarty, 1998). Gronroos (2004) pointed out that the outcome of an on-going communication may offer a feeling of control, security, a sense of trust, minimised purchasing risks and, importantly, reduced cost to the customer. Zineldin and Philipson (2007) emphasised that RM required strong personal relations, interaction and social exchange in order to succeed. They added that personal communication is a fundamental part of RM and that dialogue is a key feature that makes each customer feel special and unique. Effective communication helps shape realistic expectations between exchange partners and develops a sense of closeness and ease in the relationship. Consequently, effective communication creates trust and customer satisfaction (Chen et al., 2008).

Turning to RM strategy, its successful implementation requires three important processes to be incorporated into RM planning: 1) As the interaction process is core, a dialogue between a service provider and its customers will only emerge from value-enhanced interactions. A dialogue is required for the sharing and creation of knowledge among parties. 2) A planned communication process is a distinct aspect of RM communication. Marketing communication is predominantly mass marketing together with the expanding area of direct marketing. Sales are a direct product of a communication process. 3) Value creation should be an outcome of RM. The creation of value should be supported by marketing communication before and during the interactions within the relationship. When these three processes are integrated a consistent total marketing communication strategy is created. Then the interaction and planned communication processes may merge into a dialogue within an on-going relationship between customers and service providers (Gronroos, 2004).

From a managerial perspective, it is very important that both management and marketing staff understand the dimensions of RM as these will ultimately underpin the strength of relationship development between service provider and customer (Ward and Dagger, 2007). In this competitive environment, understanding the nature of these RM constructs is vital for implementing effective RM strategies. From the study of RM and service customers, Ward and Dagger (2007) reported that organisations must undertake RM activities at an appropriate level to remain competitive and those different levels applied to different services. Their study suggested that marketers should not expect customers' relationships to strengthen automatically due simply to duration or frequency of contact. The strategic factors affecting relationship marketing or increasing relationship strength in terms of competitive advantage - differentiation, key industry success factors, market share and increased profitability - must be accounted for in service quality. RM forms the bridge between the organisation and its customers, with the organisation using it in reinforcing linkages, responding to customer needs and serving market micro-segments (Berry, 2002; Hennig-Thurau, 2000). These also will be investigated in this study.

In summary, RM involves sustaining long-term relationships through the use of interactive databases and networking in order to retain valuable customers, on the basis of mutual benefit and fulfilment. RM in the literature is about 'win-win' relationships where all parties involved benefit from entering into such associations (Tadajewski, 2009) Based on a content analysis of 117 different sources from RM literature, Harker (1999, p. 16) stated that "an organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] over time is engaged in relationship marketing". Camarero (2007) referred to four types of relationship marketing investments - communication,

customisation, personalisation (preferential treatment) and personal relationships. Expenditures on all forms of RM have proved useful and activities, involving interaction, feedback from customers and two-way communication, produced positive impacts and outcomes for the organisation (Bennett and Barkensjo, 2005). RM practices and their association with these positive outcomes, particularly customer loyalty, will be discussed later in the study.

In terms of the evolution of RM, Sheth and Parvatiyar (2000) noted that there have been significant shifts in the axioms of marketing from competition and conflict towards mutual cooperation, accompanied by a change from independence to mutual interdependence.

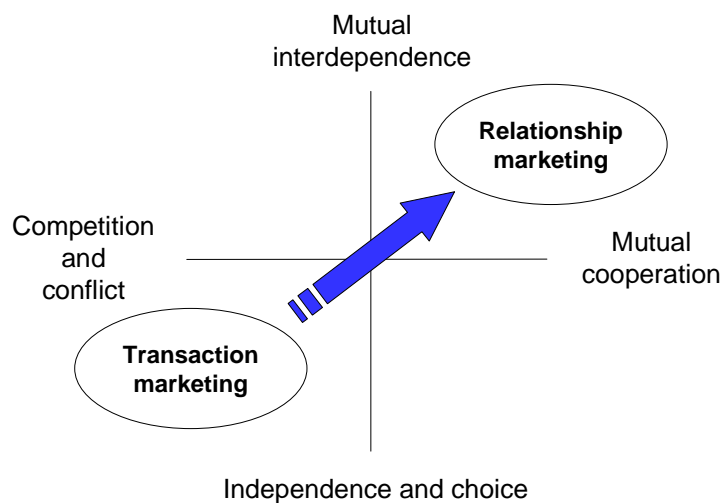
One axiom of '*transaction marketing*' has been the belief that competition and self-interest are the drivers of value creation. Through competition, buyers can be offered a choice and buyers' ability to choose motivates marketers to create higher-value offerings in their own self-interest (Sheth and Parvatiyar, 2000).

The second axiom of '*relationship marketing*' has been the belief that independence of choice among marketing actors establishes a more efficient system for creating and distributing marketing value. That is, the independence of marketing actors provides each with the freedom to choose their transaction partners on the basis of preserving their own self-interest. However, this belief has been challenged by evidence that every transaction involves transaction costs, such as information searches, negotiations and other related activities, that add to, rather than reduce, total cost. Furthermore, evidence also indicates that this independent approach tends to lead to inefficiencies and time wastage (Sheth and Parvatiyar, 2000).

Conversely, RM emphasises mutual cooperation as a way of increasing productivity and interdependence, thus reducing transaction costs and generating higher quality. The literature contended that trust and commitment could be developed by this approach to marketing (Sheth and Parvatiyar, 2000). Zineldin and Philipson (2007) added that the practices of RM and transactional marketing (TM) are distinctly separate approaches. The goal of RM is to build and maintain lasting relationships with customers, while TM focuses on current sales and reaping more immediate rewards. These axioms and RM are investigated later in this research (see Figure 1).

Figure 1: Axioms of Transaction and Relationship Marketing

Axioms of Transaction and Relationship Marketing

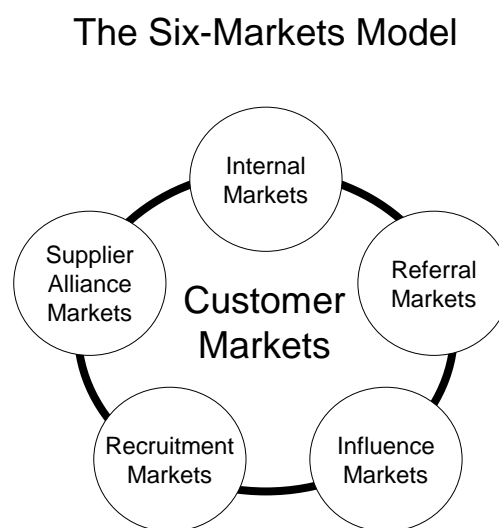


Source: Sheth and Parvatiyar (2000)

Also important to researching RM in environments consisting of securities brokerages and their stakeholders is the framework known as the '*six markets model*'. Christopher, Payne and Ballantyne (2002) argued that this approach is useful for reviewing the roles played by a comprehensive set of stakeholders in creating the total

value of an organisation in both B2C (business-to-consumer) and B2B (business-to-business) markets. Kotler and Armstrong (1999)'s stakeholder relationship marketing framework supports the six markets model as stakeholder relationship marketing involves creating, maintaining and enhancing strong relationships with customers, employees, suppliers, the community, shareholders and other stakeholders. Stakeholder relationship marketing's goals are to deliver long-term economic, social and environmental value to all stakeholders in order to enhance the sustainability of a business's financial performance. The six key market domains are described in Figure 2.

Figure 2: The Six-Markets Model



Source: Christopher, Payne and Ballantyne, (2002)

'Customer Markets': The customer market domain is central to the model, as customers are important in all marketing activities. Zineldin and Philipson (2007) suggested that companies' marketing activities should concentrate on creating, keeping and retaining profitable customers. Firms should focus on individual sales processes,

building long-term relationships with customers and generating repeat purchases. This will create stronger links between the internal processes and the needs of customers, resulting in higher levels of customer satisfaction. Christopher, Payne and Ballantyne (2002) stated that, in the domain of the customer market, RM has unquestionably replaced the transaction approach and can be applied to the dynamics of a range of businesses, including to the interactions of securities brokerage firms' marketing staff and their customers.

'Referral Markets': There are two key players in this market – customers and non-customers. In this type of market the companies' best marketers are their customers, as satisfied clients create a strong positive impact by word-of-mouth referrals. In addition, but to a lesser extent, non-customers can also have a positive impact by recommending a firm to prospective customers. Examples of "non-customer" participation in this type of market include networks, suppliers, agencies and third party introducers Christopher, Payne and Ballantyne, 2002. This factor is important to this study's investigations.

'Supplier and Alliance Markets': Both suppliers and alliance members need to be considered as partners. The suppliers or vendors provide physical resources to the business, such as raw materials, components and products. Alliance members in this type of market should also be treated as partners. The difference between the two is that alliance members supply competencies, capabilities and other knowledge-based services rather than being product-based like their supplier cousins (Christopher, Payne and Ballantyne, 2002).

'Influence Markets': Christopher, Payne and Ballantyne (2002) stated that the domain of the influence market usually has the most diverse range of component groups. There are, for example, shareholders, financial analysts, stockbrokers, the business press and media, user and consumer groups, professional associations and unions. Each of these groups has a significant influence on firms, their products and services. This view was supported by Saren (2007) who noted that the essential aim of RM strategies was value creation for both parties through relationships and even partnerships in the marketplace. Although, the most important actors are the customers, the marketer should not forget stakeholders and partners who can influence and support a firm's marketing operations.

'Recruitment Markets': Christopher, Payne and Ballantyne (2002) pointed out that it is widely accepted that people are the most important asset of any organisation. Firms have to make themselves attractive to potential employees and do everything possible to retain the highest quality people. Each organisation's human assets contribute significantly to its continued operation and their sharing the organisation's values lead to both the firm's and the employees' future success. Marketing in a recruitment market is particularly important for a company whose employees provide the key element in maintaining competitive advantage, as is the case for the subjects of this research - securities brokerage firms and their marketing and sales officers.

'Internal Markets': Christopher, Payne and Ballantyne (2002) stated that this domain is still somewhat underestimated by many organisations. Marketing can play a very important role in conjunction with operations and human resource managers in ensuring that internal market exchange processes work efficiently. This is because every employee and every department within a firm is an internal customer and/or internal

supplier. Moreover, a company's marketers should make sure that all employees 'live the brand' and work together in a way that is aligned with the organisation's mission, strategies and goals.

2.2.1 Relationship Quality (RQ)

Athanasopoulou (2009) stated that the importance of '*relationship quality*' (RQ) is now appreciated because, when RQ is high, the relationship is successful.

RQ has been defined as:

"...the degree of appropriateness of a relationship to fulfil the needs of the customers..."

(Henning-Thurau and Klee, 1997 p. 751)

The concept of RQ is derived from RM theory and research (Crosby, et al., 1990; Dwyer, et al., 1987) and is generally explained as the customer's perception that their needs and wants are fulfilled by a service provider through a satisfying interchange between seller and buyer (Levitt, 1980; Wong and Sohal, 2001). The study of Bennett and Barkensjo (2005) confirmed that RM was an effective instrument in improving relationship quality and satisfaction with service provision. Ndubisi (2006) stated that RQ is a higher order construct composed of the four primaries or relationship marketing keystones, i.e. trust, commitment, communication and satisfaction.

Relationships and their quality form the glue that holds buyers and sellers together and transforms discrete transactions into partnerships (Czepiel, 1990). Several authors supported the use of RM in strengthening the quality of a relationship between

buyer and seller. Lemon (2002) contended that the marketing trend of building relationships with customers continues to grow and that marketers have become increasingly interested in customer retention. Ulaga and Eggert, 2006 stated that RQ is important in managing a customer's propensity to leave a purchasing relationship. Relationship value is limited unless it translates into higher relationship quality that, in turn, reduces the propensity to leave. In addition, Zeithaml et al. (1996) pointed out that the longevity of customer relationships favourably influences profitability. These views are supported by Ricard and Perrien (1999) who noted that long-term customers are more likely to buy additional services and communicate favourably by word-of-mouth. All other things being equal, a firm which maintains high-quality relationships can charge higher prices than its competitors.

RQ impacts significantly (together with satisfaction with service provision) on the perceived quality of services. RQ, together with actual service quality, induces beneficiaries to recommend services/products to others and engage in positive word-of-mouth (Bennett and Barkensjo, 2005).

The study of Lages et al. (2005) measured RQ in exporter-importer relationships, using the following four dimensions: amount of information sharing, communication quality, long-term relationship orientation and satisfaction with the relationship. These are closely related to the RM dimensions noted earlier. In addition, their study reported that, as relationships are the result of interactions over time, duration is a key element in the economic rationale of RM strategies. Relationships are costly for organisations and economic advantage accrues over time as the relationship becomes closer and its quality increases.

Moreover, RQ has been described as a higher order construct while trust and commitment are two key supporting constructs. (Hewett et al., 2002; Hibbard et al., 2001). ***‘Trust’*** is fundamental to relationship building (Wilson, 1995). Trust results from keeping promises, among other factors, and enhances RQ (Ndubisi and Chan, 2005). The literature provides many definitions of trust most of which include a belief that the exchange partner will act in the best interests of the other partner (Ulaga and Eggert, 2006). In a business-to-business relationship, customers attempt to reduce perceived risk by selecting suppliers seen as capable of performing reliably and demonstrating their interest in buyers’ well being (Ulaga and Eggert, 2006). Chen et al. (2008) identified that the outcome of RQ in the services industry in China is trust in, and satisfaction with, the service provider leading to positive behavioural outcomes, such as re-patronage and positive word-of-mouth recommendation. That study confirmed that trust had a stronger impact on both re-patronage and word-of-mouth than did satisfaction. Finally, Crosby et al. (1990) pointed out that a customer’s trust in a salesperson is one of the main prerequisites for relationship quality and a successful long-term relationship (Bejou et al., 1996).

In regard to ***‘Commitment’***, Ulaga and Eggert (2006) said that it is based on the belief that a relationship is worth the effort of maintaining it. Committed relationship partners are unlikely to switch even if a competing service provider outperforms the value offered by the preferred service. Consequently, a high level of commitment is needed to establish stronger relationships. However, Ndubisi (2007) found that trust contributes more significantly than commitment. He showed that, when building RQ is the goal, trust is a more appropriate starting point, followed by conflict resolution, commitment and communication. In summary, customers’ trust in an organisation can be intrinsically beneficial and superior outcomes can be achieved when trust building

measures are designed to cultivate customers' willingness to recommend the firm to relatives or friends. Trust is a key driver of customer commitment to a company (Eisingerich and Bell, 2007).

2.2.2 Relationship Quality as a Contributor to Loyalty

In regard to the link between relationship quality and customer loyalty, Athanasopoulou (2009) posited RQ as a higher-level construct encompassing relationship satisfaction, trust and commitment. These three are established as RQ measures (Athanasopoulou, 2009). They viewed RQ as a relationship outcome, building on Kumar et al. (1995), and demonstrated empirically that perceived relationship investments in a retailer-consumer relationship affect RQ and, ultimately, behavioural loyalty. Hennig-Thurau et al. (2002) integrated two approaches to RM in defining the drivers of customer loyalty and positive word-of-mouth behaviour. Ndubisi (2006) stated that high quality relationships enabled customers to trust the service provider and rely on his/her commitment to service quality, an evolving relationship, efficient communication and conflict resolution. Thus, ordinary customers turned into the loyal ones.

In short, to build a long-term relationship with customers, marketing practitioners in services provision should see RQ as an important indicator and objective. It can increase re-patronage and word-of-month recommendation (Chen et al., 2008). Many authors confirmed customer loyalty and positive word-of-mouth as an RQ outcome, reflecting the findings of Sheth (1968) who contended that loyalty is a primary goal of RQ. The relational approach is based on the assumption that, for a long-term relationship to exist, both the service provider and the customer must benefit from it in

some way (Benapudi and Berry, 1997; Gwinner, Gremler and Bitner, 1998; Reynolds and Beatty, 1999). The RQ approach is based on the assumption that a customer's evaluation of a relationship is central to their decision to continue or leave the relationship with the service provider (Crosby, et al., 1990). Hennig-Thaurau et al. (2002) placed satisfaction and commitment as dimensions of RQ that mediate relational benefits (confidence benefits/trust, social benefits and special treatment benefits) and relationship outcomes - customer loyalty and word-of-mouth. Finally, customers who are willing to risk their own reputation by recommending a particular service provider to friends or colleagues are most likely to use the same firm for future investment or purchase (Eisingerich and Bell, 2007).

2.3 Loyalty

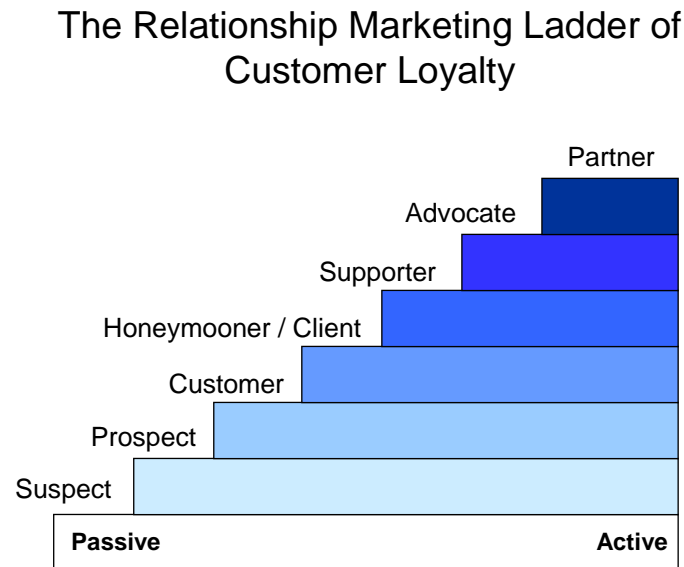
The concept of loyalty has long been an area of investigation by academics and practitioners (for example, Jarvis and Wilcox, 1977; Jacoby and Chestnut, 1978; Aaker, 1992; Uncles and Laurent, 1997; Reichheld, 1993; Ndubisi, 2007; Lacey and Morgan 2009). Central to an organisation's relationship management strategy is its ability to develop and enhance long-term customer relationships and satisfy existing customers. Therefore, the main focus of a company is on customer loyalty (Zineldin, 2006). There is no universally agreed definition of customer loyalty, but it can be seen as a commitment to continue to do business with a particular firm on an on-going basis (Uncles et al., 2003; Zineldin, 2006). Loyalty is something that consumers confer on brands, services, stores, product categories and activities. It is considered as one of the objectives of relationship marketing because loyal customers are usually of strategic advantage to an organisation (Harridge-March, 2008).

Jacoby and Chestnut (1978) stated that the long-term success of a brand/product is not based on the number of consumers that buy it once but the number of consumers who become loyal and buy it regularly. The conceptual importance of loyalty is due to the benefits that it offers in profitability and market performance. An in-depth understanding of the concept reveals the need for a balance of value between customers and the firm and the need to develop customer loyalty as a long-term investment. Many authors (McMullen and Gilmore, 2003; Duffy, 1998) believed that developing and maintaining customer loyalty, or creating long-term relationships with customers, is the key to the survival and growth of firms, particularly service companies.

The ultimate goal of an organisation is to turn its ordinary customers into loyal ones (Ndubisi and Chan, 2005). Ndubisi (2007) concluded that customer loyalty can be created, reinforced and retained through marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion and handling conflict efficiently.

Turning to the concept of the loyalty ladder (Christopher et al., 1991; Payne et al., 1995; McDonald and Christopher, 2003). Lacey and Morgan (2009) noted that relationship building is, by definition, a long-term process. Consequently, marketers must extend the long-established concept of a “ladder of loyalty” by adding a few rungs to create a “relationship ladder”. The relationship ladder includes distinct stages in the development of a long-term customer relationship, as described in Figure 3.

Figure 3: The Relationship Marketing Ladder of Customer Loyalty



Source: Adapted from Payne et al. (1995), McDonald and Christopher (2003) and Lacey and Morgan (2009)

Figure 3 implies that the marketer should develop those “suspects” and “prospects” at the lowest rungs of the ladder into “customers”. In relationship marketing terms, a customer is someone who has done business with the company only once or occasionally. When customers start to acknowledge a product's benefits and do business on a repetitive basis, they become “clients”. At this stage, RM is crucial in transforming clients into “supporters” (McDonald and Chirstopher, 2003). At the “supporter” stage, a special relationship between the firm and the person becomes apparent. Supporters enjoy being associated with the company and they may even be persuaded to become “advocates”. At the “advocate” stage, positive word-of-mouth about the organisation will occur. Lacey and Morgan 2009 added that, advocacy customers exhibit not only repeat business, positive word-of-mount and referrals but, also, a comprehensive

willingness to help the business grow. Finally, at the top level, the customer becomes a “partner” and will find ways in which both parties can gain mutual benefit from the relationship. This model demonstrates that RM is based upon finding the appropriate means to move target customers up the extended loyalty ladder and to keep them there.

2.3.1 Behavioural and Attitudinal Loyalty

Loyalty is commonly perceived as having two dimensions - behavioural and attitudinal (Lam and Burton, 2006; East et al., 2000; Dick and Basu, 1994). The degree of loyalty is often measured by behaviours such as frequency of purchase or word-of-mouth (Lam and Burton, 2006; Dekimpe, et al., 1997). Jones and Aasser (1995) argued that share-of-wallet is also a key indicator. The attitudinal approach views a loyal customer as someone attached to a brand and who will, when positively reinforced, buy that brand more often (Riley, et al., 1997; Lam and Burton, 2006). Attitudinal loyalty is the feeling of attachment, psychological bonding, linkage to one provider and consistent regard of that provider as the preferred choice. It is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards it, in comparison to its competitors. However, in some cases, behavioural loyalty does not necessarily reflect attitudinal loyalty, since there might be other factors (for example, availability) that prevent customers from defecting to a brand or company (Aldlaigan and Buttle, 2005; Liljander and Roos, 2002; Reinartz and Kumar, 2002). In addition to behavioural loyalty, Liang, Wang and Farquhar (2009) argued that a customer’s behavioural loyalty in financial services positively and significantly affects the firm’s financial performance.

This study employs both behavioural measures (for example, repeat usage of a broker's service, word-of-mouth, cross-buying, share-of-wallet and retention) and attitudinal factors. Attitudinal loyalty measurements used in this study are based on the definition of the level of psychological attachment to a service provider. Five items, adapted from Zeithaml, et al. (1996), Beatty, et al. (1996), Parasuraman, et al. (1988, 1994), Sirdeshmukh, et al. (2002) and Liang, Wang and Farquhar (2009), have been selected: declaring loyalty to the provider, willingness to recommend, positive word-of-mouth, encouraging others to use a service and regarding the provider as a first choice.

2.3.2 Loyalty in Services Industries

In service industries, the intangibility of services complicates the evaluation of service quality and satisfaction which are the leading determinants of loyalty (Lam and Burton, 2006). Zeithaml (1981) stated that service loyalty is unique, should be considered separately from brand loyalty and has different determinants. Since services are intangible and heterogeneous, most consumers perceive a higher risk in purchasing services than goods. Consequently, consumers depend on evidence of credibility to evaluate services (Zeithaml, 1981). In addition, intangibility makes it more difficult and expensive to gather information. Consequently, Zeithaml (1981) noted that loyalty is more important for services than for products and concludes that service loyalty remains a significant area requiring further research.

'Services loyalty' is expressed as an intended behaviour related to a service or company (Zeithaml et al., 1996). These authors suggested four dimensions for measuring loyalty in the services industry: positive word-of-mouth, propensity to switch, identification with the service and a preference for a particular service provider.

Others (Kandampully, 1998) argued that service loyalty is the assurance of a consistent and superior quality of service. This concept stems from Berry (1987)'s concept of earning customers' loyalty by being loyal to customers.

Developing and maintaining customer loyalty, or creating long-term relationships with customers, is the key to a firm's survival and growth, particularly for service companies (McMullen and Gilmore, 2003; Duffy, 1998). Loyalty in services industries or service loyalty is defined as the assurance of a consistent and superior quality of service (Kandampully, 1998).

2.3.3 Loyalty in Financial Services Industry

Loyalty is a vital instrument for financial institutions. In a highly competitive environment, keeping current customers is an essential marketing aim for all financial institutions. Ndubisi (2007)'s study of Malaysian bank customers suggested that customers tend to be loyal if the bank is trustworthy, committed to providing good service, reliable and efficient in communicating with customers and able to handle conflicts well. His study provided empirical evidence of the influence on customer loyalty of relationship marketing's four keystones: trust, commitment, communications and conflict handling. He explained that banks aiming to develop loyal customers should be trustworthy, committed to the service ethic and communicate promptly and accurately. Moreover, companies must resolve conflict in a manner that minimises loss and inconvenience to customers. Ndubisi (2004) also pointed out that loyal customers are valuable communicators of positive word-of-mouth about the services and products of the organisation. They attract new customers to the organisation and may increase their own consumption, thus expanding sales and revenues. Finally, loyal customers can

also be useful sources of new product/service ideas (Ndubisi, 2004, 2007). In global financial services, the study of Eisingerich and Bell (2007) found that customers' willingness to trust or recommend service providers resulted from how well they were treated by advisors, and how much they perceived that an organisation was taking 'very special care' of them.

In B2B, an increasingly common initiative taken by marketers in building and maintaining customer's cooperative behaviours is the customer loyalty programme. These programmes are useful and important, not only in consumer markets, but also in the financial services industry. Loyalty programmes are designed to enhance closer and more cooperative relationships among pre-identified customers towards special products and services (Lacey et al., 2007).

In studying loyalty in securities brokerage firms in the financial services industry, the unique characteristics of customer loyalty in the services industry need to be accounted for. One notable result from the study of Lam and Burton (2006) was that loyalty in financial services may simply mean increased usage of services or increased probability of a firm being considered as a main service provider, while disloyalty stems from the unique advantages of different providers and the perceived risks of relying exclusively on one institution (Lam and Burton, 2006). Factors, specifically impacting loyalty and disloyalty in the Thai securities brokerage industry, are examined in chapter 7 which deals with the outcomes of this study.

2.4 RM and its Impact on Customer Loyalty

As noted, the ultimate goal of RM is to bolster already strong relationships and convert indifferent customers into loyal ones (Ndubisi and Chan, 2005; Ndubisi, 2007; Hennig-Thurau et al., 2002; Berry and Parasuraman, 1991). It is considered an effective strategy, not only for promoting loyalty and retaining customers, but is also crucial in moving target customers up the ladder of loyalty (Payne et al., 1995). RM brings stability and decreased uncertainty to the company by acting as a barrier to competitor entry and by keeping a stable and solid base of customers (Alexander and Colgate, 2000). For customers, close and long-term relationships yield three types of benefits: 1) psychological or social benefits (familiarity, friendship and information-sharing), 2) economic benefits (discount or other money-saving benefits) and 3) customisation benefits (tailor-made services/products), as noted by Sheth and Parvatiyar (1995), Berry (1995), Gwinmer et al. (1998) and Peterson (1995).

In studying the effectiveness of RM and its impact on customer loyalty, both behavioural and attitudinal loyalty (Dick and Basu, 1994) will be examined. Behavioural studies emphasise, for example, frequency of purchase (Dekimpe et al., 1997), while the attitudinal approach emphasises a loyal customer's attachment to a brand as a precondition which, when positively reinforced, will increase purchase behaviour (Riley, et al., 1997; Lam and Burton, 2006), for example, positive word-of-mouth, low propensity to switch, a preference for a particular service provider, etc. (Zeithaml et al., 1996; Beatty et al., 1996; Parasuraman et al., 1988, 1994; Sirdeshmukh et al., 2002). These perspectives are examined later in this study.

2.5 Summary

This chapter provides an in-depth exploration of the three constructs underlying this research: relationship marketing (RM), loyalty and the impact of RM on customer loyalty. The literature review is a systematic description and examination of RM and its contributions to customer loyalty. Importantly, the chapter positions this study within the current body of theoretical knowledge concerning RM and customer loyalty.

Based on the literature review and the conceptual framework underpinning this study, '*Relationship Marketing*' (RM) is referred to as a process of attracting, maintaining, enhancing and, when necessary, terminating relationships with customers and stakeholders at a profit, so that the objectives of the parties involved are achieved through mutual exchange and the fulfilment of promises (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003; Gronroos, 1994, 2004; Kotler and Armstrong, 1999; Berry, 1995). RM involves sustaining long-term relationships through the use of marketing tools, activities, interactive databases and processes support, for example, after sales services, in order to retain valuable customers, on the basis of mutual benefit and fulfilment (Eiriz and Wilson, 2006; Lacey and Morgan, 2009; Bennett and Barkensjo, 2005; Tapp, 2005). RM requires two-way communication and emphasises strong personal relations, interaction and social exchange in order to succeed (Bennett and Barkensjo, 2005; Gronroos, 2004; Chen et al., 2008). Customers' expectations and levels of satisfaction (Das, 2009) about RM practices and their loyalty are investigated and discussed later in the study.

The literature review identifies the theoretical position of 'relationship quality' (RQ) in the RM paradigm (Crosby, et al., 1990; Dwyer, et al., 1987) as the customer's

perception that their needs and wants are fulfilled by a service provider through a satisfying interchange between seller and buyer (Levitt, 1980; Wong and Sohal, 2001). Relationships and their quality form the glue that holds buyers and sellers together and transforms discrete transactions into partnerships (Czepiel, 1990). RQ has emerged as so important that, when such quality is good, the relationship is successful (Athanasopoulou, 2009). It is a higher order construct composed of the four primary or relationship marketing keystones - trust, commitment, communication and satisfaction (Ndubisi, 2006; Hewett et al., 2002; Hibbard et al., 2001). Trust is a fundamental relationship building prerequisite (Wilson, 1995) and results from keeping promises, among other factors. Promises fulfilment thus enhances relationship quality (Ndubisi and Chan (2005). In addition, commitment is based on the belief that a relationship is worth the effort required to maintain it (Ulaga and Eggert, 2006). Finally, RQ can increase re-patronage and word-of-mouth recommendation (Chen et al., 2008).

The literature review highlights that the importance of the '*concept of loyalty*' lies in the benefits that it offers in regard to profitability and market performance. An in-depth understanding of loyalty reveals the need for a balance of value between customers and the firm and the need to develop customer loyalty as a long-term investment. There is no universally agreed definition of customer loyalty but it can be seen as a commitment to continue to do business with a particular company on an on-going basis (Uncles et al., 2003; Zineldin, 2006). Loyalty is something that consumers may exhibit to brands, services, stores, product categories and activities. It is one of the objectives of relationship marketing because loyal customers may be of strategic advantage to an organisation (Harridge-March, 2008). In addition, RM is considered an effective strategy for gaining, retaining and promoting customer loyalty (Payne et al., 1995; McDonald and Chirstopher, 2003; Lacey and Morgan, 2009). Therefore, the

ultimate goal of RM is to bolster already strong relationships and convert indifferent customers into loyal ones (Ndubisi and Chan, 2005; Ndubisi, 2007; Berry and Parasurarnan, 1991).

Building on this literature review, the research question and objectives given in Chapter 1, the next chapter deals with the current stage of understanding and development of RM in the financial services context and RM and customer loyalty in Thailand's financial market, focusing on the securities brokerage industry.

Chapter 3

Relationship Marketing in

Thai Financial Services Industry

3.1 Introduction

This chapter presents a review of the existing “relationship marketing” (RM) literature dealing with the financial services industry. After presenting an overview of RM in financial services, the discussion moves on to the role of RM in the financial services market. The current situation and characteristics of Thailand’s capital market, The Stock Exchange of Thailand (SET), and the roles of securities brokerage firms operating in Thailand are then examined and explained. The review next covers current RM practices in Thailand’s financial services industry and focuses on the present status of RM within Thailand’s securities brokerage services. Finally, the key issues to be investigated in this research are identified.

3.2 RM in the General Financial Context

The importance of relationships in the financial services sector has long been appreciated. This is because of the nature of the industry, which typically involves significant amounts of money, risk and confidential information handled by services which consumers may or may not buy. Contemporary research in the financial services sector, especially in banking, has advocated relationship marketing (RM) as a key option in gaining customer loyalty (Ehigie, 2006; Gilbert and Choi, 2003; Hennig-

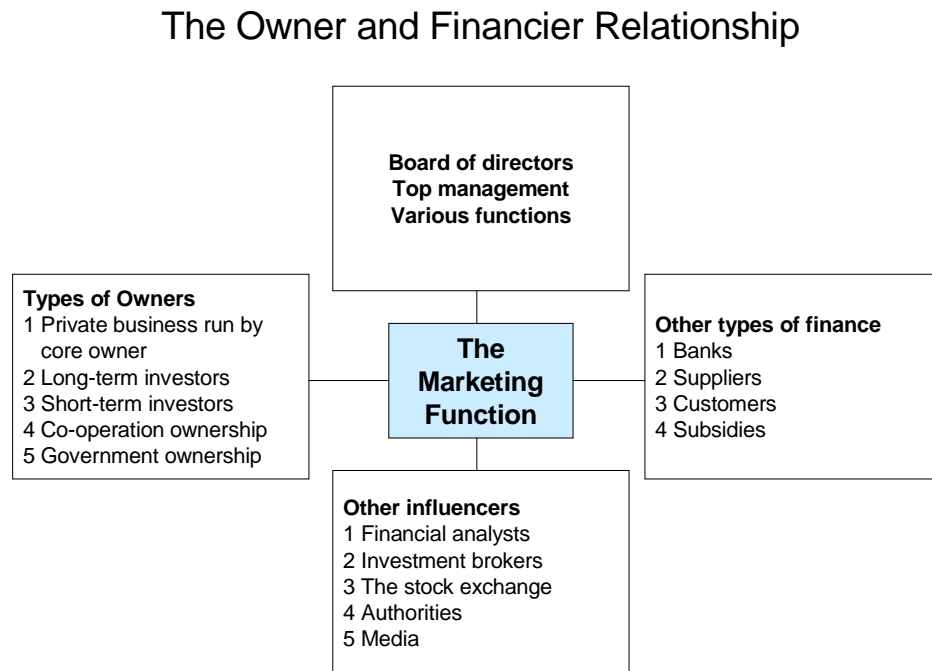
Thurau and Day, 2000). Consequently, many banks have established relationship-building programmes to nurture their customers' loyalty (Schiffman and Kanuk, 2004). Moreover, in high-level financial services, the relationship itself has been found to be a major factor in satisfaction and customer loyalty (Barry, 1995; Leverin and Liljander, 2006) and customer relationships are built largely through service encounters (Czepiel, 1990; Ndubisi, and Wah, 2005). Leverin and Liljander (2006) suggested that RM can, but need not, be directed towards all customers of a financial institution. As, investment across all customer segments will not yield similar returns (Zeithaml et al., 2001), RM is often directed only at the most profitable areas (Abratt and Russell, 1999). Therefore, it is important for marketers to attend to the process of building long-term relationships, commitment and trust from different investor segments.

In the financial context, Marsh (1995) reported it is better to discuss the details of products and services face-to-face because advice needs to incorporate the specific needs of customers and confidentiality is essential. More often than not, financial industries' success is based on creating long-term relationships and providing ongoing services to investors. Davenport (1994) suggested that up to two-thirds of information and operational knowledge derives from informal face-to-face interaction, with the remaining coming from documentation, and that tacit knowledge, based on personal experience and observations, is essential for an organisation's success (Dougherty, 1999). Face-to-face contacts develop relationships and facilitate customers' trust of an organisation (Bennett and Barkensjo, 2005). In addition, Harwood and Garry (2006) proposed a number of face-to-face techniques for building relationships: 1) Prepare for face-to-face exchange thoroughly and aim to understand real needs and wants. 2) Ensure the process for face-to-face meeting is well understood by both parties. 3) Be wary about using conditional offers at a meeting. 4) Avoid posturing. While it is

important that both parties understand where they are in the marketplace, overemphasis merely wastes valuable face-to-face time. 5) Establish the key issues to be discussed early during the meeting. Finally, 6) Support individuals actively at the meeting – this communicates genuine empathy and promotes understanding of important issues. Harwood and Garry (2006) added that personal feelings are also an important component of relationship development.

Gummeson (1999) introduced the notion of “the owner and financier relationship”. Not only loyal customers, but also loyal owners, influence marketing success. Marketing plays an important role in creating trust and long-term relationships between owners (including other financiers), management, customers, suppliers, competitors and others. This idea reflects the six-market model of Christopher et al. (2002) discussed earlier. Gummeson (1999) illustrated the relationship between marketing, ownership/investor and other influencers as shown in Figure 4.

Figure 4: The Owner and Financier Relationship



Source: Gummesson (1999)

3.2.1 Role of RM in Financial Services

In the financial services sector, Eisingerich and Bell (2007) suggested that effective relationships will be most critical when a service is highly complex, customised and intangible. Customers may lack technical knowledge and experience about services or products and the technical service outcomes are intrinsically difficult for them to confidently evaluate, even after purchase (Eisingerich and Bell, 2007; Darby and Karini, 1973). Moreover, Gilbert and Choi (2003) identified that services/products in this sector involve high financial value, risk and confidential information. Therefore, a financial services firm must give its customers personal attention and use relationships to maximise selling opportunities. In addition, Moriarty, et al. (1983) suggested that a

financial institution can better increase its earnings by maximising the profitability of the total customer relationship by retaining customers and delivering profitability to return customers, rather than by seeking to extract maximum gain from single products or transactions.

Gilbert and Choi (2003) said that RM practices were not yet fully implemented in the financial services industry. A more systematic and comprehensive approach to RM was required to maintain competitive advantage, as ineffective relationship management appeared to be a key contributor to service switching, for example, changes in managers causing customers to change banks (Lam and Burton, 2006). Similar research affirms that organisational change negatively affects customer retention (Eriksson and Vaghult, 2000). This suggests that financial institutions need to note the potential negative effects of organisational change on customer behaviour and build sustained customer relationships to maximise share-of-wallet. Moreover, to implement RM effectively and develop marketing strategies for relationship building and retention, financial institutions are advised to focus on the emotional tone of their interactions with customers and understand their customers' behaviours (Lam and Burton, 2006). Moreover, Lam and Burton (2006) added that SMEs tended to use more than one bank to limit perceived risk and that the cost of switching is relatively low. These factors are investigated later in this study.

RM delivers multiple benefits to many parties involved in financial services. For example, customers can reduce the risk of purchasing unsuitable services - which is important given the large amounts of money involved. Firms can gain more revenue by maintaining loyal customers and recruiting new ones from positive word-of-mouth recommendations (Sheedy, 1997). Kotler (1994) (in Ennew, Watkins and Wright, 1995)

reported that word-of-mouth interaction is particularly powerful and effective where a product is expensive, risky or purchased infrequently. The firm also benefits, as customers will be more likely to share information (for example, their financial needs) if a good relationship exists. The key to success for the marketer in this industry is the ability and willingness to communicate and share information which, in turn, provides the glue for relationships (Harwood and Garry, 2006). For example, as a loan is a product with long relationship duration, its transformation cost is higher than that for deposit or credit cards. Consequently, in financial services, institutions should invest in training personnel to be interpersonally skilled and polite (Liang and Wang 2007). In recruitment, financial institutions or banks should look for ability and interest in establishing and maintaining long-term interpersonal relationships. Gounaris et al. (2003) also agreed that personal relationships have a direct influence on customers' perceptions regarding a bank's reliability. Customers' opinions can be sought to identify those employees that are outstanding in their relational behaviours, for example, those considered to be trustworthy, deeply interested in resolving customers' problems, strongly committed to serve and relate and who provide customers with reliable and timely information (Ndubisi and Chan, 2005). However, Farquhar (2004) argued that, despite the radical changes made in customer information systems (database systems) among financial services retailers, these do not appear to have the capability of retaining selected customers by, for example, identifying potential profitability or looming defections. Farquhar also pointed out that employees are often unaware of the importance of data systems in compiling customer information for relationship building.

In the banking and insurance sectors, RM's importance is increasingly recognised. A highly competitive environment is forcing banks to use defensive, rather than offensive marketing strategies (Camarero, 2007) and various studies have

identified the key success factors in banking. Joseph et al. (1999) noted that banking service quality was linked to technology use, for example, ATMs, telephones and the internet, and identified six dimensions: 1) convenience/accuracy 2) feedback/complaint management 3) efficiency 4) queue management 5) accessibility and 6) customisation. White and Nteli (2004) uncovered five key service quality attributes in UK banking: security related issues, convenience, speed, timeliness of service and product variety/diversity. Moreover, Shamdasani et al. (2008) found that perceived control has the strongest influence on service quality evaluations and that perceived speed of delivery, reliability and enjoyment also significantly impacted service quality perceptions and affected relationships with customers. The study of Ndubiai and Wah (2005) on RM and customer satisfaction concluded that banks that have high quality relationships with customers will have more satisfied ones. Banks that are competent, committed and trustworthy, that communicate in a timely and accurate fashion and that display skilled conflict management will create greater satisfaction and loyalty among customers. By building quality relationships with customers, a bank can satisfy them more than its competitors can and better understand their needs. Moreover, a Nigerian study of customer loyalty supported the notion that bank management needed to emphasise service quality (Ehigie, 2006). Because banks' services are intangible, their service quality is usually assessed according to the features of the service-provider's relationship with the customer (Ehigie, 2006). The research pointed out that factors affecting customer loyalty in Nigerian banking include confidentiality in transactions, trustworthiness of the bank, introduction of weekend banking, extension of banking hours and provision of insurance for customers. However, Nordman (2004) argued that even the satisfied customers switch banks due to pricing (Colgate and Hedge, 2001; Ennew and Bink, 1999).

In terms of banking relationship strategies, Ferguson and Hlavinka (2007) found three key factors that marketers should consider in building banking relationships: firstly, highlighting specific customer behaviour, by changing the company planning process from focusing on product KPIs to rewarding specific consumer behaviour, indicating broader and deeper relationships; secondly, turning the product planning cycle on its ear by substituting the word 'Customer' for the word 'Product' in company planning sessions; lastly, thinking of the customers. The study suggested being aware of how customers define the word 'Relationship'. Customers frame the relationship in terms of trust and confidence. That building enduring customer relationships is the secret to furthering growth should be an unquestioned axiom for bankers. In banking relationships, loyalty and relationship building is the result of the delivery of an integrated value proposition that includes service, price and rewards (Ferguson and Hlavinka, 2007). In this area, the 'relationship manager' is the customer's touch point. Trust is defined as a customer's strong belief in the bank's honesty, trustfulness, justice and ability to guide or solve their business issues. Consequently, trust influences the quality of interactions and commitment of customers to the relationship. In this circumstance, the relationship manager role is very important in the banking relationship and can affect a customer's satisfaction, trust and loyalty to a bank (Gill et al., 2006). Moreover, many other studies have demonstrated a positive association between RM strategies and bank performance (Palmatier and Gopalakrishna, 2005; Naidu et al., 1999). Within that sector, Keltner (1995) found that German banks, in contrast to American ones, managed to maintain a stable market position during the 1980s and early 1990s as a consequence of relationship oriented banking strategies.

In banking, relationship-building activities are viewed as a very important part of bank management, for example, customer oriented activities such as actively

contacting them, offering personal meetings and mapping their needs on a continual basis (Leverin and Liljander, 2006). Within retail banking, RM is defined as activities carried out by banks in order to attract, interact with and retain customers, especially the more profitable and high net-worth ones (Walsh et al., 2004). Consequently, the relationship-building activity is a key instrument for marketers in the financial services industry generally and in banking particularly.

The literature review suggested that the management of financial services institutions needed to emphasise training employees, especially front line staff, in RM skills. Such training would build a customer-oriented climate where staff would deliver services efficiently and effectively, while acknowledging that acquiring and retaining customers is the essence of RM (Ehigie, 2006). In addition, the personal attributes of relationship managers and staff, such as politeness and empathy, will affect service quality and customers' trust. At the bank, customers expect their relationship managers to be polite and empathic at all times (Gill et al., 2006; Coulter and Coulter, 2002). From the above literature, the importance of RM and its impact on customer loyalty in financial services is clear. However, there is lack of similar research in the securities sector.

3.3 Thailand's Capital Market

The Thai capital market plays significant roles as the country's main source of capital raising for business expansion and as a savings alternative with attractive returns on investment. From 1975 - 2007, the average returns on securities investment was 12% per year, higher than those of bank saving schemes which produced an average 7% return per annum (SET, Research Department, 2009). In recent years, the Thai capital

market has become even more important as a source of financing. The size of the capital market is US\$ 290 billion, currently 1.4 times the capital committed in bank loans US\$ 214 billion (SET, Research Department, 2009).

Compared to other markets, SET is considered to be still emerging (Morgan Stanley Capital International (MSCI), April 2009), as it is quite small with a limited investor base. Thai market capitalisation is only 69% of Gross Domestic Product (GDP) vs. the 1,284% and 330% of Hong Kong and Singapore, respectively. As of February 2009, according to the World Federation of Exchanges (WFE), the Thai bourse's market capitalisation was ranked 30th out of the 51 WFE members. The Thai investor base is only 1.53% of the country's total population of 63.79 million people, while it is around 30% in developed markets (SET, Research Department, 2009).

3.3.1 The Stock Exchange of Thailand

The Stock Exchange of Thailand (SET) was established under the Securities Exchange of Thailand Act of 1974 and officially started operations in April 1975. It is regulated by the Securities and Exchange Commission (SEC) and is now under the Securities and Exchange Act of 1992.

SET is a one-stop centre for trading of listed securities, offering a full range of products, services and trading infrastructure for retail and institutional investors, both domestic and overseas, listed companies and other participants. It is the country's main secondary market for securities trading, with a pool of liquidity for securities issued by firms to raise capital for their expansion. It also undertakes other related businesses, such as being a clearing house, securities depository centre and securities registrar. In

1998, the Market for Alternative Investment (mai) was established to offer fund-raising opportunities for small and medium-sized enterprises (SMEs) and provide a greater range of investment alternatives for investors. As of June 2009, the market capitalisation of mai was US\$ 907 million compared to SET's US\$ 139 billion (SET, Research Department, 2009).

By end-2008, the SET Index closed at 449.96 points, a decrease of 48% from 858.10 points, as at end-2007, as a result of the global financial crisis. The annual turnover value for 2008 was US\$ 113 billion, with an average daily turnover of US\$ 484 million. As of June 2009, there were 529 companies listed on SET and mai with a total market capitalisation of US\$ 112 billion. There are 39 securities brokerage firms acting as intermediaries, of which 44% are foreign securities brokerage firms. Investors on SET can be divided into three groups: local individual, local institutional and foreign investors. In terms of numbers of investors, the local individual group is 60% larger than the local institutional (20%) and foreign groups (20%). Annual turnover of local individuals' accounts for up to 57% of the market's total turnover (SET, Research Department, 2009). Table 1 gives a summary of statistical data on SET.

Table 1: SET Statistical Data

	2006	2006	2007	2008	2009 (As of 30 June)
<u>Market Data of SET</u>					
SET Index	713.73	679.84	858.10	449.96	597.48
SET100 Index	1,092.64	1,033.38	1,355.47	671.35	967.70
SET50 Index	502.85	473.27	630.73	316.45	430.35

Market Dividend Yield (%)	3.37	4.24	3.31	6.57	4.66
Market P/E Ratio	10.14	9.44	17.03	7.01	20.03
Market P/BV	1.95	1.69	2.02	0.98	1.30
Number of Listed Companies	468	476	475	476	475
Total Turnover Value					
(THB billion)	4,031	3,956	4,188	3,920	1,765
(USD billion)	100	104	121	117	50
Daily Average Turnover Value					
(THB million)	16,454	16,281	17,097	5,870	14,832
(USD million)	409	429	494	476	423
Total Capitalisation Value					
(THB billion)	5,105	5,079	6,636	3,568	4,743
(USD billion)	124	141	196	102	139
<u>Market Data of mai</u>					
Mai Index	158.23	193.43	272.37	162.93	192.15
Number of Listed Companies	36	42	48	49	54
Total Turnover Value					
(THB million)	53,941	27,414	83,043	61,356	35,004
(USD million)	893	723	2,402	1,839	999
Total Capitalisation Value					
(THB million)	14,314	21,810	38,269	22,153	30,874
(USD million)	349	605	1,134	634	907
<u>Securities Brokerage Data</u>					
Number of Brokerage firms	39	39	39	39	39

Number of Marketing Officers	7,431	6,813	6,406	6,329	6,086
<u>Other Thailand Market Data</u>					
Gross Domestic Product (GDP)	7,092,893	7,841,297	8,493,311	9,104,959	2,179,730*
Total Thai Population (Million People)	63.42	62.83	63.04	63.39	63.79
Number of Shareholders in SET	N/A	N/A	906,777	720,864	732,974
Number of Investors in SET					
(Non Active Account)	446,049	478,585	502,914	540,265	549,502
(Active Account)	113,486	119,131	95,465	93,671	129,704

Note: * GDP for Q1/2009 only

(The Stock Exchange of Thailand, Research Department, 2009).

In terms of investment culture, Thai retail investors actively contact their marketing officer at the securities brokerage firms. Among Thai cultural characteristics, communication and personal interaction is very important (Petison and Johir (2008) and Thais prefer interpersonal interaction most of the time (Larpsiri and Speece, 2004; Colgate and Smith, 2005). Most local investors are active, preferring to contact and have close relationships with marketing officers. This is supported by Piansoongnern and Anurit (2007) who noted that Thai investors are very active and highly dependent on securities brokerage firms' marketing officers. Marketers play a significant role in servicing and contacting investors. Unlike mature stock markets, most retail investors invest through financial advisors or mutual funds, not contacting stock brokerage representatives directly. In an emerging stock market, especially in SET, the relationships among investors, marketers and securities brokerage firms are much closer. Moreover, since the number of Thai local investors is limited and there are only 39 securities brokerage firms in the country, it is very difficult to recruit new customers.

Therefore, in this highly competitive environment, the management of securities brokerage firms must pay more attention to gaining and maintaining customers' satisfaction and loyalty in order to retain competitive advantage. Consequently, RM should be an important strategy for these companies.

3.3.2 Securities Businesses and their Role as Brokerage Firms

Securities-related services firms must be licensed by the SEC. Securities business functions in the Thai capital market include, for example, brokerage, dealing, underwriting, advisory services, fund management and securities lending and borrowing. A firm can operate more than one type of business subject to licensing. However, in Thailand, brokerage has been the main source of revenue for most securities firms for a decade, accounting for 80% of their total revenue (SEC website).

For the 39 brokers in Thailand, there is a total of 549,502 investors' accounts, with only 129,704 considered as active, i.e. with at least one transaction per month for the past six months. There is a total of almost 10,000 staff, with 60% registered as holding a license (SET, as of April 2009).

The remuneration of marketing representatives is classified into two types: incentive scheme or salary-based. Currently, a marketing representative may receive no more than 27.5% of the total commissions that the given representative earned for his/her employer, or a salary plus bonus totalling no more than 25% of what he/she earned for the firm (The Association of Securities Companies, 2007). These conditions lead marketing officers to pay more attention to building relationships with customers as their main source of income is dependent on the investment value of their customers.

However, the SEC plans to liberalise commissions by changing the current minimum commissions of 0.25% and 0.20% for traditional and online trading, respectively, to a sliding scale in 2010 - ahead of full deregulation in 2012. This has raised much concern in the industry as these fees are the brokerages' main source of revenue. Certainly, deregulation will mean stronger competition between securities firms, especially between local brokers with many retail investors. Therefore, they must seriously consider diversifying their businesses, as they will not survive by relying solely on income from the equity market (Chanjindamane, 2009).

SET is actively engaged in promoting investment knowledge to both current and prospective investors through a variety of marketing activities, for example, local and international road shows, investment exhibitions and seminars. The Exchange also supports the setting up of securities firms' mini-branches at banks and department stores. In addition, SET's Money Channel, Thailand's first 24/7 financial TV channel, was established in 2005 to broadcast economic and investment programs.

3.4 RM in the context of Thailand's Financial Services

Srijumpa, Chiarakul and Speece (2007)'s study of customer satisfaction in retail stock brokerages and corporate banking in Thailand concluded that interpersonal interaction has a strong role in these industries. Their findings suggested that, where there is more interpersonal interaction between service provider and customer, there is greater perceived customer satisfaction. Personal service providers demonstrated a greater ability to respond to problems than did automated systems (Srijumpa, Chiarakul and Speece, 2007). RM in Thai financial services emphasised the 'personal touch'.

Despite the rapid growth in electronic banking, improving personal counter services remains an important issue in Thailand. Thai consumer behaviour is distinct, placing a lot of importance on the 'personal touch'. Customers (see Appendix 1 for explanation of 'personal touch') prefer to deal with familiar staff with whom they have good relations and who understand their needs well (Chaoprasert and Elsey, 2004). Petison and Johir (2008) stated that Thais usually preferred active interactions and liked to use two-way communication.

In Hall's 1976 terminology, Thailand is a high-context culture. Communication, in such cultures, depends on contextual and social cues for meaning, rather than on verbal content (Thatcher, 2001; Simintiras and Thomas, 1998). Because meaning is primarily in the context as opposed to the actual words, much of a message's meaning is absent when social context does not accompany words (for example, in an ATM transaction). Therefore, strong relationships - being a cornerstone of the society (Holmes and Tangtongtavy, 1997) - are crucial in Thai business culture, as Thais prefer informal and personal relationship-based communication (Sammapan, 1996). In addition, Srijumpa, Chiarakul and Speece, 2007's study pointed out that this strong interpersonal orientation is a cultural characteristic of business throughout East and Southeast Asia, their research finding is reflected, to an extent, in other Asian countries.

3.5 RM in Thailand's Securities Brokerage Services

Despite the limited number of studies dealing with RM in securities brokerage services, there are some interesting earlier findings that are relevant to this research.

As widely acknowledged in financial services, the personal relationships between investors and a brokerage firm's marketing staff are crucial in establishing trust. Srijumpa, et al. (2002) and Rotchanakitumnuai and Speece (2003) demonstrated that a lack of human interaction, due to the introduction of internet services by Thai stock brokerage firms, led to a great deal of customer dissatisfaction.

Piansoongnern and Anurit (2007) pointed out in their study of Thai investors' loyalty to securities companies in Bangkok that the most influential factors were their relationships with marketing staff, relationships with securities' corporate branding and their satisfaction with a brokerage's services. The contention that, in the Thai brokerage context, personal relationships are the most important factor influencing retail investors' loyalty is supported, not only by Piansoongnern and Anurit (2007), but also by Srijumpa, et al. (2002) and Rotchanakitumnuai and Speece (2003).

Turning to marketing relationship communication in the securities industry, *'Investor Relations'* (IR) plays an important role in brokering communication between listed companies, securities firms, shareholders and investors. Mahoney (1991) noted that "investor relations" (IR) has been part of the securities market for twenty-five years. Verchere (1991) reported that the role of IR is based on an ability to add value to the whole process of raising investment capital. IR focuses on building relationships between a company and its existing or prospective investors and intermediaries, such as brokers, analysts and fund managers. As the broader market for investor relations is investors and those professionals who advise and guide them, they must be educated and persuaded about the advantages of a specific company and its securities. Consequently, in IR, relationship marketing management is crucial.

Chiu et al. (2003) suggested that CRM is critical to business success. A brokerage firm must retain existing clients and increase their satisfaction through effective implementation of CRM in an environment of multiple business events. Business events relevant to clients include order placement, complaints filing, service exceptions and changing personal profiles. Business events relevant to securities firms include staff turnover and amendments to brokerage services. Business events due to the environment include market news and stock price fluctuations. These are important in this study, because Thailand's securities brokerage services are very sensitive to news and rumours (Chiu et al., 2003). Focusing on these issues will demonstrate the degree to which RM gained customer loyalty in various situations - general or daily events, turbulent conditions (for example, policy changes) and critical scenarios - that affected the investment climate in Thailand. This should assist firms in that country to match RM strategies to particular situations.

3.6 Key issues to be investigated for this research

The preceding review found support in the literature for a relationship between RM and customer loyalty. The research question and key issues could thus be clearly positioned amongst existing theory and current empirical studies. Based on the literature review, the key issues to be investigated are described as follows.

The processes of RM and their impact on customer loyalty form the centre of this study's investigation. Certain aspects and processes, for example, categorisation of business events, assist in organising and understanding the role of RM in customer loyalty in the Thai securities brokerage industry. Prevailing theory referred to RM as a process of attracting, maintaining and enhancing and, when necessary, terminating

relationships with customers and stakeholders at a profit (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003; Gronroos, 1994; 2004; Lam and Burton, 2006; Kotler and Armstrong, 1999; Berry, 1995).

The literature review identified three important aspects of RM to be explored. Firstly, RM characteristics, practices and activities in this business context, as derived from Gilbert and Choi (2003), Leverin and Liljander (2006) and Walsh et al. (2004) were examined. A second area of investigation was the use of RM's interactive databases and networking to retain valuable customers on the basis of mutual benefit (Gilbert and Choi, 2003; Bruhn, 2003; Gronroos, 2000; Eiriz and Wilson, 2006; Lawson, 2008; Lacey and Morgan, 2009). Thirdly, RM communication was also explored. RM communication has been defined as the formal and informal exchanging and sharing of meaningful and timely information (Camarero, 2007; Bennett and Barkensjo, 2005). The concept used in this study was derived from Ndubisi and Wah (2005), Gronroos (2004), Zineldin and Philipson (2007) and Chen et al. (2008).

Behavioural and attitudinal loyalty was also investigated. The concept of customer loyalty, discussed as RM outcomes in this research, is a mixture of behavioural and attitudinal factors, as suggested by Lam and Burton (2006), East et al. (2000), Dekimpe et al. (1997), Beatty et al. (1996), Sirdeshmukh et al. (2002) and Liang, Wang and Farquhar (2009). Notably, the literature on RM in the financial services industry (Ehigie, 2006; Gilbert and Choi, 2003; Hennig-Thurau and Day, 2000; Barry, 1995; Leverin and Liljander, 2006) advocated RM as a superior option in gaining customer loyalty.

In addition to proposing RM as a contributor to customer loyalty, this research explored the chain effects of determinants of RM on indicators of customer loyalty outcomes, by adopting the two approaches identified by Hennig-Thurau et al. (2002): relational and relationship quality. The relational approach was concerned with whether the service provider and the customer achieved mutual benefits by creating a long-term relationship. The relationship quality approach emphasised the customer's evaluation of RM and its impact on customer loyalty and positive word-of-mouth. The conceptualisation of relationship quality in this study was based on Athanasopoulou (2009), Bennett and Barkensjo (2005) and Ndubisi (2006).

In exploring RM and customer loyalty in the context of the Thai securities brokerage industry, this research examined two characteristics of Thai brokerages (Chaoprasert and Elsey, 2004; Thatcher, 2001; Simintiras and Thomas, 1998; Holmes and Tangtongtavy, 1997; Sammapan, 1996; Lam and Burton, 2006). The first of these was the nature of a securities brokerage industry which deals with high-risk and high-sensitivity (for example, Thai investors' sensitivity to news, rumours and external factors, such as political and economic events) and, especially, Thai high-context culture (Hall, 1976). Communication, in such cultures, depends on contextual and social cues for meaning more than on verbal content (Thatcher, 2001; Simintiras and Thomas, 1998). . The second characteristic was that the industry was involved in multiple business events concerning – clients (for example, services provided), brokerage firms (for example, staff turnover) and the business environment (for example, amendment services or fees). The exploration of these issues demonstrated the effectiveness of RM in gaining customer loyalty in a variety of situations. These issues were derived from Srijumpa et al. (2002), Rotchanakitumnuai and Speece (2003) and Chiu et al. (2003).

3.6.1 Research Focus

In investigating how RM gained customer loyalty in Thai securities brokerage firms, the research focused on the components of RM and customer loyalty as shown below.

Components of RM

In this study, the author defined RM as comprising of 1) information marketing, 2) relationship-building activities and 3) database marketing activities.

Table 2: Components of RM

Characteristics	Research topics
<p>1. Information marketing</p> <p>Sources: Gilbert and Choi, (2003); Morris et al., (1998); Leverin and Liljander, (2006); Walsh et al., (2004).</p>	<p>Various ways of disseminating information to customers (investors), for example, research reports, newsletters, information updates, seminars, luncheons and presentations.</p>
<p>2. Relationship-building activities</p> <p>Sources: Gilbert and Choi (2003); Morris et al., (1998); Marsh (1995); Peterson, (1995); Lam and Burton, (2006); Leverin and Liljander, (2006); Walsh et al., (2004).</p>	<p>Various activities intended to build long-term relationships via relationship management, for example, networking events, receptions/meals, cocktail parties, regular contacts and introduction of new products/services.</p>
<p>3. Database marketing activities</p> <p>Sources: Gummesson, (2003); Gronroos (2000); Nowesnick, (1993); Gilbert and Choi, (2003); Bruhn, (2003); Eiriz and Wilson, (2006); Lawson, (2008); Lacey and Morgan, (2009).</p>	<p>The use of databases to enable personalised treatment of customers (investors), for example, production of birthday cards for customers' family members.</p>

Components of Customer Loyalty

From the literature review, customer loyalty in this study was comprised of 1) long-term relationships, 2) positive word-of-mouth, 3) preference for a particular provider and 4) repeat usage of services.

Table 3: Components of Customer Loyalty

Characteristics	Research topics
1. Long-term relationships Sources: Zeithaml, et al., (1996); Beatty et al., (1996); Zineldin and Philipson, 2007; Das, (2009)	Close and strong relationships (See appendix 1 for definition)
2. Positive word-of-mouth Sources: Dekimpe, et al., (1997); Lam and Burton, (2006); Beatty et al., (1996); Sirdeshmukh et al., (2002); Liang, Wang and Farquhar, (2009)	Recommendations and encouragement to use service
3. Preference for a particular provider Sources: Zeithaml et al., (2006); Beatty et al., (1996); Sirdeshmukh et al., (2002); Eisingerich and Bell, (2007); Uncles et al., (2003)	Regarding the provider as first choice or using one provider more than others. Perception of relative advantage in having different providers and relative risk in relying on one provider.
4. Repeat usage of service Sources: Dekimpe, et al., (1997); Philipson, (2007); Morgan, (2009)	Frequency of usage

Context: Thai securities brokerage firms

Two characteristics of Thai securities brokerage firms were investigated in this research. 1) Nature of the securities brokerage industry: where it deals with large sums of money and is sensitive to news and external factors such as political and economic issues. 2) Different settings of the securities brokerage industry: where it involves multiple business events – clients (for example, services provided), brokerage firms (for example, brokerage's staff turnover) and business environment (for example, amendment of brokerage services or fee).

Table 4: Characteristics of Thai securities brokerage firms

Characteristics	Research topics
1. Nature Sources: Chaoprasert and Elsey, (2004); Thatcher, (2001); Simintiras and Thomas (1998); Holmes and Tangtongtavy (1997); Sammapan, (1996); Lam and Burton, (2006); Hall, (1976)	High-risk, high-sensitivity, and high-context culture (See appendix 1 for definition of high-risk, high-sensitivity, and high-context culture)
2. Different Settings Sources: Srijumpa et al., (2002); Rotchanakitumnuai and Speece (2003); Chiu et al. (2003)	Multiple business events, including events relevant to clients, brokerage firms and business environment (See appendix 1 for explanation of multiple business events)

Other important issues to be investigated

In addition to examining RM and customer loyalty in the Thai securities brokerage industry, this study also explored RM practices and strategies, the importance of RM, problems in implementing RM and factors impacting customer loyalty in the Thai securities brokerage business

3.7 Summary

The literature review covering the general concept of RM and activities (in Chapter 2) and the discussion of RM in Thailand's financial services and securities brokerage industry (in this chapter) provided a systematic and comprehensive picture of RM in a Thai context.

RM practices were not fully implemented in the financial services industry generally or in Thai securities brokerage firms specifically. In the Thai context, relationships were important because of the industry's characteristic high-risk, money-related environment and the requirement for risk diversification and high sensitivity to news, rumours and political and economic issues. These were all exacerbated by the demands of a culture which values relationships, regular contact and high context communication. Investors' uncertainties or disloyalty could be ameliorated by a strong relationship with a brokerage firm, characterised by the 'personal touch', close human relationships and communication.

In summary, this study investigated RM practices, and discussed its impact on customer loyalty in Thai securities brokerage firms. The research examined the impact of the determinants of RM on indicators of customer loyalty outcomes. The study a) investigated factors that impact customer loyalty in securities brokerages and b) explored and analysed constraints or problems in this relationship - to clearly explain how RM achieved customer loyalty in Thai securities brokerage firms. The findings of this research can be applied to The Stock Exchange of Thailand and benefit other countries, because Thailand is, to a degree, representative of East and Southeast Asian emerging markets and culture (Srijumpa, Chiarakul and Speece, 2007).

Chapter 4

Research Methodology

4.1 Introduction

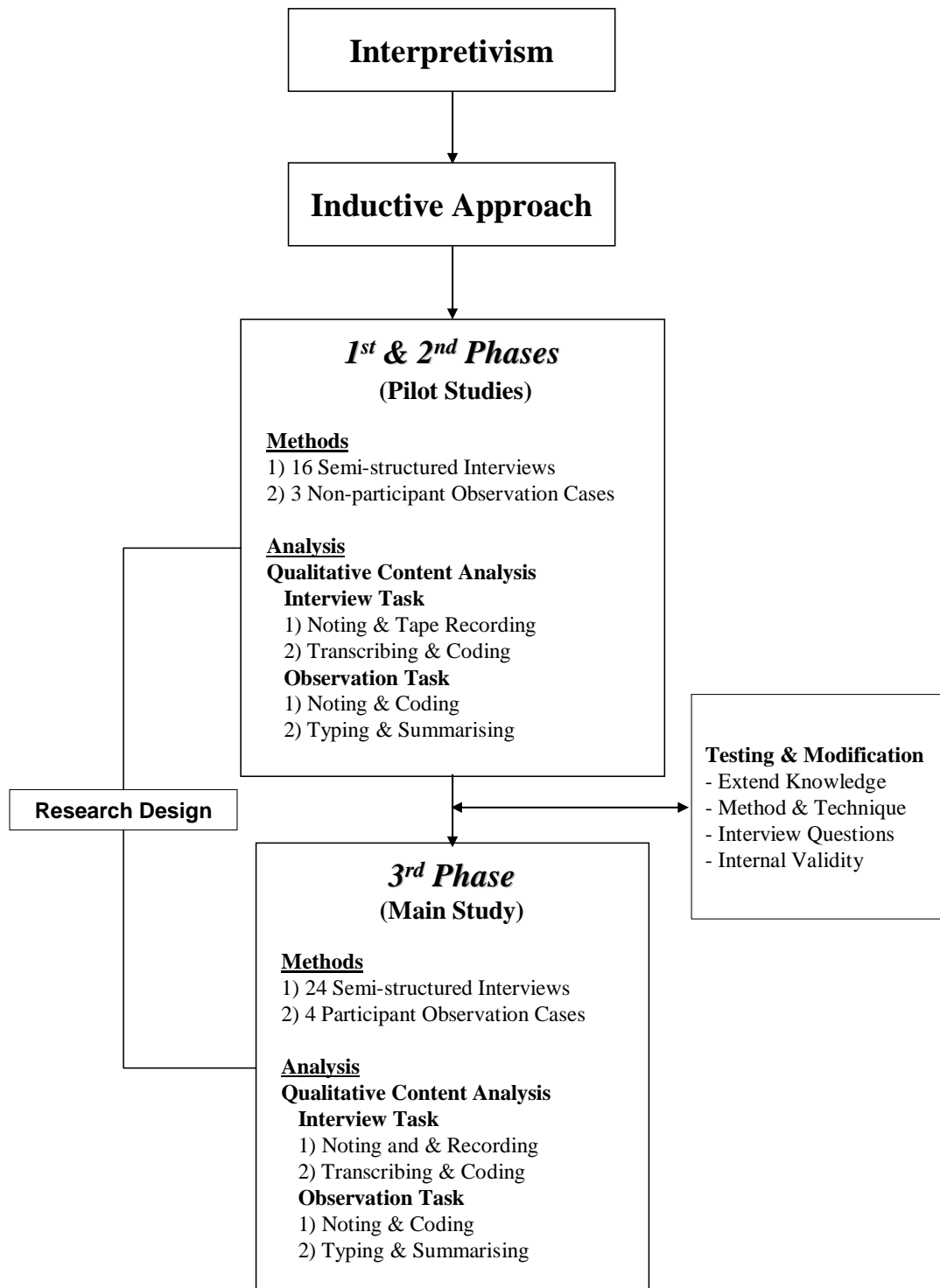
In describing the methodology used in this study, this chapter discusses 1) the research methodology itself, including philosophical perspectives and the particular approach adopted in this investigation, 2) the pilot study research plan, together with the methods of data collection and analysis used in the author's pilot studies and a brief background to them, 3) the findings of the pilot studies, including their research contributions to the main study, 4) the principal study research plan, encompassing a discussion of the research methods, data collection and data collection processes, 5) validity and reliability and 6) the ethical issues pertinent to the study.

4.2 Research Methodology

Research generally involves an investigation or study leading to discovery and increasing knowledge or facts in a systematic and procedural fashion (Jankowicz, 1995). Research strategy provides a logic or set of procedures for answering research questions (Baker, 2003).

This study's research methodology is illustrated in figure 5:

Figure 5: The philosophical approach underlying the research methodology



Source: Author

4.2.1 Philosophical Perspective

Epistemological Considerations

Epistemological considerations deal with what constitutes acceptable knowledge in a field of study or “how we know and know what we claim to know” about the social world. This philosophical concept includes knowledge and justification based upon some statement of logical proof. It deals with determining which laws of nature exist, supporting a belief in these and elaborating their characteristics. It seeks to answer the question of “what is” or “should be” regarded as acceptable knowledge in a discipline (Crotty, 1998; Bryman and Bell, 2003; Bryman, 2004; Saunders et al., 2007).

Ontological Considerations

Ontological considerations concern the nature of reality. This philosophical area questions the assumptions researchers make about the way the world operates and the commitment held to a particular view or, in other words, the “theory being adopted”. The ontological question embraces the actuality of the subject matter of social science, studying what exists and the nature of what exists. The ontology of a given object is derived from the fact that it “is” and is what it seems to be, without explaining “why” this thing is what it is (Crotty, 1998; Bryman and Bell, 2003; Bryman, 2004; Saunders et al., 2007).

This research employs an “*interpretivist approach*”, because it requires the social scientist to grasp the subjective meaning of social action. It assumes that because social reality has a meaning for human beings, human action is meaningful. Interpretive

researchers focus on social meanings and their elucidation and exposition in local contexts. As a result, interpretivists use these contextual data to construct the meanings of events and human actions (Keedy, 1992). Interpretivism holds that people act and interact on the basis of meanings, and interpret their actions and social worlds subjectively. Therefore, a study of this type focuses on how people make sense of the world and create their social worlds through their actions and interpretations of that world. In short, interpretive research attempts to develop an understanding of how meaning is developed through human interactions (Crotty, 1998; Bryman, 2004; Saunders et al., 2007; Denscombe, 2002; Lincoln, 1995).

The interpretivist approach is most appropriate for this study because the investigation involves generating an interpretive understanding of social actions between brokerage firms' marketing managers and their customers in the areas of relationship marketing and customer loyalty. Moreover, as mentioned earlier (Chapter 3), Thai consumer behaviour places a high priority on the 'personal touch' (Chaoprasert and Elsey, 2004). In this interpretive study, the personal touch metaphor can be defined as a close and strong relationship between a brokerage firm's staff and its customers which renders psychological or social benefits, such as familiarity, friendship and information-sharing. Personal touch existed when customers preferred to have active interactions and communication with particular staff to derive these social benefits (Petison and Johir, 2008). Personal touch occurred when customers felt that a staff member took an active interest in their preferences and when clients believed that their needs would be met because brokerage personnel anticipated and understood their needs and behaviours. Consequently, personal touch meant that customers would prefer to deal with staff whom they trusted and related to closely (Chaoprasert and Elsey, 2004).

Personal touch is an important and well-recognised cultural characteristic which was investigated in this interpretive research.

In addition, in the marketing worldview, Daymon and Holloway (2002) stated that, in order to understand the concept of marketing or communications, interpretive researchers must actively engage in it before going on to interpret data. Involvement in the field enables researchers to conceptualise reality from the point of view of those involved. By exploring the evidence before making an interpretation, researchers embrace the idea that concepts and theories emerge out of the data that directly relate to a particular, naturally occurring situation. Daymon and Holloway (2002) pointed out that interpretive research has primarily used qualitative methods because these allow investigators to get close to the people they are studying and become involved directly with target participants. Moreover, Keedy (1992) suggested that interpretive researchers often use interviews, observation and/or artefacts as multiple sources of data. Multiple data sets are then analysed and compared to strengthen the authority of the interpretation of events and interactions.

4.3 Research Approach

The logic of any research is entwined with its use of theory. The theory employed in a study may or may not be made explicit in the research design, although it will usually be made clear in the presentation of research findings and conclusions (Saunders et al., 2007).

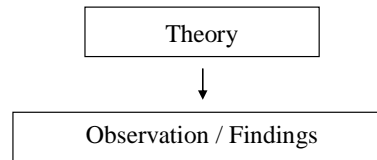
Turning to the two major methods of theory construction - '*deductive*' and '*inductive*' - "deductive theory represents the most common view of the nature of the

relationship between theory and research. The researcher, on the basis of what is known about a particular domain and of theoretical considerations in relation to that domain, deduces a hypothesis (or hypotheses) that must then be subjected to empirical scrutiny” (Bryman and Bell, 2003: 9). In a deductive approach, the researcher develops a theory and hypothesis and designs a research strategy to test that hypothesis. On the other hand, “with an inductive stance, theory is the outcome of research. In other words, the process of induction involves drawing generalisable inferences out of observation” (Bryman and Bell, 2003: 12). In an inductive approach, theory emerges from the analysis of the data collected.

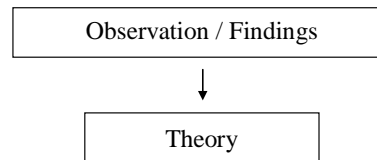
In addition, Saunders et al. (2007) stated that it is important and helpful to connect these research approaches to the different research philosophies. Usually, the deductive research approach owes more to positivism, while the inductive owes more to interpretivism. Bryman and Bell (2003) agreed that, although it is useful to think about the relationship between theory and research in terms of deductive and inductive strategies, sometimes the distinctions are difficult to discern in a research presentation. These two strategies are more accurately conceptualised as tendencies rather than as a hard-and-fast distinction. However, deductive and inductive research approaches are essentially different as illustrated in figure 6.

Figure 6: Deductive and Inductive Approaches and Relationship between Theory and Research

Deductive Approach



Inductive Approach



Source: Bryman, (2004: 10)

Based on this study's philosophical stance (interpretivism), an “***inductive approach***” is the most appropriated for this research. An inductive approach enables the researcher to gain an understanding of the meanings humans attach to events, to ‘get a feel’ of what is going on and, consequently, to understand the nature of the problem more deeply (Saunders et al., 2007). Inductive research is particularly concerned with the context in which events take place. Therefore, it is suitable to a study, such as this one, involving a small sample of participants but where the focus is on the relationship and interaction between securities brokerage firms and their customers. An inductive approach is more likely to employ qualitative data collection methods and use a variety of these methods to get close to the core of the research context and gain deeply

embedded qualitative data. This is in contrast to the deductive approach, which is often associated with quantitative research methods (Bryman, 2004; Saunders et al., 2007). Moreover, Daymon and Holloway (2002) stated that qualitative methods are frequently most appropriate for an interpretive approach, such as in this study. In employing inductive research, Bryman and Bell (2003) stated that the researcher usually uses a grounded theory approach to data analysis and thus generates theory. The inductive approach is regarded as especially strong in coaxing emergent theory from data.

The inductive approach enables the investigator to meet this study's research objectives and gain an understanding of customers' feelings about, and views of, RM activities and loyalty to securities brokerage firms. It contributes towards more informed decisions about the most suitable research design. The inductive approach is appropriate for this study for various reasons. Firstly, it emphasises gaining an understanding of the meanings that humans attach to events by adopting a qualitative strategy base on interviews and observations. The author is able to get close to and more deeply understand the research context and, by using a variety of data collection methods, it strengthens the study's research validity. Moreover, the approach allows the author to understand and see the different viewpoints of participants. Secondly, an inductive approach provides greater structural flexibility, thus allowing the author to change research emphasis as the study progressed. The approach is also less concerned with the need to generalise. This approach helps in the selection of research strategies and methods that are most appropriate, given the author's preferences and strengths. Importantly, the inductive research allows the author to be part of the research process (Bryman and Bell, 2003, 2007; Bryman, 2004; Saunders et al., 2007).

To support the use of an inductive approach for this study of relationship marketing and customer loyalty, examples of relevant academic literature from the financial services sector are presented in the table 5.

Table 5: RM Studies which Adopted an Inductive Approach

Author (Year)	Industry (Country)	Sample Size	Data Collection Method	Research Method /Analysis
Lam and Burton (2006)	Banking (China)	32	In-depth interviews	Qualitative Research / Content Analysis
Akerlund (2005)	Banking	42	In-depth interviews	Qualitative Research
Curry and Kkolou (2004)	Retailing, financial services (UK)	Not available	Interviews and observations	Case Study
Pries and Stone (2004)	Financial Services (UK, France, Germany)	Not available	In-depth interviews	Qualitative Research
Legarreta and Miguel (2004)	Banking (Spain)	Not available	Interviews and observations	Case Study
Durkin and Howcroft (2003)	Banking (UK, US, Sweden)	15	In-depth interviews	Qualitative Research
Farquhar (2003)	Financial Services (UK)	4	In-depth interviews	Qualitative Research
Rotchannakitumuai and Speece (2003)	Banking (Thailand)	15	In-depth interviews	Qualitative Research / Content Analysis
Kapoulas et al. (2002)	Financial Services (UK)	Not available	Interviews and observations	Case Study

Dawes and Swailes (1999)	Financial Services (UK)	Not available	In-depth interviews	Qualitative Research
Stewart (1998)	Retail Banking (UK)	50	In-depth interviews	Qualitative Research / Content Analysis

Source: Das, (2009)

4.4 The Study's Research Plan

As presented earlier in this chapter (see figure 5), this study proceeded through three phases. The first and second phases were pilot studies which tested and developed research techniques in preparation for the third and main research phase. The following section discusses the study's research plan in detail.

4.5 The Pilot Study Research Plan

During the first and second research phases, there were three pilot studies undertaken (August 2005, November 2005 and August 2006). These entailed 16 semi-structured interviews and 3 non-participant observations. The pilot studies research plan is presented below:

Purposes of the pilot studies:

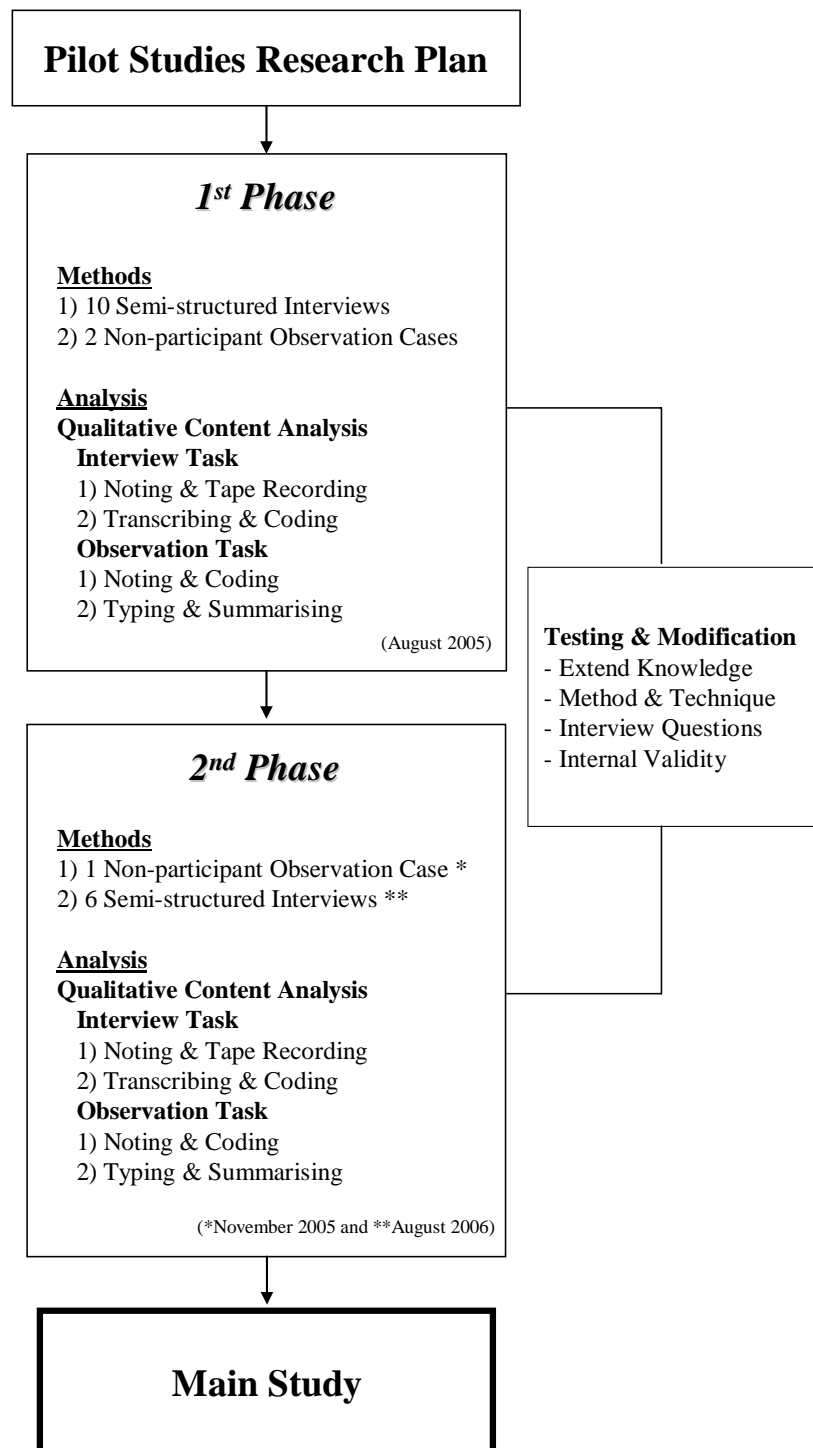
1. *To extend the authors' background knowledge* of relationship marketing (RM) and its impact on customer loyalty in the Thai financial services industry. The pilot studies focused on RM amongst Thai capital market stakeholders, for

example, securities brokerages and listed companies, securities brokerages and their customers and experts in the area. The author also became familiar with the nature of RM practices by observing brokerages' RM events.

2. ***To develop and test the techniques*** of data collection and analysis. The pilot studies allowed the author to identify the most appropriate data collection and analysis techniques for the study. During these studies, the strengths, weakness and limitations of each technique were noted, modified or developed to produce a more effective research design and strategy for the main research. Brymam and Bell (2003), Saunder et al (2007) and Brewer (2000) stated that pilot studies provided an opportunity to assess the research methodology, approach and strategy and thus refine these for use in the principal study.
3. ***To improve the interview questions*** for the main study. By using multiple methods of data collection and analysis in the pilot studies, it was possible to develop and improve the interview questions, avoid repetition and identify issues to be investigated. As a result, the author developed and modified interview questions, research objectives and the research question for the principal study (Brymam and Bell, 2003; Saunder et al, 2007; Brewer, 2000).
4. ***To prove 'internal validity'***. Inferences support internal validity if a relationship between the pilot studies is properly demonstrated and the outcome of these demonstrates the possibility of the research findings (Brewer, 2000).

Figure 7 illustrates the pilot studies' research plan.

Figure 7: Outline of the Pilot Studies' Research Plan



Source: Author

4.5.1 The First Phase:

1st Pilot Study: (August, 2005)

Description

The aim of the first pilot study was to investigate how RM works in the Thai stock market. The research focused on the linkage between listed companies' representatives in The Stock Exchange of Thailand (SET) and these firms' major shareholders, while the findings were discussed in relation to existing RM theories. This study provided an opportunity for the author to trial and refine data collection and analysis methods and determine their appropriateness to the research environment, specifically SET and the Thai financial services industry.

It is noteworthy that, in order to provide thorough background knowledge about how RM works in the Thai financial services sector, particularly in the capital market, non-brokerage participants and clients were interviewed. Interviewing investor relations officers (IRO), listed companies shareholders and SET's professional marketing officers gave a fuller understanding of the research context and contributed significantly to the development of this study, its research objectives and question. IROs are a rich source of background knowledge about RM and its importance in the capital market. An IRO acts as a listed company's financial and investment representative and interacts with all key stakeholders and participants involved in the main research. They consult with securities brokerage firms (both local and foreign) and provide information and responses to these companies' customers. An IRO is also engaged in securities brokerages' RM activities which connect customers with listed companies'

representatives for information exchange and relationship building. Consequently, an IRO can be a rich source of deeply embedded knowledge and experience of RM in the Thai capital market. These officers are also in contact with potential investors – domestic and foreign, institutional and retail - providing information and responses to their questions. Therefore, although IROs and listed companies' shareholders are not direct participants in securities brokerage firms, they are invaluable in terms of their deep background knowledge and experience of communications, interactions and relationship building among the direct participants in the author's research area. Interviewing them ensured thoroughness and accuracy in the development and modification of the main study's interview questions, research objectives and research question.

The main research question in the first pilot study was *'How can relationship marketing build long-term relationships between listed companies in the Thai stock market and their major shareholders?'*

The objectives of this research were as follows:

1. To critically review the relationship marketing literature and link this to the Thai stock market environment;
2. To explore the interaction and methods of relationship marketing communications used between listed companies and their major shareholders in Thai stock market;
3. To investigate how relationship marketing can build long-term relationships between listed companies and their major shareholders;
4. To understand the problems and actions that damage relationships in the Thai stock market.

Methods of Data Collection

To meet these research objectives, multiple data collection methods were employed, i.e. semi-structured interviews and non-participant observation.

a: Semi-structured interviews

Quee (1999) pointed out that qualitative research is an excellent tool for gathering data, accessing deep understandings, rich insights and obscure information. Fisher (2004) stated that semi-structured interviews lie between the open interview and the pre-coded interview. Semi-structured interviews are a common qualitative research technique, with the sequencing of questions varying according to the circumstances and progress of each interview. An interview guide assists the researcher to collect standardised data from all participants, and adjust or revise questions as new ideas arise following an interview (Daymon and Holloway, 2002). The interviewer generally has a schedule and list of the main issues and topics that need to be covered to keep the interview on track. In this study, the author used a question guide to conduct interviews. In each interview, the respondent retained the freedom to respond to the questions as they made sense to him/her. The pattern of a semi-structured interview encourages respondents to speak and explain their responses on the subject in great detail. It also allows respondents to express personal opinions, feelings and display their expertise on a topic with more freedom than simply answering 'yes' or 'no' to specific questions (Crouch and Housden, 1996; Chisnall, 2001).

Prior to this research being undertaken, a brief description of its scope and background was sent to all respondents to allow them to prepare for the interviews. The

questions were based on the important issues identified in the literature. A pre interview was conducted to allow the author to pre-test and adjust the interview question guide.

b: Sample selection

For this study, it was very important to select respondents who actually understand the true nature of the Thai stock market. As discussed earlier in this section, the participants were actively involved with all stakeholders in the Thai capital market, especially in stock market activities. For this pilot study, a total of ten semi-structured interviews were conducted with various professionals and experts. Six interviews were conducted with senior staff of the Investor Relations Office (IRO) of SET-listed companies. Three interviews were conducted with listed firms' shareholders or investors, while one interview was conducted with a senior SET officer who was responsible for the investor marketing department and had lengthy experience in RM and investor relations activities. In terms of the sampling plan, as the author's fifteen years working with SET yielded good relationships with many professionals and experts in the market, existing contacts and networks provided a convenient sampling entrée. Experience with these contacts ensured that all respondents had rich insights into, and deep knowledge of, the area.

c: Non-participant observation

Non-participant observation was another method used to gain additional data for this pilot study. Hair et al. (2003) stated that observational data is collected by systematically recording observations of people, events, activities and objects. The findings from these observations can be expressed in either a narrative form (for example, the written description of behaviours) or numerical form (for example, the use of a structured questionnaire and/or the use of a device counting specific actions). The

observations for this research came from analyst and press conferences dealing with listed companies' quarterly performance analyses. During these observations, the author studied and noted down the communication methods, information flows and behaviours of Chief Executive Officers (CEOs) and Investor Relations Officers (IROs) in interaction with the analysts from the securities brokerage firms and mutual funds, investors, news reporters and shareholders. Two non-participant observations were conducted at analyst and press conferences. Analyst and press conferences are important RM activities in the financial services industry. Firstly, in a conference, the parties involved exchanged information, responded to and asked questions of each other, displaying the characteristics of RM practices in a business context (Gilbert and Choi, 2003; Morris et al., 1998). Secondly, communication and interaction were very important in this kind of activity. As Ndubisi and Wah (2005) stated, communication in RM means providing information that can be trusted, providing information on quality and fulfilling promises. Lastly, the conferences allowed the author to observe how target participants interacted informally, during coffee breaks and before and after the conference.

Data Analysis Techniques

Interviews were tape-recorded with the permission of all respondents and supported with notes taken by the author. All interviews were transcribed from the tape to permit fuller analysis of the data. Each interview lasted between forty-five minutes and one hour. In the non-participant observations, the author also used written notes to record the observations.

In the pilot studies phase, two data coding steps were employed (Richardson, 2000). These coding techniques helped sort and re-present raw data before interpretation

and data analysis. Firstly, using label coding with the data in the word document file meant that the coding started simultaneously. In each interview set, the researcher provided coding, such as date of interview, name of interviewee and topic. Typically, numbering in the text, such as by page numbers, paragraphs and line numbers in the transcripts were used. Coding saved time because it made it easier to find specific ideas, names, etc (Richardson, 2000). Secondly, the researcher constructed a file card index. The file card contained a paragraph and the relevant subjects or issues. A piece of interesting data, together with a reference to a specific in the transcript was noted on the card, and then filed in the main record box. The benefits were that data were well-organised and easy to find and retrieve (Richardson, 2000).

A detailed discussion of data analysis techniques is presented in the main study plan (pages 111 – 114).

The research findings from this pilot study are presented in section 4.6 in this chapter.

Research Limitations

The limitations of this research were as follows:

1. The research focused only on a specific area of relationship and interaction between listed companies' representatives and the firms' major shareholders, although there were many different types of interactions and communications that occur in this industry.
2. Time and financial resources were also a limitation. Without those constraints, the respondents' contributions would have been larger and the findings more in-

depth, in line with the author's initial aspirations. This task involved strenuous time management to meet both the respondents' and the author's schedules.

3. Each of the research methods utilised in this study had its own limitations, as noted in the research literature (Bryman and Bell, 2003).

Ethical Considerations

In compliance with the University's ethical guidelines in 'The University's ethics in research and consultancy-policy statement' (2004), the author obtained permission (informed consent) from all participants and organisations before the study. The confidentiality and sensitive information issues that exist when researching within a stock market, or the financial services industry generally, necessitated that the researcher ensured that all information and questions conformed with SET's and the listed firms' disclosure policies and other regulations. Therefore, all information obtained from the interviews and observations is confidential to prevent any harm to the parties involved. Finally, the author declared to all participants that any personal or organisational information would be treated as anonymous.

4.5.2 The Second Phase:

There were two pilot studies in this research phase. The first employed non-participant observation for data collection while the second study used semi-structured interviews.

2nd Pilot Study: Non-participant Observation (November, 2005)

Description:

The main objective of this study was to test data collection methods, particularly the suitability of non-participant observation in gaining in-depth information. Another aim was to expand the author's understanding of RM in the Thai financial services sector, focusing on securities brokerage firms' RM activities, strategies and methods.

The second pilot study investigated how marketing officers of authorised securities brokerage firms in SET interacted with their customers and, specifically, the methods used in their communication and interaction. The research employed non-participant observation at the annual investor exhibition (*SET in the City*) organised by the Exchange and its members (securities brokerage firms). The purposes of this event were to provide investment knowledge to the public and boost investment in the Thai stock market. Moreover, it offered an opportunity for stock market participants, such as securities brokerages, asset management companies and investors - individual and institutional - to meet each other. The observation aimed to investigate and observe marketing officers' behaviours while they were interacting with their target customers (investors). These behaviours included how they approached these customers, how they

gave out information on the services that they were attempting to sell, the kinds of communication styles and aids they used to deliver messages to their targets and the reactions of these targets.

The main research questions in this study were *'How did marketing officers communicate with their target customers? And what kinds of communication styles and aids were used to support their selling activities?'*

Methods of Data Collection

a: Observation Plan

A one-hour observation was undertaken. For ethical reasons, the specific time of the observation and the names of persons observed can not be identified. In this activity, the author planned to observe the marketing/sales representatives' behaviours in a public social setting, standing at about 15 metres distance from them. Target respondents were not informed that they were being observed which presented no practical problems, as the exercise took place in an open public area. An observational checklist was used to guide the observer on what data to record (see Table 6 below).

Table 6: Observation Check List

Observation Check List
RM strategies
1. What kind of RM strategies were used by the brokerage firms?
Approaching target customers (interaction)
2. How did marketing officers approach the target customers?
3. Who initiated the conversation or action?
4. What were the marketing officers' behaviours (for example, formal and informal)?
RM Communications and Methods
5. What kind of RM methods were used by brokerage firms?
6. How did marketing officers and target customers communicate with each other (for example, communication styles)?
7. To what extent were communication aids used to help deliver information and messages (for example, graphs, slides)?
Results
8. How did target customers respond?
9. To what extent did target customers ignore the representatives or refuse to participate?

Data Analysis Methods

In order to accurately collate the data and so deepen the study, while enabling the author to make better sense of what was happening, Silverman (2000) suggested that the observer should keep four separate sets of notes. The first set should be brief and

made at the time of the observation. The second should be expanded and compiled as soon as possible after each observation session. The third should record problems and ideas that arose during each observation. Finally, the fourth set should give the researcher's analysis and interpretation of the data. This observational data analysis method is detailed in the main study plan (pages 111 – 114).

The research findings from this pilot study are presented in section 4.6 in this chapter.

Research Limitations

During this process, the author noted that non-participant observation did not allow the researcher to observe attitudes although it did allow individual behaviours to be identified, as supported by Vallaster and Koll (2002). During the observation the author could not hear all conversations because of the loud noise in the exhibition hall and the distance from the respondents. Moving closer to them would have been intrusive and obvious. It was also very difficult to take notes when observing many persons at one time and to distinguish activities which corresponded to those, as supported by Slack and Rowley (2001). In summary, the author's experience was that the non-participant observation was not an effective method in this setting and situation.

3rd Pilot Study: Semi-structured interviews (August, 2006)

Description:

The aim of this pilot study, undertaken from the perspective of securities brokerage firms in the Thai stock market and their customers (investors), was to expand the current body of empirical knowledge about the impact of relationship marketing on customer loyalty.

The main research question from the third pilot study was: *'Is 'relationship marketing' a valuable tool in gaining customer loyalty to securities brokerage firms?'*

To support the main aim of this study, specific supporting research questions, derived from the literature, were:

1. What is current *'relationship marketing practice'* in securities brokerage firms?
2. What factors affect customer loyalty to securities brokerage firms?
3. To what extent do *'relationship marketing strategies'* help securities brokerage firms strengthen their customer loyalty?
4. How important is the role of *'relationship marketing perception'* in customer loyalty?
5. What implementation problems are there in relationship marketing by securities brokerage firms?

Data Collection Methods

To achieve the research objectives, semi-structured interview was used as the preferred data collection method. In addition, the author kept a research diary during the data collection, to assist the research process and bolster validity.

a: Semi-structured interviews

Interviews were used to collect information and perspectives from participants in securities brokerage firms and from their customers. This was because firstly, these companies' marketing managers were excellent sources of evidence and perspectives on RM and its relationship to customer loyalty from the firm's viewpoint and, secondly, because customers were well-placed to assess how RM impacts on their loyalty to brokerages.

A discussion and detailed description of the semi-structured interview method are presented earlier in the first pilot study section (pages 75 - 76).

b: Sample selection

Two groups of participants were targeted. For the first group, three interviews were conducted with experienced marketing managers in securities brokerage firms which were members of SET and actively implementing RM. With the second group, three interviews were conducted with active customers who had used those firms' services for more than a year. They were all selected by judgment sampling through the author's contacts. The aim was to interview experienced and knowledgeable respondents in the Thai securities brokerage industry.

A list of brokerages' marketing managers and customers was prepared and used for telephone recruitment, undertaken prior to the interviews, and for obtaining their permission and agreement to participate. All respondents contacted agreed to participate. Appointments were made two weeks before the interviews took place and all interviews were conducted at securities brokerage firms in small meeting rooms. Each interview lasted between thirty and forty-five minutes.

Data Analysis Techniques

In regard to data analysis techniques, content analysis was applied to the qualitative data. In addition, coding techniques were used to ensure that data was carefully assembled and managed. A detailed discussion of data analysis techniques is presented in the main study plan (pages 111 – 114).

The research findings from this pilot study are presented in the following section.

Research Limitations

The limitations of this research were:

1. The research focused only on a specific market - securities brokerage firms' marketing managers and their customers and excluded the many different types of interactions and communications that occur within this industry.
2. The scale of the research was limited. Without this constraint, the respondents' contributions would have been fuller and the findings more in-depth, in line with the author's initial aspirations.

3. The data collection method (semi-structured interview) had its own limitations, as noted in the literature. However, although its advantages included gaining access to core feelings and thoughts, very important in accessing deep information, it required considerable effort, time and labour, particularly in transcription.
4. Interviews being interrupted was also another limitation. All participants were very busy with limited time available and these pressures sometimes affected their concentration.
5. Time limitation was another issue, as the author maintained full-time employment while doing the research. This made it difficult to keep on schedule.

Ethical Considerations

Due to confidentiality, sensitivity of information and the competitive environment, the author ensured that all information and questions used in this research were in line with SET's and securities brokerage firms' policies.

Regarding the University's ethical guidelines in 'The University's ethics in research and consultancy-policy statement' (2004) (informed consent policy), the author obtained permission from all participants before the study. All information obtained during their interviews has been kept highly confidential, to prevent any possible harm to the parties involved. However, in this pilot study, all participants agreed not to use a consent form, because they understood that this study was conducted for academic purposes and names of companies and all participants would be kept confidential and not shown in the thesis.

4.6 Key Findings of Pilot Studies

This section highlights the key findings of three pilot studies in the research phases 1 and 2:

The first pilot study, in expanding the current body of knowledge of RM in the Stock Exchange of Thailand (SET), focused on SET's key stakeholders, e.g. listed companies' representatives, senior investor relations officers (IROs) and firms' major shareholders.

The findings confirmed the importance of RM at both the corporate and personal level. Building close relationships with shareholders was very significant for both companies and shareholders and RM supported this objective, thus extending earlier studies (Saren, 2007). The study revealed three principal RM methods: 1. electronic communications, 2. traditional telephone, face-to-face and small group meetings and 3. printed materials, supporting current literature (Bennett and Barkensjo, 2005, Gilbert and Choi, 2003, Leverin and Liljander, 2006).

The three main communication elements required by a firm's major shareholders were firstly, '*timely, up-to-date information*' about the company's performance, as supported by Ndubiai and Wah (2005) and Lawson (2008), secondly, '*accurate information*', also mentioned by Ndubiai and Wah (2005), and lastly, '*fast responses*' to shareholders' enquiries, again as noted by Ndubisi (2007) and Ndubiai and Wah, (2005). The findings demonstrated further that, if to ensure that a firm's shareholders understood messages sent, the company's representatives, responsible for those interactions, must themselves clearly understand the information imbedded in these

communications. Furthermore, a firm must select appropriate methods for conveying messages to target shareholders, as Lawson (2008) noted.

Non-participant observations of traditional face-to-face group meetings confirmed the findings from the interviews discussed earlier and found that these communications were informal, reflecting as company representatives and their guests were well acquainted. This supported the earlier findings from interviews that participants were very conscious of the state of their relationships during interactions and the importance of friendship in improving communication. In addition, there was significant congruence between the results of the semi-structured interviews and non-participant observations, e.g. lively and informal interactions created an environment which eased communication and strengthened relationships.

To both listed companies and their major shareholders, the findings indicated that the degree of relationship quality was '*important*' during normal market conditions. However, if the market's or a firm's performance was perceived as unusual by shareholders, relationship and information quality became especially significant - '*very important*'. This extends the knowledge of RM in regard to relationship quality, in financial services marketing (Ndubisi, 2006) and is one of this study's unique contributions, i.e. the more market and company conditions are perceived as abnormal by shareholders, the greater the importance of relationship quality.

At the corporate level, it was found that building long-term relationships with shareholders was very important, thus confirming Eiriz and Wilson (2006), Lacey and Morgan (2009) and Bennett and Barkensjo (2005). Both parties were conscious of the relationship during all interactions, and sought communication that was comfortable,

informal and efficient. Often, an IRO would develop friendships with shareholders. These findings confirmed those of Gronroos (2004) and Zineldin and Philipson (2007). Moreover, the research identified three potential sources of relationship damage, firstly, '*providing inaccurate information*' to shareholders, supporting Ndubiai and Wah (2005) and Lawson (2008), secondly, '*not providing timely, up-to-date information*', as per Ndubiai and Wah (2005)'s observations, and lastly, '*not responding to questions*' from shareholders.

The study identified techniques SET-listed firms needed to employ to build long-term relationships. These included firstly, '*creating personal relationships*' with shareholders as per Camarero, (2007), Liang and Wang, (2007) and Piansoongnern and Anurit, (2007), secondly, '*maintaining regular contact*' and providing up-to-date information (Camarero, 2007; Bennett and Barkensjo, 2005) on the company's performance during good times and bad, and lastly, '*making shareholders feel that they are always in the company's mind*'. These findings extended Zineldin and Philipson (2007)'s observation that successful RM required strong personal relations, interaction and social exchange. This investigation confirmed that strong relationships - being a cornerstone of Thai society (Holmes and Tangtongtavy, 1997) - are crucial in this business culture, as Thais prefer informal and personal relationship-based communication (Sammapan, 1996).

The second and third pilot studies focused on expanding the current body of knowledge of RM and assessing its impact on customer loyalty, from the perspective of brokerage firms in SET and their customers.

It was suggested that RM in securities brokerages should be further developed, while acknowledging the nature of the business as high-risk and highly sensitive. Most investors (especially large ones) preferred to have more than one broker to diversify risk and to enable comparisons of service, performance and investment maximisation. RM was a very important tool in enabling brokerages to differentiate themselves and retain customers. In addition, it was found that, as the industry was sensitive to news and rumours, firms needed to accentuate the prompt provision of updated views on news, rumours and various ‘hot’ issues. Moreover, the research suggested that all aspects of a securities brokerage firm, for example, research, compliance, and especially front office marketing staff, must display RM, supporting Gummesson (2003) and Nowesnick (1993).

The second and third pilot studies denoted three groups of RM activities in the Thai securities brokerage industry: firstly, *information-marketing activities*, such as providing research reports, newsletters, individual updates and information exchange via marketing channels, as noted by Gilbert and Choi (2003), Leverin and Liljander (2006) and Walsh et al., (2004); secondly, *relationship-building activities* which enabled firms to differentiate themselves from competitors, as observed by Gilbert and Choi (2003), Lam and Burton (2006), Leverin and Liljander (2006) and Walsh et al. (2004).; and thirdly, *database-marketing activities*, to support the differential treatment of customers, as noted by Gummesson (2003), Gilbert and Choi (2003), Bruhn (2003), Eiriz and Wilson (2006), Lawson (2008) and Lacey and Morgan (2009).

Three factors that impacted customer loyalty in Thai securities firms were also identified as essential prerequisites for competent RM: firstly, ‘*accurate investment recommendations*’ (Chaoprasert and Elsey, 2004; Srijumpa, Chiarakul and Speece,

2007); secondly, '*managing a portfolio well*'; and thirdly, '*timely updating with market information*' (Ndubisi, 2007). The findings were that local and foreign mutual fund managers needed more RM activities and that without these it was difficult to bond with them. Other findings were that RM activities must accompany superior investment execution and well-researched investment recommendations and those very large individual customers were not primarily interested in RM activities.

The studies also revealed the importance of word-of-mouth communication in this industry. The findings confirmed that most new customers had received recommendations from current ones, as supported by Lam and Burton (2006) and Dekimpe et al. (1997). In addition, it was found that, when a customer's trust in an organisation was strong, superior outcomes were achieved, especially if trust-building measures were designed to influence a customer to recommend the organisation to relatives or friends (Eisingerich and Bell, 2007).

Non-participant observations suggested that RM strategies, for example, relationship-building activities and participating in investment fairs, were appropriate and useful for brokerage firms. Communication styles were informal, polite and friendly, reflecting Davenport (1994), Dougherty (1999) and Liang and Wang (2007)'s observations. The findings also supported Bennett and Barkensjo (2005)'s statement that face-to-face contacts develop relationships and build trust among customers. From the observations, securities firms were found to be using RM activities efficiently.

In regard to Thai business culture, the observation confirmed Petison and Johir (2008)'s statement that, for Thais, personal communication and interaction is preferred and important (Larpsiri and Speece, 2004; Colgate and Smith, 2005). These findings

confirmed that most Thai investors favoured close contact and relationships with their marketing officers (Piansoongnern and Anurit, 2007). Consequently, trust and personal relationships between marketing officers and customers were significant, reflecting Richard and Perrien (1999), Hennig-Thurau et al. (2002), Flennig-Thaurau et al. (2002) and Berry and Parasuraman (1996). These studies confirmed RM's importance in the industry, as noted by Gilbert and Choi (2003) and Marsh (1995). In addition, the research suggested that, by implementing appropriate RM strategies, brokerages could gain additional benefits, such as recruiting new customers, and increase profits, as stated by Walsh et al. (2004), Zeithaml et al. (1996), Berry, (2002) and Hennig-Thurau (2000).

The research also identified that the main barriers to implementing RM in Thai securities brokerage firms were:

- Clients moving from broker to broker, as reflected in Lam and Burton (2006);
- Foreign institutional clients changing their location (however, the study found that by implementing appropriate RM strategies, firms could overcome this difficulty, as supported by Zineldin and Philipson (2007), Das (2009) and Gronroos (2004);
- Clients changing contact persons, noted by Piansoongnern and Anurit, (2007);
- Lack of top management support.

Finally, RM was confirmed to be a valuable tool in gaining customer loyalty to securities brokerage firms. However, its efficacy depended on the strategies used by brokerages with the variety of customer types (retail, mid-size, large, institutional, local and foreign). The findings supported and added to body of knowledge of RM in previous literature as noted previously.

4.7 Research Contributions to the Main Study

The pilot studies contributed to the main research in the following key ways:

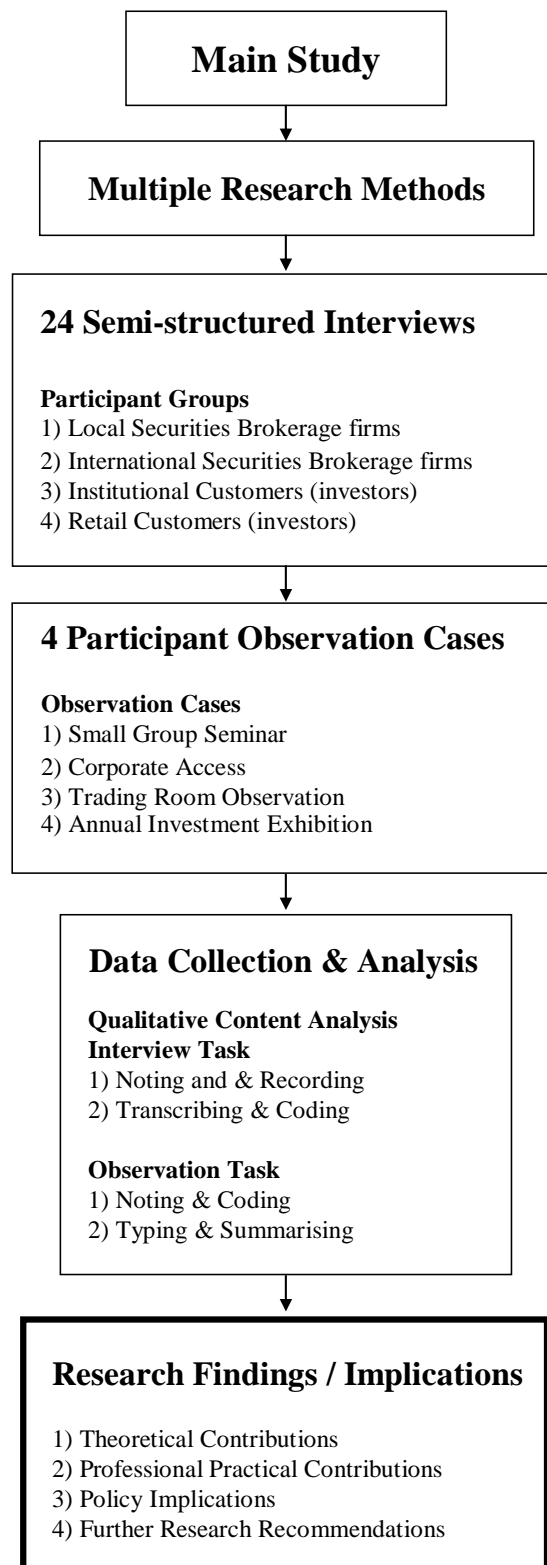
- They deepened the author's understanding of RM in the Thai financial services sector from both the academic and practical perspectives.
- They tested data collection methods and analysis techniques, for example the usefulness and value of semi-structured interviews. Coding and systematic qualitative content analysis were found to be appropriate. However, non-participant observations did not enable access to deep knowledge about respondents' feelings and behaviours, as previously explained. Overall, the studies improved the research design, data collection methods and data analysis techniques for the main study.
- The pilot studies demonstrated that researching RM in SET would be an appropriate and interesting area of investigation. They enabled the author to modify and improve the research question, research objectives, research design and strategy for the main study and, importantly, supported the internal validity of the whole project.
- In terms of the main study's area of investigation, the literature review and pilot studies underscored that the research question, research objectives and key issues were appropriate, unique and interesting. Consequently, the author was confident that the main study would provide new and significant contributions to both academic and practical knowledge in the area.

4.8 The Main Study Research Plan

As discussed earlier in this chapter, inductive research allowed the author to combine several qualitative methods to generate rich data and enhance research validity (Bryman, 2004; Saunders et al., 2007). Moreover, the research experience from the pilot studies provided the opportunity to test and modify research methods and techniques and improve research design and strategy. The data collection methods and data analysis techniques were found to be appropriate and suitable and could be used confidently in the main study.

In that study, the author employed multi-method data collection methods, with semi-structured interviews forming the main method, supported by participant-observation. In addition, the author's research diary, documenting the research process, was another data source. The outline of the main study's data collection and analysis is shown in figure 8.

Figure 8: Outline of the Main Study's Data Collection and Analysis



Source: Author

A detailed discussion of the research process is presented below.

4.8.1 Data collection methods for the main study

Semi-structured Interviews

The rationale for conducting interviews is that the interpretation of qualitative data requires understanding different participants' viewpoints. Interviews were used to collect information and viewpoints from participants in securities brokerages and from their customers (Bryman, 2004; Fisher, 2004; Quee, 1999). This was because firstly, marketing managers of these firms were the best sources of evidence and insights on RM and its relationship to customer loyalty from the firm's perspective. Secondly, customers (investors) could judge whether RM impacted on their loyalty to a firm. Furthermore, the pilot studies had confirmed that this data collection method was appropriate for the research question and objectives.

A detailed discussion of the semi-structured interviews is presented in the pilot study research plan section. (pages 75 – 76)

a: Modification of the interview questions

Based on the literature review and pilot studies, interview questions were developed to seek information about Thai securities brokerage firms' general understanding of RM, their RM practices, RM's impact on customer loyalty and indicators of customer loyalty in the Thai securities brokerage industry. The interview questions were reviewed several times to ensure accurate data collection. During the

pilot studies, some questions were deleted as they did not support the research aims and objectives. Others were found to be confusing to interviewees and some were repetitive. On the other hand, some questions were added after the pilot interviews.

b: Purpose of interview questions

For this research, there are two sets of interview questions: firstly, those directed at marketing managers of securities brokerages and secondly, those for investors. In order to help respondents understand the objectives of the interviews, the questions were divided into six parts, each of which corresponded with a research focus and research objective. What follows are examples of interview questions and the purpose of each.

Interview questions for marketing managers:

a: General questions on RM

These questions were aimed at ascertaining respondents' general background knowledge of RM.

1. Before commencing the interview, do you know what relationship marketing (RM) is?

Purpose: to learn what respondents think about RM.

2. In your opinion, how important is RM to you and your organisation?

Purpose: to learn the opinions of respondents about the importance of RM from two points of view: that of the respondent and that of his/her company.

3. What kind of RM activities do you use in your current relationship marketing programme?

Purpose: to obtain a detailed picture of the RM activities that the respondent's securities brokerage firm uses and to know the objectives of each RM activity. (Moreover, the question might lead to asking about the results of RM activities in this sector.)

b: Usage of RM in brokerage firms

Based on the literature review and the issues to be investigated in this study, participants were asked to identify key RM strategies used in their companies, including how firms managed their marketing staff and customers in RM activities. Some questions sought to learn how brokerages communicated with their customers and managed certain situations, for example, when marketing staff resign, services change or rumours surface in the stock market. These issues provided key data about loyalty in the securities brokerage sector.

4. What RM strategies do you use to encourage clients to choose your brokerage?

Purpose: to learn which RM strategies are used in brokerages and how firms differentiate their company from competitors.

5. What are your strategies for matching marketing staff with clients?

Purpose: to know how firms match their marketing staff to customers, including the criteria used.

6. Information marketing is a key part of RM. What information marketing do you use with your customers?

(Based on the literature, information marketing is a key component of Relationship Marketing.)

Purpose: to know that what kind of information marketing is used in this business and its importance.

7. If marketing staff resign, how do you communicate this to your clients and maintain their usage of your firm?

(Based on the literature review, changing marketing staff sometimes affects the relationship between customers and their brokerage firms.)

Purpose: to investigate the level of relationship and loyalty between customers and securities brokerage firms. How do customers react after their marketing contact person resigns? In addition, the question sought to understand how important the marketing staff are to brokerages compared to other RM

strategies.

8. If you amend your services, such as by changing commission fees, how do you communicate this to your clients and maintain their usage of your firm?

(Based on the literature review, changing services sometimes affects relationships between customers and brokerage firms.)

Purpose: to investigate the relationship level and loyalty between customers and brokerages.

9. Do you treat clients differently, depending on the size of their investment? How?

Purpose: to ascertain how brokerages treat their customers. Does the size of customers' portfolios affect firms' strategies?

10. When facing rumours on the securities you hold, how do you communicate these to your clients?

Purpose: This question requests marketing staff members to provide their viewpoints about how they react to rumours: how do they communicate with each other? To what extent does this situation affect their relationship or loyalty?

11. Do you utilise a customer database to support your relationship marketing?

(Based on the literature, customer database management is a key component of relationship marketing.)

Purpose: to investigate the extent to which brokerages in Thailand use customer databases and the importance of customer database systems in the prevailing business environment.

The interview questions and their purposes are discussed in Appendix 2.

Sample Selection

There are two main groups of respondents in this study – securities brokerages firms and their customers. Interviewing these two groups provided the author with the opportunity of gaining a deeper understanding of RM and customer loyalty in the Thai securities brokerage industry. The viewpoints of both service providers and customers enriched the discussion and strengthened research validity. Currently, there are 39 authorised international and local securities brokerage firms operating in SET. In the main study, 24 semi-structured interviews were conducted - 12 with experienced marketing managers in selected international and local brokerages which were implementing RM. Seven were conducted with authorised local securities brokerage firms and five international firms agreed to be interviewed. However, one international firm respondent was reluctant to have his interview recorded due to the company's compliance regulations. In this case, the author took detailed notes. Twelve interviews were conducted with active institutional customers (investors who invest in the name of asset management companies or private funds) and retail customers (individual investors who invest directly under their own names, for example, Mr. Tim) who had

used the services of those firms for more than three years. In regard to retail customers, half were long-term investors and half were short term.

Convenience sampling, using the author's contacts and networks, formed the main sampling technique. However, in the Thai securities brokerage industry, there were two distinct groups of securities brokerage firms: firstly, those focusing on retail/individual investors and secondly, companies dealing with institutional investors. There are also two distinct groups of investors: active short-term investors (speculators) and long-term ones. The main difference between the two was that short-term investors were mostly profit takers and frequently bought and sold stocks. Long-term investors tended to be passive and only occasionally traded stocks. To select target respondents from this group, the author applied a stratified sampling technique. Four interviews were conducted with brokerage firms focusing on retail customers and three with those dealing with institutional customers. Three interviews were conducted with short-term retail customers and three with long-term (see respondents' profiles in the table 7).

The sampling procedures used in this study ensured that the author chose the participants who were appropriate because they had experienced or were experiencing the phenomena being studied. By choosing four groups of respondents, the author was able to balance their respective viewpoints and, thus, improve the 'fairness' of the research. Moreover, this allowed the author to undertake 'member checking' and 'participant validation' to bolster the credibility and dependability of the findings. In conclusion, because the study's participants were experienced in and knowledgeable about this industry, they provided accurate and valuable data. These sampling procedures strengthened research validity. (See the detailed discussion of research validity in section 4.9)

Table 7: Respondents Profiles

Group	No. of respondents	Position/profile
Local Securities Brokerages	7	Managing Directors / Senior Vice Presidents / Vice Presidents / Senior Director / Marketing Managers
International Securities Brokerage	5	Directors / Head of Equities / Country Head and Head of Thai Sales / Executive Vice President
Institutional Customers	6	Managing Director / Executive Vice Presidents / Senior Fund Manager / Fund Manager
Retail Customers	6	Long-term investors / Active investors (speculators)

Participant Observation

For the main study, participant observation was chosen as a supporting research method. This was because firstly, participant observation provided the researcher with the opportunity to gain a better understanding of ‘*how*’ and ‘*why*’ brokerage firms implement RM activities with their customers. Secondly, this technique provided a deeper and more subtle understanding of RM activities in the Thai securities brokerage industry. Together with data gained from semi-structured interviews, the researcher was then able to discuss and analyse the qualitative data more deeply. In addition, through

participant observation, the author could interact with the people involved in RM events. These persons were mostly the target interviewees of this research, including brokerage firms' marketing staff and customers. Furthermore, the observation process allowed for some interview questions to be asked and so provided a richer understanding of respondents and their feelings while they were undertaking RM behaviours (Bryman, 2004; Bryman and Bell, 2003, 2007; Saunders et al., 2007).

Participant observation is a qualitative research technique which provides insight into the meanings that people attach to their actions in particular situations. It allows a researcher to share respondents' experiences by not only observing what is happening, but also feeling it, and enables the researcher to develop rapport with the people being studied. There are four types of participant observer roles (Bryman and Bell, 2003, 2007; Saunders et al., 2007):

- Complete participant;
- Complete observer;
- Observer as participant;
- Participant as observer.

In the first two roles, the “complete participant” and the “complete observer”, the observer does not identify his/her purpose or identity. The “complete participant” attempts to become a member of the group, while the “complete observer” does not participate in the group's activities (Bryman and Bell, 2003, 2007; Saunders et al., 2007).

In the latter two roles, “observer as participant” and “participant as observer”, observers reveal the purpose of the research to the people they are observing in the research setting. The “observer as participant” does not take part in activities to the

same degree as the people observed. On the other hand, the “participant as observer” role entails gaining the trust of the group and, consequently, full participation in group activities (Bryman and Bell, 2003, 2007; Saunders et al., 2007).

In this research, the author observed securities firms’ marketing managers and customers in RM activities. The researcher adopted the “*observer as participant*” role, where the author acts as a spectator and the purpose and role of the researcher is clear to the participants (securities brokerage staff and their customers). This allowed the author to focus on the researcher role, concentrating on discussion with participants, and noting insights as they arose.

Observation in the Main Study

In the main study, the author decided to conduct **four participant observation** exercises involving RM activities in different authorised securities brokerage firms in Thailand. An observational checklist was used to guide the recording of data (Table 8 below).

Table 8: Participant Observation Check List

Participant Observation Check List	
Observation Focus	
1.	What was the environmental tone, for example, friendly?
2.	How did the customers respond or react to the event?
3.	What was the communication style – formal or informal?
4.	What kind of information-marketing used in the activities?
5.	How effective of relationship-building activities?
6.	What types of conversational topics were discussed during the event?
7.	How close was the relationship between marketing representatives and customers?
8.	What were the behaviours of marketing officers and customers?
Question Guide for Participant Observation	
1.	How important is this activity to you?
2.	How do you feel about this event (RM activities)?
3.	What do you think about the usefulness of this activity?
4.	In terms of information services, what kind of information do you get from this activity?
5.	To what extent are you satisfied with this service or event (RM practice)?
6.	How does this event (RM practice) benefit you?
7.	To what extent, does this activity's environment affect your relationship with a brokerage firm or its marketing representative?

Presented next are four observation cases from the study.

Case 1: Small group seminar

The small group seminar was one of the most common RM activities for those securities brokerage firms focusing on retail customers. Usually, the company would invite about 30 – 50 customers to attend the seminar, whose purposes were to provide knowledge about the firm's services and products, to give an update on the stock market and to make recommendations for investment decisions. In addition, a securities firm usually used the event to form or strengthen relationships with existing customers and invite new customers to open accounts. At the end of a seminar, the securities brokerage held a mini-cocktail party for customers.

During this exercise, four hours were spent observing the event. This offered the researcher the data-rich advantage of being a participant, an observer and being able to question participants at the event.

Case 2: Corporate access

Corporate access activities had become increasingly important for securities brokerage firms in Thailand as they enhanced a company's credibility, elicited trust from customers and maintained a firm's status as a first tier brokerage. Corporate access was usually used by securities brokerages focusing on institutional customers. These activities included arranging for institutional customers to meet with the chief executive officers (CEOs) or chief financial officers (CFOs) of top listed companies for detailed discussions of company performance, policies, future plans or specific issues regarding stock prices.

In this observation, the author requested and obtained permission to attend a corporate access event of a brokerage which regularly organised these activities. They had arranged for key account institutional investors to meet with the top listed companies on the stock exchange and the firms which were most sought after by customers. The event was to involve one-on-one meetings between customers and listed company representatives, according to a prearranged schedule. Each meeting lasted one to two hours. The author obtained permission to sit in the meeting room and observe what was going on - how the parties communicated and provided information and the reactions of customers. In addition, at the end of the day, the author attended a cocktail reception where all customers, listed companies' representatives and brokerage firms' personnel were present. This offered an opportunity to listen to participants' thoughts and feelings about this type of RM activity. The observation went for five hours, including the meetings and the cocktail reception.

Case 3: Observation in the trading room

This participant observation took place in a securities brokerage trading room, enabling the author to observe both customers and marketing officers during trading hours. Observation involved noting the kinds of activities undertaken, social interaction in the room, communication styles used, the information marketing (information services) approach in this situation and the relationships between staff and customers. In addition, the researcher was able to ask questions, related to the observation, of both marketing staff and customers.

This exercise involved a full afternoon in the brokerage firm's trading room (approximately four hours).

Case 4: Annual investment exhibition

The annual investment exhibition observed by the researcher was organised by SET to provide investment knowledge and boost investment in the Thai stock market. It also provided an opportunity for market participants, such as securities brokerage firms, asset management companies and investors, both individual and institutional, to meet each other. The observation focused on the marketing officers' behaviours while they were talking to their target customers (investors). Examples of behaviours observed included: how they approached their target customers, how they gave information on the services that they were attempting to sell, what kinds of communication styles and aids were used to deliver messages to their target customers and what the reactions of these customers were. Other observations included what kind of activities and strategies were employed by securities brokerages to gain the visitors' attention and what kinds of services were provided at the exhibition.

During this research exercise, the author spent several hours observing and questioning participants over the four-day event. There were many RM activities underway, including small group seminars, games and shows organised by brokerage firms. Moreover, the event provided a great deal of information marketing activity, through newsletters, brochures, research papers and personal investment advice.

The findings from all the participant observations and semi-structured interviews are presented and discussed in Chapter 6 (Discussion and Implications).

4.8.2 Data Analysis Plan of the Main Study

At the data analysis stage of a research methodology, the data are described and summarised and some original findings highlighted, as detailed below. According to (Bryman, 2004) the techniques employed in analysing data are dependent on the type of the information collected, research design and the methods of data collection used. In this main study, qualitative data scheme research was employed and the findings from interviews and observations analysed. The following section presents the data analysis techniques employed in this study.

Content Analysis

Krippendorff (2004) stated that content analysis is a research technique for making replicable and valid inferences from texts or other meaningful matter to their contexts. It provides new insights and increases a researcher's understanding of particular phenomena and/or informs practical actions. Content analysis is useful in analysing large numbers of critical incidents. It can be applied to a range of communication modes, including dialogue, films, advertisements and speeches, both theatrical and political. In their studies, researchers make inferences about other phenomena that are of interest (Richardson, 2000; Silverman, 2001). They establish a set of categories and sub-categories and count the frequency of these. The categories must be sufficiently precise to enable different coders to arrive at the same findings when examining the same body of material (Silverman, 2000).

In this research, the interview data was systematically coded using the Nvivo computer package. Nvivo was used as a tool to manage the vast amount of data

generated from the interviews. This computer software package helped sort and re-present raw data before interpretation and analysis. Nvivo provided systematic data analysis and coded the data efficiently. In addition, the author applied qualitative content analysis to the data gathered from both semi-structured interviews and participant observations. It is an appropriate way of investigating interpretative human behaviours and, specifically, how people (in this case, marketing managers and their customers) transmitted meanings to each other, especially where there was a wide range of subjectivity across participants. These human interpretations were multi-faceted, entailing verbal dialogue, marketing events and human relationship phenomena.

In regard to interpretation, qualitative content analysis helps researchers read data by weaving quotes from the analysed interview into their conclusions, constructing parallelisms and elaborating identified metaphors. It also enables the extraction of multiple interpretations in considering diverse voices, alternative perspectives or ideas, oppositional readings and variations in texts when examined by different groups. The technique enables researchers to contextualise their readings of given texts by using known literature, rearticulating the meanings of those texts in view of the assumed texts, and allowing research questions and answers to arise together in the course of their involvement with the given texts. This hermeneutic process continues until some kind of satisfactory interpretation is reached (Krippendorff, 2004).

Participant Observation: Data Collection and Analysis

Krippendorff (2004) noted three types of data generated by participant observation. Firstly, 'primary observations' occur where researchers note what happened or what was said at the time they observed. Secondly, 'secondary

observations' are statements by observers of what happened or what was said. This involves the observers' interpretations. Lastly, 'experiential data' are the observers' reported perceptions and feelings experienced during the research process. Krippendorff (2004) stated that, in participant observation research, data collection and analysis occur simultaneously, as data is analysed as it is collected. In this research, using the '*observer as participant role*', the author took notes while an event was being observed. These notes were summarised on the same day to ensure that all important data were recorded and understood. In addition, the author made rough notes accompanying the written format, covering details such as dates, times and places of observations, key participants and communication patterns.

Recording and Transcribing Interview Data

Techniques employed in this research to ensure that the data were carefully collected and managed included tape-recording, note-taking and transcribing the interview data (Silverman, 2005; Daynon and Holloway, 2002; Chisnall, 2001). The following table explains the data collection techniques applied to the interview data:

Table 9: Data Collection Techniques

Techniques	Function
1. Tape-recording:	This technique captures the exact wording of participants.
2. Note-taking <u>during</u> the interview:	Note-taking can be used to record participants' non-verbal communication.
3. Note-taking <u>after</u> the interview:	This technique summarises key points, behaviour and notes new ideas that arise during the interview. Repetitive questions can be cut and new ones added.
4. Transcribing the interview and saving in electronic file format:	Transcribing one's own tape allows the researcher to immerse him/herself in the data and be more sensitive to issues. The transcription is recorded in Microsoft Word document format.

Source: Adapted from Silverman, (2005), Daynon and Holloway, (2002) and Chisnall, (2001)

4.9 Validity and Reliability of the Research

Bryman (2004) mentioned that the concept of ‘validity’ is to do with the integrity of findings and conclusions generated from good quality research. Krippendorff (2004) also noted that validity determines the quality of research findings and leads to the research being accepted as true.

In regard to validity in qualitative or interpretive research, Maxwell (1992) stated that ‘*interpretive validity*’ reflects how well the researcher reports the participants’ meaning of events, objects and/or behaviours as opposed to interpretations that are solely based on the researcher’s perspective. In other words, it is about the accuracy in interpreting what is going in the minds of participants and the degree to which their views, thoughts, intentions, feelings and experiences are correctly understood by the researcher. Therefore, interpretive validity is intrinsically a matter of conclusions drawn from the participants’ words and actions in the situations under study (Maxwell, 1992).

Lincoln and Guba (1985) suggested evaluative criteria for assessing qualitative research and proposed ‘*trustworthiness*’ as a key criterion. They posited that the trustworthiness of a study is critical in evaluating its worth. Moreover, Bryman (2004) added that each aspect of trustworthiness has a parallel with quantitative research criteria. For example, 1) *credibility*, a confidence in the ‘truth’ of the findings, parallels internal validity, 2) *transferability*, showing that the findings have applicability in other contexts, links to external validity, 3) *dependability*, showing that the findings are consistent and could be repeated, parallels reliability and 4) *confirmability*, the context to which the findings of a study are shaped by the respondents and not researcher bias,

reflects objectivity. These evaluative criteria were applied in this study and are described below.

- **‘Credibility’:** According to Lincoln and Guba (1985), in qualitative investigation, it consists of ensuring that ‘the data speak to the findings’. In this study, the author provided *‘rich, thick description’* regarding the setting, procedures and interactions, for example the detailed data recorded from interviews and observations which are referred to in Chapter 5 (Findings of the Main Study). In addition, the author also secured transcripts of all 24 semi-structured interviews. This allowed interview participants to inspect or *‘member check’* both the transcriptions and interpretations in the research. Therefore, the participants could confirm the credibility of the information and narrative account (Lincoln and Guba, 1985). Moreover, Richardson (2000) added that a high quality qualitative research report should present sufficient raw data as to bolster credibility. The term ‘credibility’ is sometimes regarded as similar to ‘internal validity’ (Bryman, 2004; Lincoln and Guba, 1985).
- **‘Transferability’:** Lincoln and Guba (1985) link transferability to the *‘generalisability’* or ‘external validity’ of the research findings to other settings, situations, populations and circumstances. Generalisability seems to be an area of methodological weakness because qualitative research typically entails the intensive study of a small group, or of individuals sharing certain characteristics. Thus, findings tend to be oriented to the contextual uniqueness and significance of the aspect of social world being studied (Bryman, 2004; Maxwell, 1992 Lincoln and Guba, 1985). Therefore, in terms of generalisability in this research, the author suggested that these findings may only be applicable to The Stock Exchange of Thailand and not to other stock markets. However,

Lincoln and Guba (1985) pointed out that the thick description and detailed in-depth data, gained from a qualitative study, provide other researchers with what they refer to as a database for making judgements about the possible transferability of findings to other settings.

- **‘Dependability’:** Noting this term’s similarity to *‘reliability’* in quantitative research, Lincoln and Guba (1985) proposed that it is about the establishment of a study’s merit. In accord with their suggestion that researchers adopt an ‘auditing’ approach and ensure that complete records are kept of all phases of the research process, the author employed several such approaches. Firstly, ***‘participant validation’*** was employed to ensure the accuracy of research findings. The initial analysis of findings was made available to key participants who were invited to verify and comment on both the analysis and the interpretation. This process provided confirmation that the interpretations and conclusions were accurate and sound. From the author’s experience, participant validation was invaluable in qualitative research generally and particularly in strengthening research validity (Richardson, 2000; Krippendorff, 2004). Secondly, ***‘peer review’***, discussion of the research process, interpretations and conclusions with researchers or practitioners who were familiar with the research and situation, provided helpful feedback and strengthened research reliability and validity. As part of the research process, the author presented the findings at several DBA conferences and to practitioners in The Stock Exchange of Thailand. Finally, regarding ***‘the selection of the research participants’***, the author had the advantage of having worked at senior levels at SET for 15 years and, consequently, was both a competent judge of the quality of interviewees and able to access highly experienced professionals in the industry. For example, the respondents from securities brokerage firms, both

local and international, in this research were renowned and very knowledgeable professionals. All have worked in the industry for 10 to 15 years and are acknowledged as experts in the area being researched. Consequently, by employing these approaches, the data obtained was very likely to be accurate and reliable which, in turn, further strengthened the dependability or reliability of this study.

- **‘Confirmability’:** Lincoln and Guba (1985) suggested that the findings of a study should be shaped by the respondents’ and not the researcher’s bias. The author ensured that confirmability was satisfied by employing *‘member checking’* and *‘participants’ validation’*, as discussed earlier in this section.

The following strategies were used to strengthen validity in this study.

- **‘Methods triangulation’:** The author adopted a multiple methods approach, using semi-structured interviews, participant observations and documentation to enable the comparison and cross-checking of findings. Different data collection methods were used to answer similar questions. A multiple methods approach provided a clearer and deeper understanding of the evidence, thus enabling a more subtle and productive discussion and strengthening the robustness of the research’s conclusions. The use of multiple methods greatly enhanced the validity of the research (Silverman, 2000; Krippendorff, 2004; Richardson, 2000).
- **‘Fairness’:** This term describes how well the research honestly represents different viewpoints among members of the social setting (Lincoln and Guba, 1985; Lincoln, 1995). As mentioned earlier, there were four groups of respondents in the semi-structured interview section of the research – local and

international securities brokerage firms and institutional and retail customers (investors). The author applied two sets of interview questions to the different types of respondents, for example marketing managers of securities brokerage firms and customers, to recheck the answers from these people. Thus, the author confirmed that these findings fairly represented the viewpoints of all members in this social setting and so bolstered the trustworthiness of the research.

In short, the rigorous application of proven and widely accepted research methodologies, particularly in data collection and analysis, has produced a robust study, able to confidently meet the conventional academic and professional benchmarks of validity and reliability in qualitative research.

4.10 Research Limitations

As well as the limitations noted earlier (for example, noise during participant observation), other limitations to the research also emerged.

Time limitation is the most commonly cited research limitation and this study was no exception. Without this constraint, respondents' contributions would have been greater and the findings more in-depth, in line with the author's initial aspirations. The task involved strenuous time management to meet both the selected respondents' and the author's schedules. Moreover, as the author was employed full-time during the research, time management and maintaining timetables became extremely complicated.

As previously noted, semi-structured interviews have their own intrinsic limitations as well as advantages. Advantages included gaining access to core feelings

and thoughts, which was important in obtaining deep information. However, implementation, particularly transcription, required considerable effort, time and labour.

Interrupted interviews provided another limitation. The participants were very busy people with very little spare time. Consequently, their concentration and the natural flow of interviews were sometimes affected.

In regard to participant observation, there was some difficulty at first in gaining access to the RM activities of brokerage firms, because this type of activity was a very private arrangement between a company and its key account customers. For example, corporate access activities usually took the form of confidential one-on-one discussions in a closed meeting room. However, this limitation did provide further evidence of the '*high-sensitivity*' endemic to the industry, as discussed in Chapter 7. Furthermore, in the '*observer as participant role*', taking notes while simultaneously observing and participating in activities was not easy. In these circumstances, the note-taking was necessarily sometimes a little brief.

A final limitation was imposed by the restrictions of the study itself. Because the research questions and scope of the thesis required a clear focus on RM, investigating the many fascinating and interesting characteristics of an emerging stock market fell outside the span of this study. As a result of this exercise, the author is now enthusiastic about researching these in the future.

4.11 Ethical Considerations

To comply with the guidelines in ‘The University’s ethics in research and consultancy-policy statement’ (2008), the author obtained permission from all participants and organisations before the study. Information obtained during interviews and observations has been kept confidential to prevent any harm to the parties involved. Respondents were able to freely review their interview transcripts and to choose to remain anonymous. Given the sensitivity of the information and the competitive environment of the financial services industry, the author ensured that all information and questions used in this research conformed to SET’s and securities brokerage firms’ regulations and policies. Finally, the author declared to all participants that any personal or organisational information would be treated anonymously.

4.12 Summary

This chapter has addressed the methodological issues pertinent to this research, including its philosophical perspective, research approach and research strategy. The chapter also presented the research plans and the key findings of three pilot studies. The main study’s research plan was explained, including data collection methods and data analysis techniques. Then, the research’s limitations were identified. Most importantly, the chapter presented a discussion of the research instrument development process and the measures taken to ensure robust validity and reliability. Finally, the study’s full compliance with university and industry ethical considerations was described. The findings of the main study are presented in Chapter 5. The research’s findings and implications are discussed in Chapter 6.

Chapter 5

Main Research Study

5.1 Introduction

This chapter presents the findings obtained from the two methods of data collection used in the main study - semi-structured interviews and participant observations.

There were 24 semi-structured interviews conducted in total – 12 with experienced marketing managers in selected authorised securities brokerage firms of The Stock Exchange of Thailand (SET), seven with local companies and five with international firms. A further 12 interviews were held with securities brokerage firms' customers - six with active institutional ones and six with retail customers, both short- and long-term. The rationale for sample selection was detailed in chapter 4.

There were four participant observations, investigating activities in different brokerages. These occurred at 1) a small group seminar, 2) a corporate access activity, 3) a securities brokerage trading room and 4) an annual investment exhibition by the Exchange (see detailed discussion of participant observations in chapter 4).

The findings are presented in two parts: firstly, those from the securities brokerage firms (section 5.2) and secondly, those from securities brokerage firms' customers (section 5.3).

Findings from interviews with local securities brokerage firms are reported in section 5.2.1 and the international brokerage firms' results are reported in the following section, 5.2.2. This is followed by findings from securities brokerage firms' customers (section 5.3). Institutional customers' results are presented in section 5.3.1 and retail investors are covered in the next section, 5.3.2. Quotations from respondents are in italics and the participants are coded. Local securities brokerages are indicated by (LB) and international by (IB). Institutional customers are identified by (IC) and retail ones by (RC). So, for example, (LB:1) represents a quotation from a local securities brokerage firm's first respondent.

The areas addressed in the findings are derived from the literature review, research question, research objectives and the pilot studies. There were two sets of interview questions used in the study – 1) for securities brokerage companies and 2) for brokerage firms' customers. The interview questions were comprised of six parts as follows:

- a: General questions on RM
- b: Usage of RM practices in securities brokerage firms
- c: RM and its impact on customer loyalty
- d: Loyalty and indicators of attitudinal loyalty
- e: Characteristics and setting of the Thai securities brokerage industry
- f: Other comments and suggestions from respondents

(see detailed discussion of purposes of interview questions in appendix 2)

The following sections present the findings from the main study.

5.2 Findings from Securities Brokerage Firms

As noted previously, there were 12 semi-structured interviews conducted with brokerages: seven with authorised local securities brokerage firms and five with the local offices of their international counterparts. For this research, only five international firms agreed to be interviewed. Moreover, one international brokerage firm respondent was reluctant to have his interview recorded due to the company's compliance regulations. In this case, the author took detailed notes.

The findings were as follows:

5.2.1 Local Securities Brokerages

In this respondent group, the seven interviews conducted are coded LB:1 to LB:7.

a: General questions on RM

1. Do you know what relationship marketing (RM) is?

The findings were that most respondents were not aware of RM as a technical term. However, most brokerage firms implemented it in their normal practice.

For example, LB:2 said:

“...If you asked me whether or not I have heard about this term, yes I have. It is what we would come across in our daily work. The difference is how different people do it – at the organisational or individual level.”

LB:1 reported:

“...I have heard about it. In my opinion, RM in the brokerage industry is similar to RM in other businesses. It is about relationships between the company and its customers. It is how to make that relationship as close and strong as that between relatives. At first, the relationship is distant, like only acquaintances but, after they become clients, the relationship becomes closer, and they feel like they have become relatives and friends.”

Further, LB:5 revealed:

“...Actually, we don’t call it relationship marketing or give any name to it but we have to serve clients as they require.”

2. How important is RM to you and your organisation?

All participants confirmed that RM was very important for securities brokerage firms, particularly for marketing departments. The findings were that most securities brokerage firms interviewed implemented RM activities with their clients in a very similar manner. The differences in implementation depended on whether their client was an individual or institutional investor.

For example, LB:1, who focuses on retail clients, said:

“...It (RM) is pretty important. I have a friend who is around my age and has been working in the industry for 20 years. His clients from 20 years ago are still his clients today. I asked him, ‘How you do you retain all your clients so well?’ He said it is like in a Chinese movie, where I now feel that my clients are my non-blood-related brothers and sisters. No matter what they want, we do all activities together, as members of the same family. This is why he still maintains relationships with this group of clients.”

In another example involving a retail client, LB:2 reported:

“...(RM is) very important. For example, even though a sales person would like to take some days off, they will cancel their plans if their customers ask them to stay and work. On the other hand, when their MD asks them not to leave, they go on vacation anyway. Can you see my point?”

LB:5 who focuses on institutional clients said:

“Yes, it is very important.”

In regard to findings from the participant observations, the study of the small group seminar showed that customers who participated in that event gained a greater understanding of the brokerage firm's services and products. A most important aspect was that the firm's marketing staffs were able to talk with their customers face-to-face. The small group seminar was a very valuable strategy in relationship building with customers. One participant said that she preferred to attend a small group seminar because she could ask questions directly of speakers and marketing officers. Most of the customers participating in the small group seminar were retail.

The observation in the securities brokerage trading room (case 3) revealed that all the customers present were retail ones. Those in the trading room seemed to know each other very well and the trading room appeared to be a very good place for networking, being far more relaxed than, for example, a corporate access activity. Furthermore, the brokerage's marketing officers were able to better service their customers there. One customer in the room said that she came there almost everyday. She said that, not only could she meet friends and marketing staff, but she could sometimes obtain important news or information about which stocks to buy.

3. What kind of RM activities do you use in your current relationship marketing programme?

As noted, the interviews and participant observations revealed that most brokerage firms implement RM activities with their clients in a similar manner, with differences depending on the type of customers involved - institutional or retail. The findings showed that brokerage firms, which focus on individual investors, tended to give greater attention to relationship building activities than providing information, such as analyst reports. This type of brokerage focused on building closer relationships with customers by using the 'personal touch'. RM activities for individual investors included small group seminars (10 – 15 people), as in this study's participant observations, and invitations to lunch, dinner or sometimes a day trip, such as a river cruise. Activities, such as providing newsletters, research papers or information via the firm's website were considered secondary by most individual investors.

On the other hand, the interviews and participant observations (case 2: corporate access) found that brokerage firms, focusing on institutional investors, such as asset management companies or foreign funds, paid more attention to the quality of information provided, such as in research papers, daily telephone updates about market-related events or corporate access activities, for example, arranging for institutional customers to meet with the chief executive officers or chief financial officers of top listed companies in Thailand. Sometimes, these brokerage firms arranged for their key account customers to meet with Thailand's ministers of finance or commerce to discuss key economic issues or the client's specific concerns. Unlike individual investors, institutional customers considered activities, such as attending meals or parties, as secondary.

The findings also revealed that most Thai securities brokerages did not fully utilise customer databases in a systematic fashion, even though all of them realised that the database is very important for relationship building.

For example, LB:2, who focused on individual investors, said:

“...At our company, most of the activities are seminars. We hold lots of seminars and try to simplify difficult topics for our customers. At the beginning, we opened the ‘Club’, holding weekly seminars for customers who registered as members. Although the number of members was not that high, there were some who kept attending the seminars. This helped us establish strong relationships with them and keep them trading or communicating with us.”

LB:3, who dealt mainly with individual investors, said:

“...Sometimes if a customer has a problem, we have to find a connection to help, no matter what it is about, for example, whether the problem is about business or family, from their mothers to their children. If the problem is beyond our ability to help, we ask our boss. We also offer dinner and reserve travel packages during summer for customers.”

LB: 4, who focuses on individual investors, said:

“...I used to try to develop a system for CRM so that, when a client called, whoever picked up the phone would see all the customer-related information we had - who the caller was, when he was born, etc. We tried to build such a system but apparently, it cost a lot more than we expected.”

Reflecting the views of firms dealing with institutional investors, LB:7 stated:

“...Our first priority, for sure, is paper research. Secondly, is today’s news or midday news, also known as market information. For brokers, market information is one day’s information. Other activities include a charity event every now and then, for example, inviting clients to charity bowling and playing golf with customers. The perception of trust is something that must always be kept first in one’s mind.”

LB:5, who focused on the institutional market, said:

“...Everyday, we call the client. We have a morning briefing about international and domestic markets and formulate our perspective on the market in the short- and long-term. We have activities that benefit our clients, such as seminars and company visits. Also, we have a special activity called 'the corporate day'. Here, we act as intermediary, inviting the boards of listed companies to talk with the boards of fund companies. In addition, we also have conferences and road-shows, on top of our daily activities, where we talk with clients”

b: Usage of brokerage firms

4. What marketing strategies do you use to encourage clients to choose your brokerage?

The findings from the interviews suggested that the most important features encouraging customers to choose a given brokerage were the credibility of the firm, the consistency of its marketing and sales people, the accuracy of its information and recommendations and, importantly, the speed of services and executions of orders. These were the main factors in building trust and relationships between a firm and its customers. They chose brokerages they felt they could trust.

The LB:1 revealed:

“...If they trust us and feel like we are their friends, they will recommend their friends and relatives to be our clients. This indicates trustworthiness. In order to gain trust, what we do mostly is hold activities with clients. People will feel trust when they meet each other and know one another at some level.”

The LB:3 also mentioned:

“...Normally, a customer will choose a firm which firstly has credibility, strong financial status and a stable executive team - not changing around.”

The LB:4 stated:

“Actually, we try to differentiate ourselves from the other brokerages. However, it is quite difficult to be different in terms of services. The only difference we can make is in research. We have to improve our research.”

The LB:5 said that:

“...I think, first of all, our clients trust our company -- its good reputation and credibility. Secondly, they trust our information and analysis, backing up our recommendations that guide them. Thirdly, we provide supporting information which they use for servicing their clients, too.”

LB:7 added:

“...Personally, I focus on three aspects: (1) Consistency of sales and marketing effort, which I think is the most important factor, (2) The accuracy of the information and analysis on the changing investment situation and (3) Speed, as the first party to give the investors the information he/she needs has the upper hand. I believe that consistency is the most important thing in this line of work. There needs to be consistency because information has to be updated all the time.”

5. What are your strategies for matching marketing staff with clients?

Most participants mentioned that they tried to match marketing staff with the needs of customers. However, because commissions from a given client go only to the marketing officer making the sale, if a department head were to allocate customers, it would be tantamount to allocating income among staff, creating serious personnel problems.

For instance, LB:2 mentioned:

“...In the securities sector, competition is higher than in other areas because of the incentives. Marketing staff have to fight to get new customers and maintain existing ones. It is quite troublesome to assign clients to marketing officers. Therefore, we let the staff hunt for clients themselves. In other words, if a marketing officer brings a customer in, he/she will be the one handling that client. The number of client accounts a given officer has depends on how skilful he/she is in impressing customers.”

LB:1 said:

“...When we get new clients, we will find out what their interests are and match them with our marketing officers.”

LB:3 noted:

“...First of all, I will ask the customers what kind of investors they are. Some like long-term investments so, for them, we choose a marketing officer who knows stocks in-depth, including each stock’s fundamentals. If the client is a speculator, we find an officer who is good at technical analysis. Sometimes, the client prefers an experienced officer or one with a master’s degree in finance. We must meet their needs. That is, we have to understand the customer in the first place.”

6. Information marketing is a key factor in Relationship Marketing, what information marketing do you use with your customers?

Findings were that information marketing activities for various securities brokerages in Thailand were quite similar. Most used research papers and newsletters to inform their customers. Unofficial information that is sometimes needed was usually transmitted by private telephone, or marketing officers would open their own website separate from that of their employer.

From the observations (case 2: corporate access and case 4: the investment exhibition), the findings confirmed that information was very important in this sector. In the corporate access activity, a research paper, an annual report and a slide presentation were the main methods of communication with customers. At the investment exhibition, brochures and newsletters were used for information provision. However, the observations revealed that face-to-face communication played an important role as it gave customers a fuller understanding of products and services. Moreover, face-to-face meetings enabled more relationship building with customers.

LB:5 said:

“...The most important is the information or research supplied and the company’s credibility. I think these factors carry more weight than the personal touch. We always pay more attention to the quality of research and services rather than the personal touch.”

LB:6 observed:

“The normal information marketing tools that we use for the mass audience are research reports and newsletters.”

LB:1 also noted:

“...Information that we give to clients for decision-making is from three main sources: 1) Articles from our analysts. We ask our analysts to check with others in the business, for example, if they analyse the banking industry, we will ask them to compare information with others to see if there are any important changes or points to cover; 2) Non-formal news, which is what clients want more than research reports. Most clients, regardless of sector or organisation size, want this kind of information, which is not published in a newspaper. We can call this information insider news or rumours. 3) Market overview. This kind of information can be communicated to retail and institutional clients. Some institutional customers may request views from industry experts. All in all, personal opinions are still required in the industry.”

7. If marketing staff resign, how do you communicate this to your clients and maintain their patronage?

The findings were that all brokerages, focusing on small individual investors, had a very difficult task in convincing customers to stay with them when the marketing officer handling their account resigned or moved to another company. This was because the customers had bonded with the marketing officer more strongly than with his/her employer. In such cases, the personal touch is very important for the small individual investor in question.

On the other hand, the situation is different for institutional investors, as they connected more with the company than the marketing officer. These clients noted the organisation's credibility and services, such as the quality of research papers and recommendations, or the firm's ability to access top-level people in the country, more than the personal touch. For instance, LB:6 revealed:

"...If a marketing officer resigns, it will affect the relationship with the brokerage. I have to give you some background to this business. In this industry, clients bond with marketing officers more than with the company. If a marketing officer gets another job, he/she will bring customers along."

LB:2 said:

"...In a securities firm, clients do depend on their marketing salesperson. Almost 100 percent of the big clients rely on their marketing officer. What a brokerage can do is to try to counsel their sales officers and try to convince them not to leave. If sales staff do leave, we'll try to persuade clients to have other sales officers take care of their accounts. Even though there's little chance that our tactics will work in most cases, at least we might keep some clients. The issue is that many high-volume clients are the sales officer's relatives, so normally, they'll all leave together."

Brokerages that focus on institutional investors had different views. LB:5 said:

“...If they move, what they often bring with them is access to their customers. They know who was in charge of a given fund and the contact number. However, customers rarely move with them. The solid quality of our research is why clients stick with the company, rather than the marketing officers. Our clients consider that the advantage of our firm is in its research more than its marketing officers.”

LB:7 added:

“...Whether or not a client follows a marketing officer depends on the size of broker. If the securities firm that the marketing officer was originally with was among the top five brokerage houses, the customer would stay with the house but, for lower-ranked brokers, the client might follow the marketer. This is because big brokers have their own status which does not have anything to do with an individual marketing officer. However, in lower-ranked brokerages, clients are more connected to the salesperson than to the house’s status.”

8. If you amend brokerage services, such as by changing commission fees, how do you communicate this to your clients and maintain their patronage?

The findings showed that the amendment of services, such as commissions, did affect relationships with customers. Nevertheless, if the change was applied throughout the industry, it did not affect customer loyalty.

LB:3 mentioned:

“...Changing commission fees or other changes affecting the whole industry would not be a problem, because clients understand and know that. Mostly, we change our services by offering something that the others don’t have. For example, we were well-prepared for derivatives trading before the others.”

LB:1 added:

“As I recall, around six or seven years ago, the industry had free commissions. About half our clients moved, looking for lower commissions, which indicated that, apart from personal relationships, price is very important. For example, if they gave us all their volume before, they might move half of it to low-cost brokers. We couldn’t do anything unless our company was willing to decrease commissions also.”

Moreover, LB:4 said:

“...Normally, clients already have more than one account. They probably do not close their account but just send their order to the other brokerage.”

9. Do you treat clients differently, depending on the size of their investment?

The findings were that all brokerage firms treated their customers differently according to the business that they received. In other words, a higher-volume investor was more important to the firm than a lower-volume one.

LB:7 noted:

“...We have to value the clients’ privacy. It is a norm in the industry that whoever gives us the most business will be given a higher ranking and be serviced more than clients of lower value. In terms of information, it is the same for all customers, but the speed is different. If we receive new information, we first call institutions that invest more with us.”

LB:3 stated:

“...Yes. I have to find out the style of their investment first. If the customer is a speculator, we have to update the news all the time. If she is a long-term investor, we have to pinpoint the right time to buy and sell, and call our client.”

LB:4 also shared:

“...Of course. The client with the larger portfolio would be the priority. If they call, marketing staff must respond to them before the small investors.”

10. When facing rumours about the securities your clients hold, how do you communicate these to your clients?

In the Thai stock market, rumours occurred very often during trading hours. Under The Securities and Exchange Act B.E. 2553, SET prohibited securities brokerage firms or marketing staff spreading rumours to their customers. However, this study's findings demonstrated that, in practice, in order to keep relationships with customers, many brokerages contacted their customers about rumours by private mobile phone or short message (SMS). Whether the rumour was true or not, it affected the value of the securities. Therefore, a marketing officer had to be very careful when communicating this kind of information to customers.

LB:1 said:

“...I call them directly. This kind of information cannot be recorded. So I have to call them directly via my mobile phone. I cannot ignore it as another broker will inform them five minutes later. If we are slower than our competitors, clients feel that we are not taking care of them well. This is an information service, so some get a report and some get only a phone call.”

LB:5 added:

“...I would tell them with honesty that it is a rumour and we do not know whether it is a fact or not. Normally we call them or send short messages because the customer may not be there to answer our call. However, we have to emphasise that this is just a rumour and we cannot guarantee anything.”

LB:3 noted:

“...I tell them that there is news like this and my opinion about it, i.e. every possible outcome. Personally, I recommend what I think and then the customers decide how to respond to the news.

...It is very important. Whenever there is a rumour, marketing’s judgment about the rumour will determine whether the marketing officer can be trusted.”

11. Do you utilise the customer database to support your relationship marketing?

The findings uncovered that the majority of local Thai securities brokerage firms had not implemented a full-featured customer database system. Most of them used a simple form of database. However, all participants realised that a full-featured customer database management system was very important and would enable them to treat each customer differentially and better.

LB:4 said:

“...We haven’t used CRM that much because we don’t even have a complete CRM yet. Our database system contains only basic information and is not in-depth. It is not that useful. Like I said, you would know who calls and some other minor information.”

LB:1 observed:

“Now we do not have a computer system for the clients’ database but I believe a big company must have it. They can click and check a client’s lifestyle. This database would include everything, including a client’s personal preferences and what the company can support.”

However, LB:2 pointed out:

“....Actually if you ask whether it is really necessary. Yes it is. However, that is information that we cannot ask from marketing staff. No one can access their clients. If you have a new product and try to sell directly to the customer without acknowledging the sellers, they would ignore it and not sell for us.”

c: RM and Customer Loyalty

12. How do customers respond to your RM practices?

All brokerage firms stated that, in this competitive environment, their RM activities differentiated them from other brokerages. The interviews' and observations' findings demonstrated that individual investors had a positive response to brokerages' RM practices, for example, investors sometimes opened accounts at broker-sponsored seminars or regularly attended outings or dinners arranged by marketing officers.

LB:2 stated:

“...As I have observed, when we hold seminars, new clients join these activities and open accounts too. In my opinion, if we can build up our reputation with each event, even though some customers may not open accounts with us this time, there is an increasing probability that they will do so if they come regularly, and so we will be successful later.”

The interview findings above corresponded with the results from the participant observations that retail individuals actively participated in brokerage firms' RM activities.

LB:4 said:

“...Clients appreciate a temple trip or a Chinese dinner and send more orders to the marketing staff.”

However, the response of institutional customers to RM practices differed to that of individual investors. Commonly, institutional clients rated brokerage firms' performances on a quarterly basis and had their investment committees review these.

LB:7 said:

“...They usually score us on a quarterly basis. At the end of every quarter, they evaluate our performance. They then place their orders depending on the score we got. This score also shows how satisfied they are with the information that we have given them.”

13. How important is the role of *relationship marketing perception* or, in other words, in maintaining customer loyalty?

In terms of customers' perception of RM activities, the interviews showed that they had a significant impact on relationship-building and customer loyalty. The findings were that most brokerages that focused on individual investors gave more priority to RM activities than information provision. On the other hand, brokerages that dealt with institutional investors gave more attention to information-related marketing activities, such as providing high quality research.

LB:7 said:

“...Information is our most important product. It is more than 70% to 80% of our output. Our product is analysis. Everyone gets the same information, but in the end it depends on whether the analysis accurately forecasts what is to

happen or not. The broker who analyses the stock most accurately earns more credit from the fund manager.”

LB:6 stated:

“...The client wants to feel close to the company. The evidence is they call the firm all the time whenever something happens. This strengthens our relationship with them.”

LB:4 mentioned:

“...research is nice to have. Every executive would like to have it in the firm because the customer would get better services regardless of whom they call. Normally, marketing staff offer full service which is probably better than the centre’s service.”

14. What factors affect customer loyalty in securities brokerage firms?

The findings identified three factors impacting customer loyalty: firstly, information services, which included research papers, newsletters, personal updating and exchanging information; secondly, understanding the customers’ investment behaviour, which helped marketing officers service them better or, in other words, know their customers; and thirdly, one-stop servicing from brokerage firms, by providing all the products available on the stock market and offering those that other brokerages cannot provide, such as corporate access. RM activities played a role in all three factors aimed at gaining customer loyalty. In addition, the participant observation of the corporate access activity confirmed the value of corporate access in information provision and relationship building with customers.

LB:2 reported:

“...First of all, it's profit. The second factor is a profitable product. Our product should generate some profits to clients. If we lost every time we issued an IPO, customers won't be happy with that. Issuing IPOs should generate profit. If our products are good, customers will long for them and have a good impression of the company. The third factor is to have whatever our competitors don't have.”

LB:3 stated:

“...The main factor keeping clients is our information services. Second is the executive and the firm. The third factor is the attention given to taking care of clients.”

LB:5 noted:

“...I think the main factors are our research and database which are very well-regarded. Therefore, if the customer wants any technical or fundamental information, they come to us because they trust our data. That is the main factor that has high value to the customer.”

15. To what extent do *relationship marketing strategies* help securities brokerage firms strengthen customer loyalty?

The findings were that most participants agreed that RM strategies helped brokerage firms strengthen customer loyalty. The differences depended on the type of customer.

LB:5 explained:

“...It helps strengthen customer loyalty to some degree, because a good relationship with customers supports calling or research distribution to them and reminds them about us. It is still the same: research, report, call and use our database.”

LB:1 said:,

“...Yes, but it is not 100%. I think, with retail brokerage clients, there are three types of customers. Firstly, very small clients who trade via the internet or have a volume lower than THB 500,000, trading around THB 100-200k or even THB 50-60K per month. These people’s loyalty will lie with someone they trust. They think they cannot find information themselves. Secondly, individual investors who know a lot about technical and fundamental analysis. These people are confident. They just want information from the broker, for example, graphs. We send them graphs or the analytical information that they want. Thirdly, for big clients, it depends on the level of rebate that the company pays directly to them or to the marketing people who then pass it on to them. This structure allows payment in advance with an adjustment to market price six months later.”

LB:7 added:

“...Yes, it has a big effect on customer loyalty.”

From the participant observation, one respondent said:

“...Our RM occurs in seminars, including games. This is important. We hold several seminars every year, big and small. They occur so regularly that we might forget to mention them.”

16. What problems or limitations are there in implementing relationship marketing in securities firms?

The findings were that there were no major problems or limitations in implementing RM in Thai securities brokerage firms.

LB:1 said:

“...The problem is at the marketing level. Some marketing staff do not like to talk to clients after hours. It is their way. From my 20 marketing staff, there are no more than 10 who do relationship marketing. It is a limitation for staff due to the large number of clients.”

LB:3 revealed:

“...I don’t really have any problem. Anything that I want to do for the customer, if there is some little problem, my boss helps. There is nothing, provided it is good for the customer and the firm, that we cannot do. It must be done.”

LB:7 mentioned:

“...The problem is accuracy and speed. Corporate access is also a problem, if we are slow to get information and the competition gets it first. They will issue their report first and get more value.”

17. To what extent is *relationship marketing* valuable in gaining customer loyalty?

The findings confirmed that the RM is a valuable tool in gaining customer loyalty in the securities brokerage industry but that its efficacy depended on the strengths and limitations of each brokerage.

LB:1 noted:

“...It can establish customer loyalty but there are many methods of doing this. It may be similar or different in other businesses, I don’t know. It is necessary at every level, marketing to clients and company to clients.”

LB:7 also said:

“...Yes, it is. In the end we cannot survive without relationships with clients. In this business, it is very hard to define the limits.”

LB:5 observed:

“...It does help. We are doing it.”

d: Loyalty and indicators of attitudinal loyalty

18. How do you create long-term relationships with your customers?

The findings confirmed that trust is a key factor in creating long-term relationships with customers in the securities brokerage business. Brokerages can build long-term relationships with customers, if they can win their trust in their services. The key success factor is the provision of good and fast service. Maintaining a personal touch between the customer and the marketing officer handling the account is also a major factor in traditional securities firms in the Thai stock market.

For example, LB:2 said:

“...Usually, the answer would be about service. Service is the key point, within the rules and regulations, of course.”

LB:5 added:

“...Make them trust you and think that we give them our best efforts.”

19. To what extent are your customers loyal to your company?

Based on the interviews' findings, the level of loyalty in this business sector was not high. In other words, brokerages could not really say with confidence that their customers were loyal to them. This was because the basic services of brokerage firms are the same with the differences being made by the marketing officers. This confirms the significance of RM in differentiating the services and products of a brokerage.

Moreover, the personal touch is very important in creating loyalty. For example, LB:5 said:

“...loyalty varies, depending on each fund. Some tell us our rank, research, selling and execution scores. Sometimes they inform us through a formal letter but in other cases, we have to check by asking fund managers and dealers. We try to check quarterly.”

LB:4 added:

“...Just a little. You can take a look at the market information. Each customer has three to four accounts, each with a different broker. Even though we try to create loyalty, there is no difference between brokerages. We can differentiate ourselves through our marketing not through our standard services.”

LB:1 stated:

“...At some level, but not 100%. I can see their loyalty from the movement of their trades. Some groups move to other companies, depending on the type of client. Clients move for many reasons that affect the relationship. Someone is offered a rebate and moves, but others stay with us.”

20. When there are changes in your company that might outweigh your customer’s perceived benefits, for example, marketing staff resign or rules change, to what extent do your customers stay loyal to your company?

The findings confirmed that when there were any changes in the company that outweighed the customers’ perceived benefits, these affected the relationship and could reduce the level of loyalty.

LB:1 said:

“...Loyalty for clients means they feel like they are important persons. We have to serve them as our first priority and make exceptions for them. But some stock market regulations do not allow exceptions. So, the relationship may deteriorate to some extent. Besides stock market regulations, which are similar for every

broker, different companies have different policies, and not every brokerage enforces regulations or policies strictly. These all affect customer loyalty. Clients may also prefer firms that charge lower rates.”

LB:2 added:

“...Absolutely, there is some effect. We have to minimise these on customers. If the change is necessary or the rules have changed, we try to make things clear to them by letter or telephone.”

In addition, LB:2 said:

“If the marketing staff handling their account resign or move, this definitely affects clients. Securities marketers have bonds with their clients. Some of them have dealt with each other for ten years and understand each other well. Some are relatives. If they want to move together, there is nothing we can do.”

21. Do your customers say positive or negative things about your company?

The findings were that most individual investors usually made negative or positive comments informally, such as verbally, to a marketing or relationship manager. However, institutional investors, such as asset management firms or mutual funds, usually commented quarterly in a formal format, such as in a scoring report.

For example, LB:1 stated:

“...Mostly they (unhappy individual clients) will complain directly. They just call, as they are close to us, and ask why we did not take care of them. When the client complains, that means they still have a relationship with us. If they do not complain, I know that there are problems.”

LB:4 said:

“...Yes. Suppose that the client knows the marketing officer for a while and notices that our officer doesn’t answer his calls. This complaint happens all the time, mostly from walk-in customers. They might want to change their marketing officer.”

LB:5 explained:

“...Sometimes we don’t get their feedback until we ask them about our quarterly ranking. However, we can detect the volume of orders which might be less than normal.”

22. Do your customers recommend that others use your services?

The findings were that individual investors usually recommended their marketing officer only to close friends or family. The was because they feared that their marketing officer might not have enough time left to take of them and didn’t want the stock analysis or recommendations to be disseminated widely in the market.

For example, LB: 3 revealed:

“...Not really, because they don’t want lots of people to open accounts with their marketing officer -- they are afraid that he/she would not have enough time to take care of them. Sometimes, they told me that they didn’t want me to take care of other clients.”

LB:4 also said:

“...Yes. They will tell their close friends that a given marketing officer really takes good care of him and helps him achieve a good return. Sometimes, they will recommend this officer to a small group only, to keep trading information secret. In some cases, marketing officers can refuse to take more clients if they already have their hands full.”

However, institutional investors will usually recommend a given firm – not a given person. For example, LB:5 stated:

“...They might refer to the company but not to particular marketing staff.”

e: Characteristics and Setting

23. What do you think about this business environment?

In the context of high risk, high sensitivity and high context culture in the Thai securities brokerage business, the findings were that most participants agreed that this business environment was very challenging. However, most said that they accepted that this is the nature of an emerging stock market, such as in Thailand.

LB:3 revealed:

“...I think it is challenging. Those who can survive in this business must be alert to sensitive stuff. Moreover, you have to be able to decide to take your chances. In some urgent cases, we have to make risky decisions. That’s why I think the securities sector is tougher than banking.”

LB:4 explained:

“...It is getting better. I don’t think the environment really affects business because we already know the conditions. It is hard to manage but everyone accepts that. Actually, the securities business is not complicated but it is difficult because we have to manage human beings.”

24. In this environment, how do you respond to/communicate with your clients?

In an environment of risky and sensitive information, securities brokerage firms had to communicate with customers directly and clearly. It was very helpful if firms let their marketing staff contact customers directly. The officers’ personal touch and relationships made communication more intelligible. From the customers’ side, they also wanted to talk to the marketing officers, whom they trusted and had close relationships with.

For instance, LB:2 mentioned:

“...Actually, there are not many people in this business who don’t talk openly. This is probably different from other businesses, because here they are talking about their own assets. However, in a sensitive environment, marketing staff must communicate with the customer directly and clearly.”

Again, LB:5 reported:

“...In some cases, we might set a meeting outside to talk freely. Maybe we would invite them to have a meal. If this client is difficult to meet, we could try to talk with their boss or a friend in the same firm. In this small brokerage industry, everyone knows each other.”

25. To what extent does this business environment affect the relationship with your clients?

The findings showed a common agreement that the high risk, high sensitivity and high context culture had a negative effect on relationships with customers. Each firm had to make customers feel that they are always on the company’s mind. The companies must keep in regular contact with customers and keep them informed with up-to-date market information. Finally, the findings showed that creating personal relationships with customers is very valuable in this business environment. For example, LB:2 said:

“...Yes. It does affect relationships. If your sales staff are highly competent, you'll win. From a positive perspective, if you provide fast, accurate and credible service, investors and customers will have confidence in you and not panic. High-risk investments also normally generate high returns if we can react quickly with plenty of information.”

LB:3 revealed:

“...Customers like firms which can respond to risky news swiftly. In contrast, if a client asks and the firm doesn’t respond, and the research and marketing staff

don't have any answers, the client may feel that this firm cannot take care of them. This kind of environment is actually an opportunity."

In terms of institutional investors, LB:7 noted:

"...The fund market for me is based on expectations. In a market with high risk, people expect high returns, too. With high risk, if you fail a lot, your RM with the clients will be at stake. It creates risks for our business and credibility. A smooth market is easier to manage."

5.2.2 International Securities Brokerages

In this group, five interviews were conducted with international securities brokerage firms, IB:8 to IB:12. The findings were as follows:

a: General questions on RM

1. Do you know what relationship marketing (RM) is?

Most international brokerage firms said that they neither knew nor had heard about the term, relationship marketing (RM). However, they believed that what they had been doing was RM - getting to know and getting closer to their customers.

For example, IB:8 mentioned:

“...I have never heard of this term, but the relationship with clients is something that the salesperson in this business knows is most important.”

IB:11 added:

“...I think that RM is what we are doing, because we define equity sales with the establishment as relationship marketing.”

2. In your opinion, how important is RM to you and your organisation?

All the international brokerage firms in Thailand interviewed agreed that RM was very important, personally and organisationally.

IB:8 stated:

“...I think it is something that is very important. I can say that every company, especially an investment firm, (although I have no studies to validate it) would not say that this is not important. They cannot say that. They would say that their business has to do with auctioning, scoring sales, research and trading capabilities. But, when it comes down to it, I think that 80 to 90% is about relationships.”

IB:12 explained:

“...In my opinion, RM is one of the most important tasks in this type of business environment.”

3. What kind of RM activities do you use in your current RM programme?

The findings revealed two main RM activities implemented by international brokerage firms: firstly, relationship-building activities, where the objective was to build personal relationships with customers, for example, going to lunch or dinner with them, watching soap operas, playing golf or taking them to the shooting range; secondly, information marketing activities, such as arranging for customers to meet with the top management of listed companies, with famous economists or with the Minister of Finance to discuss current economic challenges or government policies.

IB:8 said:

“...Going to lunch or dinner with clients, doing activities with them like going to the shooting range or watching soap operas provides a chance for the sales staff to bond with them, using their hobbies and interests..”

IB:10 added:

“...To create relationships, it is necessary to have good sales staff and a good team. There are many levels of relationship from the personal to the professional. Personal relationships involve activities such as playing golf with

clients and talking about ideas. Professional relationships involve more formal requests for points of view with strong logic and supporting details. Without relationships, it will be difficult to get through to clients. Even if we get through to them - but with no relationship - we will be regarded as a lower tier broker that they will use when their top tier brokers are not free. Good RM must be consistent and meet clients' needs. Then, we do not have to spend a lot of money. They have to feel like we are their friends and care about them."

IB:11 stated:

"...Normally, we take clients out to dinner. We visit them, sell ideas to them and get to know them but we do not provide activities. We do hold daily events for domestic clients at hotels in Thailand. For example, today some other broker wanted to see Mr. Korn (Minister of Finance), so this is an example of a daily activity that a broker undertakes. The establishment initiates equity sales and finding ideas to support their stock-buying decision-making and this is one role of a Relationship Manager. At the hotel we host a small group seminar. Each broker is very active, so this has become a daily routine. Every week there must be at least one broker who does a seminar. Golfing is also common, but we do not do it here because no one plays."

The observation of the corporate access activity showed that that event was more formal compared to small group seminars. The meeting was organised between the senior levels of listed companies and foreign investors. The listed firm's representative used a slide presentation and documents to report company performance and the conversation was focused on business issues. However, at the end of the meeting, the author recognised that all parties knew each other very well. The observation showed that the information provided, such as a research paper, annual report and company profile update, was important for both parties.

b: Usage of brokerage firms

4. What marketing strategies do you use to encourage clients to choose your brokerage?

The findings indicated two main RM strategies used by international brokerage firms in Thailand. Firstly, they organised exclusive seminars/forums for customers and arranged one-on-one meetings for them with the top management of listed companies. Moreover, they also invited eminent guests, including former US president Clinton and Mr. Alan Greenspan, to speak at these events. Secondly, they provided high quality research papers. Most participants agreed that, as top tier brokerage firms, they must have good research teams.

IB:8 said:

“...My strategy is to invite the clients to our forums. Next week, we have a Japanese forum as the biggest Japanese companies will be in Bangkok for three days. During the day, the clients can go to workshops and meet with different listed firms. Our biggest forum is in Hong Kong, during September for a whole week. We have flown in the likes of former president Clinton to speak and Alan Greenspan, right after he left the FED, a pop star doing some work in Africa, a doctor talking about cancer and someone talking about some other important issue, while the clients sit eating their food and listening. Everything is geared towards RM.”

IB:11 stated:

“...The heart of being a brokerage firm in Thailand has to do with research. That is the main factor influencing clients’ decisions to use our service or not. We have to build a solid research team before we can sell our product.”

5. What are your strategies for matching marketing staff with clients?

The findings indicated that matching clients with the marketing staff required brokerage firms to study the characteristics of both customers and marketing staff. For example, because some overseas customers focused on research and accompanying ideas, the brokerage had to find a relationship manager with a solid understanding of

stocks and market basics. Domestic customers who use mutual funds and insurance have their own specific preferences.

For example, IB:11 elaborated:

“...We must find a relationship manager who watches the market carefully and will call people up when there is an opportunity arising. No one can do this alone. Then there is the prop desk and foreign clients who trade through a broker’s port or a bank’s. These clients are opportunistic and we must find a relationship manager that matches them.”

IB:9 added:

“....I think that RM is important because you are dealing with people, not sheets. There is the subjectivity of people, even if you know how you are rated. RM is important and, it is about perception.”

6. Information marketing is key in RM. What information marketing do you use with your customers?

The findings here confirmed that the key factor that brought a brokerage firm to the top tier, or made it better than others, was the provision and rapid distribution of high quality research papers. Because customers receive many research papers from brokers, they are able to distinguish the good ones from the rest.

IB:10 said:

“...It is normal that we have our own research but we have to make sure that our analysts are in top form.”

IB:11 stated:

“..The other strong point, when compared to other Thai brokers, is not just the research paper, but the distribution of the paper. How can we get our paper to as many clients as possible? Not every client will accept papers from every broker or be willing to read a paper from just any broker. So, we have to make sure that they read our paper every time we send them our paper.”

7. If marketing staff resign, how do you communicate this to your clients and maintain their patronage?

Most international brokerage firms said that the relationship between marketing/sales staff and customers was very close. Therefore, when good personnel resigned or moved to another company, most customers followed them.

For example, IB:9 stated:

“...I have a client that really likes me. He rarely calls me but, when he does, it is for enjoyment. He overpays the Thailand office and, in the review, acknowledges that they overpay Thailand because they like our sales representative. This is purely relationship-based, no sales service. No salesperson in Thailand was looking after this fund manager. This is based on the relationship.”

IB:10 added:

“...Each salesperson has a personal franchise. If they move, it affects the company. As the client likes to talk to a specific person and likes their way of thinking, they come to believe in the credibility of Credit Suisse. Thus, when a sales person talks to a client, it undeniably involves personal attachment.”

However, only one brokerage firm stated that team work and a good customer database system could prevent this problem. IB:11 explained:

“...It depends on the team. Our team does not split clients among the members and we always have backup sales people. One account has to be managed by two people. Each team member has to know each account very well. When a member is about to go out to see a client, they usually take another member with them to make sure that when the member responsible is sick or leaves the company, there is someone to carry on. This problem really does not occur with us because, over 15 years, no one has left.”

8. If you amend brokerage services, such as by changing commission fees, how do you communicate this to your clients and maintain their patronage?

The findings were that all international brokerage firms complied strictly with the Exchange's rules and regulations. Where there were changes in these regulations or in their internal services, they promptly informed customers.

IB:11 stated:

“...We prepare and send letters to clients before things get too ugly. Here, we follow the rules strictly.”

IB:12 said:

“...The compliance here is very good. They will help look after many things.”

9. Do you treat clients differently, depending on the size of their investment?

How?

The findings were that most international brokerages treated their customers equally because clients expected the same treatment. Usually, foreign funds wanted to meet company representatives to ask questions about stocks.

For example, IB:8 explained:

“...We treat all clients the same. Some clients want to meet a listed company and ask their own questions. We arrange these clients’ trips to meet their needs. These days, it is more difficult than before because different clients’ criteria vary so much. There is the hedge fund or the long-only and there are many others with different criteria. At the same time, they want us to think that they are the most important.”

However, IB:11 said that their customers are all different and so should be treated differently, depending on their needs and expectations:

“...Clients in different firms are treated differently. The company system will clearly define which client is in which set. Those with platinum accounts get what they want first, while gold accounts are a different group again.”

10. When facing rumours about securities held by your customers, how do you communicate these to your clients?

The findings were that, when there is a rumour about securities held by customers, all international brokerage firms analysed and checked - with direct and indirect sources - the veracity of the news and how it might affect those stocks. Then, they gave customers the analyst’s opinion on the news.

For example, IB:10 stated:

“...We do not use rumours to add value for clients. If it is news, we check before confirming it. Then, we take it to the next step and present our opinion on the news. My view is that we should not just convey messages or rumours to clients. We have to give our perspective. Thus we have to be selective about the news.”

IB:11 shared:

“...As for rumours, we tell them that the rumour is a rumour, but we try to save ourselves by telling them the rumour is a rumour with CC compliance, or call up the analyst. There was a rumour that AIA was going to go bankrupt, so we emailed the rumours to AIA, including newspaper cuttings. When contacting the clients, it is via email and phone and every phone conversation is taped.”

IB:9 also said:

“...Usually, when I talk to clients about what they hear in the market, I warn them that it is only a rumour. I must clarify with them what people are saying and what is being spread. This is what we must do because we are information providers. I just call them up.”

11. Do you utilise the customer database to support your RM?

All international brokerage firms reported having a customer database management system. However, they said that it provided only basic customer data which was insufficient for RM. The findings were that, in this business environment, the marketing/sales staff needed to know the customers individually and personally.

IB:8 explained:

“...Not really, I think that when we get to know the clients at a human level, every client is different. The data base will only tell us about the non-human side, such as in this fund the client will not deal with anything below 300 million market cap.”

IB:12 stated that:

“...we are lucky that our firm is a global house; they virtually have everything in the world. For example, using a familiar name like GIC, if we keyed the name in, we would know who works for GIC and their position. The data base also has personal information such as how many children or names does the client have

and if the client likes to play golf. The information on individuals is very complete.”

c: RM and Customer Loyalty

12. Do you know which customers are loyal to you? What signs or factors indicate this?

The interviews demonstrated that a ‘personal touch’ or ‘personal trust’ was a key factor in gaining customer loyalty. When there was no personal attachment between marketing and customers, the communication seemed to be more difficult and the customers were very passive. The findings also confirmed that most loyalty customers treated the marketing officer like a real friend. However, the brokerage’s service and the benefits/value gained were still the most important criteria for customers. For example, the eighth participant stated:

“...A sign is when they use first names, for example, ‘Harry’. Loyalty is not just built on taking them out for entertainment or dinner. For example, my client was the biggest hedge fund in Thailand. In 1996, after I met Dr. Amnuay (ex-Minister of Finance), I told him that the baht would devalue. He had to prepare because he had lots of exposure. After the devaluation, he came in and bought real estate companies in Thailand. He invested in one firm called RealCap. So, I warned him that the management is such and such. Then his partner said that it is OK and he knew already, so he bought the majority share. In the end, it did not move up. He talked about it and remembered me, and turned all of it over to me because I told the truth and did not deceive him. It is a bit personal, and now when something comes up, he will call me up. He just invited me to go to his wife’s 50th birthday party at London in June.”

IB:9 said:

“...There is a degree of loyalty. We are a global franchise. Usually our clients deal with generic products all over the world, so they talk to many companies all over the globe. They have their own impressions and have firms that they admire or trust. Loyalty to our company is there because they use the cards or services.

If clients do not see anything that is bad, they will be happy, think of the firm as being professional and trust it. But, loyalty beyond that? I am not sure if there is any.”

13. How important is the role of *RM perception* in maintaining customer loyalty?

In terms of customers’ perception of RM activities, the interview findings demonstrated significantly that the RM was very important and impacted their loyalty. For international customers, the sales or marketing officers were like ambassadors for the Thai market. If the clients trusted the sales staff, they believed almost all that the company said. Therefore, to maintain loyalty, brokerage firms must have sales teams with high marketing relationship skills.

For example, IB:12 elaborated:

“...It is very important. Like I said, even if our company’s brand is consolidated, it can still be replaced. If clients can not find me, they can talk to my co-worker and wrap things up there. There is no case where they run over to get information from an analyst directly or through some other channels. I believe that good team work and close relationships with customers are the key success factors in maintaining customer loyalty”

IB:10 added:

“...Overall, good RM is composed of trust and added value that brings us to a win-win situation and consistency of performance.”

14. What factors affect customer loyalty in securities brokerage firms?

The findings revealed three important factors impacting customer loyalty in international brokerage firms:

- Trust and good relationships with customers. For example, when customers trusted a sales person, they usually related to them like a very good friend;
- High quality summaries of key information. For foreign customers, comprehensive research papers were important but a good summary was more so.
- Un-biased and independent advice. Together with good relationships and high quality information summaries, customer loyalty required frank recommendations on when to buy or sell stocks.

IB:8 said:

“...First, we deliver unbiased opinions and independent advice. Second, we summarise and deliver information by phone that is clear and precise, for example, buy Bangkok Bank. Third, we get to know them on a personal level.”

IB:12 stated:

“...We have to think that research is important. But, the big fund managers in the world rely more on the sales staff. You are the one siphoning the research to them, through sales personnel in ASEAN, Thai and Middle East sales. Experienced staff will know when this analyst leaves, it is merely maintenance. You have to write once per month but there is no catalyst to write. Sales are the people summarising. Use the personal relationship as a spearhead but other things must also come for there to be trust.”

15. What are the problems in implementing RM in securities firms?

The findings were that all international brokerages agreed that there were no major problems in doing RM, even though there were rules and regulations prohibiting these firms from doing such things as buying gifts or entertaining customers over a

certain cost. The findings confirmed that building relationships with international customers does not need to be expensive.

For example, IB:8 said:

“...My clients are not in Thailand. In terms of company rules, in RM, it does not mean I have to buy them expensive gifts or dinner. I mean to get to know the client at a human level and turn them into a friend.”

IB:11 stated:

“...As you can see, the team members are all Thais and this could be a threat. When an overseas Caucasian client comes in, they want to talk to Caucasians. This is a kind of threat. Some clients are generalists who want to know about the whole Asia Pacific, not just about Thailand, this is where we do not have information. It depends on the clients, on how they perceive Thailand as part of the region.”

16. To what extent is RM valuable in gaining customer loyalty?

The findings confirmed that, for international brokerage firms in Thailand, RM was a valuable tool in gaining customer loyalty. Without relationships, it was almost impossible to survive in this competitive business environment.

IB:8 said:

“...I do not think I would hit it big, if I did not have the human touch to make a client a friend. It has been more than five years. It has been 15 to 20 years. The other week, I was in Hong Kong doing some private bank business. In the evening a client, who was at Citi Bank, now he is at Barings, took me out to dinner. He bought me dinner and I gave him some financial advice about what is going to happen to the dollar. So, it has turn into a symbiotic relationship.”

IB:10 stated:

“...RM is definitely part of the core business. If we do not have a relationship with a client, we cannot be a top tier broker. It is the life blood of the organisation and we have to generate a sustainable basis from it.”

IB:12 confirmed:

“...Yes, I am sure if you do not have a relationship manager, the clients would not do business with you and they would leave you”

d: Loyalty and indicators of attitudinal loyalty

17. How do you create long-term relationships with your customers?

The findings were that, in this business sector, ‘trust’ is the key factor in creating long-term relationships. The interviews confirmed that the personal relationship building process creates trust, then long-term relationships.

For example, IB:9 said:

“...I do have long-term relationships and they are there because they have trust in me and my calls. Some fund managers, like the ones in England, hardly look at Thailand. They see that everyone has similar qualities. Take my friend, for example. He has his own clients and his own personal relationships. The clients trust his unbiased views.”

IB:11 stated:

“...You have to follow the rules to create trust. Let’s say if you break the rule once, the trust that the client has in you will be gone and you will always be regarded as questionable.”

IB:10 said:

“...Sometimes it can be hard to maintain relationships over the long-term, as they always send junior analysts or junior fund managers to cover small markets like us. The first would cover Thailand or The Philippines. Then, when they are more expert, they tend to move to bigger markets like China and India. The size is different as is the marketing interest. Thus the interaction between them and us is less.”

18. To what extent are your customers loyal to your company?

The findings demonstrated two factors that indicated loyalty to brokerages:

1. The value of a customer's portfolio maintained over a long period - in other words, a very active portfolio.
2. The relationship or interaction measured by the number of calls, emails or company visits.

However, there are external factors that may affect these and which participants cannot control, such as political or economic turbulence, where foreign investors usually withdraw their money from the country until they are sure the particular problems are resolved. In summary, when these things happen, it affects investment volume but does not change the personal relationships between customers and sales staff.

For example, IB:10 explained:

“..The indicators of customer loyalty can be measured quantitatively and qualitatively. Quantitative measurement is the volume of cash and internal review by a ranking and scoring system. This system is very tangible. Besides this, it can be measured qualitatively by interactions and telephone calls. We look at the flow, marketing share and orders. These are the most obvious factors indicating loyalty. Other attributes can be distorted by external factors.”

IB:12 said:

“...Yes, I am sure that, if you do not have a relationship manager, clients would not do business with you.”

19. Do your customers recommend that others use your services?

The findings were that most foreign investors did not usually recommend their brokers to others because they feared that they might lose their competitive advantage. Most foreign investors were information seekers. They tended to find the best sales staff and the best information for their investment purposes and stay with a few brokerage firms. For example, the IB:12 stated:

“..Mostly, they are not proactive about this but, if someone asks them, they will tell them directly. I think this is because they think they may lose some edge and increase opportunities for competitors. They will recommend other things outside the industry.”

IB:10 said:

“... no, normally I will not recommend my sale to other broker. If someone asks, I may refer only the broker name.”

e: Characteristics and setting

20. What do you think about the current business environment?

The findings showed that both customers and brokerage firms were aware of and understood the characteristics of this business environment, such as high sensitivity, high risk and high context culture. Most participants agreed that doing business in this

environment is more difficult than in the general financial industry. However, some brokerage firms saw this as an opportunity for their customers to invest in.

IB:11 revealed:

“...It is very hard to say because, as I am used to working with it, I can not distinguish it. The business has very high sensitivity but we must use this to our advantage. The fluctuation of the stock market is caused by this high sensitivity and we have to capture this as an advantage and then tell clients about it. We have to face this. Although we might know that this client will not send in an order, we will not stop talking to them until we are sure that, in two years, the client will stop ordering from us.”

IB:12 stated:

“...You have to have knowledge; it is a business of selling knowledge, not people. You have to build the knowledge in the team, from the researchers to salespersons to traders. It might be because companies are our clients, so we are working firm to firm. For individual clients, if they make a loss, they will close their account with you. But, with firms we aim to create trust, educating and creating a long term relationship. There are many accounts that do not have any volume for a while and then, in the third year, boom, volumes flow into the account, or they feel indebted to us and feel that they must find some way to give us something in return.”

21. In this environment, how do you respond to/communicate with your clients?

Email and telephone contact were deemed the most appropriate communication channels in this business environment. However, different time zones sometimes hampered international brokerage firms. For example, to call customers in London, where the time difference is about six to seven hours, Thai securities sales staff had to ring in the late afternoon to contact a customer in the morning, by which time the Thai stock market had closed.

For example, IB:11 said:

“...I think email is very effective. Here, we are working as a team and accounts can be taken to the highest levels of authority in the company, if things are looking a bit bad for the customer. We have to act professionally, being emotionally neutral with clients when they make a loss or whatever.”

IB:10 also stated:

“...When I moved to London, the time difference was about seven hours. Let's say I went into office at seven in the morning, it would be one or two o'clock in the afternoon here. When I talked to clients, the market would already be closed.”

22. To what extent does this business environment affect relationships with your clients?

Most participants agreed that this business environment sometimes affects relationships with customers. For example, a stock analysis or recommendation can change over period of time, sometimes every five minutes. This may create losses for customers' portfolios and may affect trust and relationships.

For example, IB:8 explained:

“...It does have some effect. Either the client believes the sales person or not. If they buy the stock, and then a year or two later, when the sales staff meets the client again and the pitch was not fulfilled, the client complains that what was promised did not occur. This can cause problems with clients. If our predictions turn out to be wrong, we should say why and explain what changed the result, for example, the environment. So, be truthful.”

IB:9 stated:

“...It depends on the perception, some foreigners want to talk to other foreigners because they are talking to each other straight. They trust each other because of this and believe the interaction to be unbiased. They might think that Thais are a bit biased. The sales staff that I know in Thailand have lots of foreign clients, especially other Asian clients. The high context structure, high risk and high sensitivity do not really affect this line of work.”

IB:11 mentioned:

“...It makes it necessary that we have a relationship manager to manage these things. So, it definitely affects things.”

5.3 Findings from Customers (investors)

There were 12 semi-structured interviews conducted for this section: with six active institutional customers and six retail customers who were comprised of three short-term investors and three long-term.

The interview questions for the customers were not exactly the same as those for the securities brokerage firms. However, the areas of study to be investigated in the interview questions remained identical. The purpose was to replicate the meanings of answers from both securities and customer respondents. For example, question no. 3 for securities brokerage firms was: *‘What kind of RM activities do you use in your current RM programme?’* This question was replicated through the following questions asked of customers (questions no. 3, 4 and 5): *‘What kind of RM activities have you experienced with your broker(s)?’*, *‘What do you think about the usefulness of these activities?’* and *‘How do you feel after RM activities?’* The answers to these questions were inter-linked with each other. This strategy not only bolstered the reliability of the interview findings, but also ensured a deeper understanding of the data obtained.

The findings were as follows:

5.3.1 Institutional Customers (investors)

This section presents findings from six interviews, conducted with institutional customers, IC:1 to IC:6.

a: General Question on RM

1. Before commencing this interview, do you know what relationship marketing (RM) is?

In general, half the participants in this group were not familiar with the term, relationship marketing (RM). They thought that, in a fund management company, the most important factor was the information provided. Other services like RM were seen as additional. On the other hand, some participants believed that RM was the same as relationship management.

For example, IC:1 said:

“...The important thing is whether the information needed adds any value to a fund management company. Other services are additional. Accurate information that is up to date, deep and helps us makes good decisions - these are the things that the fund manager is involved in. Other relationship issues like taking us to seminars or to socialise are secondary in our business.”

However, IC:2 revealed:

“I don’t know much about the theory of RM but, in practice, it is part of Thai society to build trust between buyer and seller. Relationship with a client is very important in creating trust.”

2. How important is RM to you?

For fund management companies, information provided through research papers is very important in their business. However, most participants revealed that RM was also very significant. This is because a fund manager can access research or buy stocks from any brokerage, but will usually use those firms with which they have good relationships. Moreover, interviews uncovered that a good relationship eased communication between brokerage companies and investors and made doing business more comfortable.

For example, IC:6 declared:

“...Yes, it is relevant and important for client management because the fund manager always selects information from the one that they are familiar with. If you are not close to them or do not have an established relationship with them, there is less opportunity to access them. Firstly, accessibility is difficult and secondly, if you are not close to them, the presentation format and style may not be attractive or persuasive.”

IC:4 noted:

“...It is the Thai style. We don't want only information from those brokerage firms. We also want them to take care of us as if we were their best customers, to be concerned about whether their information is useful for us, whether we want anything more, whether it is appropriate or whether there are any other comments required. They have to check that the information is useful and adequate for us and whether we need more.”

The observations showed that customers who participated in the small group seminar (case 1) and the corporate access (case 2) confirmed that RM activities were important for them. One customer in the small group said that this activity was very good for investors. It provided useful information for stock investment and also

provided an opportunity to meet with knowledgeable people, such as fund managers. Moreover, one customer who participated in the corporate access activity stated that it was the only way to meet with the senior management of a listed firm. It provided a very good opportunity to question a company's representative directly.

3. What kind of RM activities have you experienced with your broker(s)?

Most of the fund management companies experienced similar RM activities. According to The Securities and Exchange Act B.E. 2553, a fund management firm can no longer receive large gifts or other non-business related activities from brokerages like they used to. All fund management companies are now focused on ethical issues. However, this study found that business-related activities were very important for fund management companies. These included meetings with the top management of listed firms or meeting with experts in specific areas, such as economics or international law. Some brokerages arranged meetings for their customers with the Prime Minister or the Minister of Finance. Brokerage firms providing better corporate access activities gained a higher ranking from fund management companies.

IC:6 reported:

"...Besides giving and analysing information, they are able to help us meet owners of corporations and listed firms. The meeting's topics may not be directly about the stock market. A meeting with an international law expert may be about a current legal issue - similarly, in meetings with political specialists. These activities may not be directly about the stock market but are indirectly related. Corporate access is a must. If they do not provide it, their score will drop immediately. The real competitive edge is in their relationships with the higher management levels of corporations, politicians and legal experts. Non-business activities attract quite a low score because it is personal relationship related. These include lunch and golf."

Furthermore, IC:5 added:

“...Mostly, I have received only information and research. At some point, there might be 'corporate entertainment'. However we cannot accept soft commissions like we used to. There was a time when a brokerage firm could buy the Bloomberg Monitor for us and entertain us warmly. Now, we have limitations. For example, we cannot accept New Year's presents. There is a general guideline limiting this. Anyway, this is not very important.”

4. What do you think about the usefulness of these RM activities?

RM activities were useful for institutional investors, such as fund management companies, provided brokerages organised ones that matched their interests or needs. Consequently, an RM activity was seen as supportive, not core.

For example, IC:6 reported:

“...Very useful because, before they start anything, they ask us what our interests are - such as who we want to meet? Do we want to meet the head of the government party or the opposition? They will survey us about topics we are interested in. In that way, they know our preferences and can organise activities appropriately - not just at random.”

IC:5 said:

“...RM is useful. It does affect our preference.”

IC:2 pointed:

“...Yes, from my 15 years experience, its very useful over the long-term”

Findings from the observations showed that institutional investors preferred to participate in formal activities, such as corporate access activities, road-shows and networking seminars. However, from discussions with the institutional customer in the observation (case 2: corporate access), it was clear that information marketing was more important than relationship building activities. The relationship with marketing is nice to have but a good research paper and updated information is more important. Those are the 'must have's'.

5. How do you feel after RM activities?

The findings suggested that most institutional customers felt that RM is a 'nice thing to have'. The positive aspect of RM is in relationship creation. However, a 'must have' was accurate information in research papers and recommendations. For example, IC:3 mentioned:

"...Relationship activities are nice to have and lead to good connections and ease of working, for example, if I want information, they will react immediately."

IC:2 said:

"...It affects some levels ... in terms of a relationship with the broker's organization - but its not very important to me."

IC:4 mentioned:

"...I think it is a good thing. That is, when you are acquainted with fund managers, you will understand their working style and their needs. Then, a broker is able to provide the right information and activity."

The observations confirmed that institutional customers preferred information marketing to relationship building activities. They favoured securities brokerage firms that provided activities, such as corporate access and networking seminars. Relationship building activities, such as golfing, cocktail parties or dinners, were not important to these customers.

b: Usage of brokerage firms

6. How do you feel about your broker?

Most participants stated that they were happy with the services from their brokerage firms. This answer supported the previous findings that good research and recommendations were very important.

IC:2 said:

“...Most of them are good and most brokers range from good and excellent to average.”

Meanwhile, IC:3 argued:

“...Brokerage firms are so different. We have to evaluate each broker. There are 39 of them and we do not use them all. We have to evaluate their research, market views and recommendations. Also, we look at their past performance, for example, forecasts of interest rates and market trends. We have to see if what they recommended was accurate or close to what happened later. From these evaluations, we know what research is correct and which broker is better. Then trust will be established.”

7. How many brokers do you have? If more than one broker, why?

Fund management companies used about 8 – 15 brokerage firms because different brokerages had different strengths. However, only two to four main brokerages were used for the major of investment allocation. For example, international brokerages firms had a superior comprehension of global networks and information, while small and medium size brokerages better understood local market timing and when to buy or sell stocks. However, all had to provide high quality services.

For instance, IC:2 stated:

“...In general, we use between eight and twelve brokers depending on the time period and situation because we need to know the overall picture to cover the whole market.”

Similarly, IC:1 added:

“...No one broker is good at everything. Let’s say an overseas broker has a global network and really good global information. The big fund house will concentrate on big companies which are their specialty. At the same time, they might not be able to get to small to medium cap companies as well as Thai brokers that are concentrating on Thailand. These are the tactics and some people have better timing than others.”

8. What are your criteria for choosing brokers?

For institutional investors, the findings indicated three important criteria for choosing brokerage firms:

- Good research papers / recommendations;
- Good quality dealer execution, such as being able to buy stocks at a lower price and providing an accurate settlement process;

- Good marketing services, including having good sales staff and organising activities such as company visits, corporate access and seminars.

For example, IC:3 said:

“...Mostly it is about research. We use a lot of brokers for variety. Broker A said this, broker B said that, broker C said another thing. Then we have to evaluate. It is not about diversification to spread risk. It is about information, research and market view. A second criterion is execution. When we send an order, we sometimes order without a fixed price. We just tell them how many stocks we want. Then we let them execute and see who gets a good price, lower than the market price. A third criterion is settlement. This is about service after buying and selling, including the report.”

IC:6 added:

“...Actually, relationship is in our scoring system but it is not the sole criterion. We cannot say they get an overall score from relationship. It will be part of their seminar score.”

At the observation of the corporate access activity, one participant noted that he only used brokerage firms that had good research teams.

9. Which is your main broker? Why is it your first choice?

During the study, there were 39 authorised brokerage firms operating in SET. However, the interviews revealed that only two to four names were mentioned by institutional investors as their preferred brokers. The findings indicated three main factors that ensured that these brokerage firms were the most popular:

- Providing high quality research support;
- Having a global economic view, including global investments and fund flows;

- Providing accurate recommendations for investment, such as the stock pick and timing strategy (when to buy or sell).

The findings showed that institutional investors compared and scored their brokerage firms every quarter. This ranking could change every three months depending on performance. The scoring criteria included the quality of research, accuracy of recommendations (stock forecast), market timing (when to buy or sell stock), dealer services (transaction execution, clearing and settlement) and business related activities such as company visits, corporate access and seminars.

For example, IC:1 explained:

“...We compare brokers every trimester, using our own scoring system. Those with a high score become our preferred brokers. We actually separate the information we need into three parts. One is global - the world economy. The next is coverage of stocks - Thai stocks. The other is timing strategy for the market. Each group has its own two top brokers. The top brokers are the ones that earned the highest score. So, each trimester the top rank rotates among different brokers.”

IC:3 stated:

“...For Thai brokers, it is Phatra Securities. Everyone knows the high quality of their research. There are several foreign brokers, for example, UBS, CLSA, etc. Foreign brokers have some advantage over Thai firms in monitoring global investment in Thailand, for example, fund flows, etc. Thus, foreign brokers have an advantage because they have a broader view.”

IC:2 shared:

“...Sometimes, the research is very good and, sometimes, not good at all. Then, their score drops. Three to four brokers can be first choice at different times. A broker may cease to be first choice, i.e. they were very good and then their research went bad. Their ranking then fell from first to bottom. The top place moves around among three to four brokers alternately.”

10. For how long have you used services from your main broker?

Most participants stated that they have been using their broker for more than three years. However, the rankings of brokers did not change drastically. IC:2 mentioned:

“...Most, 80%, are brokers that we have been using for a long time and 20% are new. We have used that 80% since the beginning of our business, around three-four years ago.”

IC:6 stated:

“...While working with three companies in past eight years, I kept the same brokers. I arrived here and they did not use the broker I used to use. Then I introduced that broker to this new work place, but they had to meet the criteria that I mentioned earlier. Personal touch helps because, if I know you, I can introduce you.”

IC:5 added:

“...However, fund managers and dealers are those who work closest with the brokers and give each brokerage a score and then IC may approve them again. Scores come from performance and change quarterly.”

11. How much do you invest with securities firms?

The majority of participants revealed that the volume of investment depends on each broker's score. In addition, the study revealed that, even though there was no score for 'personal touch', some participants insisted that this did aid good communication and service, such as speedy responses to questions.

IC:2 revealed:

“...Volume of investment depends on the score. The score is based on three criteria from the fund manager and one from dealing. Although I, personally, may like one broker a lot, their score is based on the views of many fund managers in the department who vote on evaluation.”

Similarly, IC: 3 added:

“...For example, we have 10 brokers with high scores who will get a lot of volume. Personal touch/relationship can contribute to scoring because it is in the items, such as when they have news and information, they notify us. Is this personal touch? If not, it is research. It definitely includes good communication and service, for example, sending orders and asking for information. This person can respond well, while another person may not be as good. So I have a preferred person and it depends on their score.”

12 How often do you contact your main broker? Whom and for what services?

Most participants contacted their broker very day. Usually, brokerage firms called them to update market information.

IC:2 said:

“...Everyday. They call in the morning. Every broker will call us as they are service providers and we are their customers. Something a bit special that they have done recently is SMS. Some brokers update international market news on weekends.”

IC:3 stated:

“...It is depends on the percentage of our order. There will be a percent we will spend on each broker, for example, 18%, which affects how much each broker will get. This one may have a lot of orders already and so other orders will go to other brokers. Each broker will get a volume of orders close to what the firm has given as a guideline.”

IC:6 added:

“...We allocate a percentage. This year, the market is quiet and we are not trading so much. However, they will still get their proportion of orders according to our scoring system.”

c: RM and Customer Loyalty

13. In terms of information to support your investment decisions, what do you get from your broker? How do you get it?

In regard to information to support investment decisions, most participants said that they received regular research papers, daily reviews and monthly and quarterly notes. Some brokerage firms also provided useful activities, such as company visits and meetings with CEOs or CFOs of listed companies.

For instance, IC:3 reported:

“...Every morning they call us at nine. We choose only some brokers to brief us. Some want to brief us but, if we think their quality is not good enough, they will not have the chance to do it. Also paper research, company visits. They arrange meetings with corporate executives.”

IC:2 said:

“...Information that I need is good quality research. Some brokers have very low quality research. Frankly speaking, I read it and just throw it away. With good research, when you open it, you see a large amount of information.”

IC:5 said:

“...Regularly, I get a research paper and a daily, monthly or quarterly note. My broker organised some useful activities such as an opportunity day and an

analysts' conference. They ask CEOs of each company to share inside news and ideas. That is the kind of activity that we are talking about."

These findings confirmed those from the observation (case 2: corporate access): that information is more important for institutional investors. The brokerage firms that have highly regarded research teams and papers received higher scores in the customers' quarterly evaluations.

14. How did you respond to these RM practices?

The findings suggested that most institutional investors did not really care about RM practices. As mentioned earlier their response was based on their scoring system. For example, IC:3 stated:

"...For example, I went to Phatra Securities' thank you party. Fund managers like it and its nice to have activities. If they do not offer it, it is OK, as long as their research quality is good. It's OK that they make good relationships by taking me out for dinner. We have to be careful as it is can be seen as a soft commission which we cannot accept."

IC:1 said:

"..We have our own scoring system that records what different brokers offer - what kinds of services, such as inviting us to seminars, company visits, or to hear guest speakers. We then compare the different brokers we are currently using, according to which broker gave us what amount of service on a trimester basis. It is a part of rating brokers."

Findings from the observation (case 2: corporate access activity) were that institutional investors actively participated in that activity. They spent most of their time discussing topics of interest with the companies' representatives. This confirmed that information was regarded as most important by institutional investors.

15. If so, to what extent are you satisfied with these RM practices?

The findings from the interviews confirmed that institutional investors gave priority to the quality of research and services. RM practices were only a ‘nice-to-have’ factor.

IC:2 said:

“...I’m satisfied with RM practices but it is a ‘nice-to-have’ attribute. Thus, it does not affect loyalty. If it is poor in quality, there will be no loyalty as we need to use it. For the time being, it is OK. It is only my feeling but there is no score for it in the scoring sheet. I don’t know where to score it.”

IC:1 showed:

“...To choose a firm as a preferred broker, we would have to be happy with the information they give. If not, they would not be in the top tier they are now in. No one is perfect, that is why we rate the brokers differently.”

IC:3

“...It is only nice to have, as I mentioned at the beginning. The quality of their product must come first. What is their quality? Research, execution, settlement, bonds and IPOs? RM is good for communication and when I ask for some information and they can find it for me. They understand me.”

The observation revealed that institutional customers were satisfied if brokerage firms provided appropriate information marketing activities, such as corporate access, networking seminars and research papers.

16. How do these RM practices benefit you, if at all?

The findings from the interviews and the observations suggested that institutional investors saw only business-related RM activities as beneficial. As presented in the previous section, these included activities that benefited and supported brokerage firms, such as company visits, corporate access activities and listening to good speakers.

For example, IC:1 noted:

“...If it has to do with investment, it is useful. For example, they may invite a really good international economist to meet with us. We would see the other side of how they view both the Thai and global economy. Usually, it would relate back to investment. Aspects like making friends, going to parties and socialising are not really given much consideration.”

Similarly, IC:5 added:

“...When there are seminars or other activities, we attend. It is an extra point, also important. However, it will not override research and execution quality.”

17. How does RM affect your loyalty to your broker?

The majority of participants revealed that RM strengthened their loyalty to their brokerage firms. Its impact depended on the expectation of each brokerage firm. Moreover, half the participants insisted that, if the quality of research and execution are equal across firms, those companies which provided better RM would be their first choice. For example, IC:3 stated:

“...If the quality of the product is similar, RM will be more important. If product quality is clearly different, for example, Phatra, CLSA, well, everyone accepts that they have good quality research and execution and also RM.”

IC:4 added:

“...Building relationships is definitely useful because once everyone is familiar with each other, negotiations are easier.”

In another's point of view, personal relationships did affect long term loyalty.

For instance, IC:6 said:

“...I can tell you a case. There is a guy, Mr. A, he is one of the top five sales staff in the brokerage. I have been using him for seven to eight years. When I moved to another company, I kept using his services. They assigned Mr. B to be my contact person, but I asked to use Mr. A. Later Mr. A moved from TISCO, and he wanted to keep my account. Now this is a personal relationship. I'm OK with him personally because he is capable. However, I needed to talk to his research team first. I would like to get to know the whole team. Who is your economist? Who is the head of each sector? If they meet my criteria, I will open an account with them.”

18. What are the main reasons that you keep trading with your broker?

All participants declared that research quality was the main reason they kept trading with the same brokerage firm. Supporting factors were executions and relationship marketing.

For instance, IC:2 stated:

“...I think, good information marketing and database management are the main reasons. Supporting relationship activities is just a plus.”

IC:3 said:

“...The main reason is quality of research.”

IC:4 mentioned:

“...I think that is part of it. Product is another reason and the relationship.”

d: Loyalty and indicators of attitudinal loyalty

19. How often do you invest with your broker? Why?

Findings suggested that more than half the participants invested through their brokerage firms every day. The frequency depended on market conditions, the quality of sales and the analyst.

IC:6 said:

“...It depends on quality of sales and the analyst. They are like chefs at restaurants. If the chef resigns, then the food is no longer good. It is then like a restaurant with only tables. So that is the end.”

IC:2 also mentioned:

“...Everyday, we allocate orders to different brokers and rotate according to the dealer. It is not the same broker everyday. We will allocate a set amount of investment in each quarter, for example, broker A: 20%, broker B: 30%.”

20. Do you have any person in your main brokerage with whom you are familiar or have some kind of personal touch? If yes, does this benefit you somehow?

The findings suggested that there were two opinions on this question. Firstly, half the participants revealed that the personal touch did not play an important role in this situation. It could not be scored and was only a supporting factor.

For example, IC:1 said:

“...Personal touch with brokers is very low but with our clients we have personal touch. You mentioned the quality of the marketing person. Does that have anything to do with personal touch? It has nothing to do with personal touch. If they are able to give valuable advice to us on the market or the investment situation. Wrap up the idea in the research and sell it to us - the interesting points in the research. Check market news and keep confidentiality.”

However, the other half argued that the personal touch does provide some benefit to them. For example, IC:3 declared:

“...I cannot deny that personal touch plays some part in our scoring system but we do not note it overtly. When it comes to the scoring system we cannot say personal touch as the committee will not allow it. If we just say that they are good, that is OK.”

21. If your favourite marketing/sales person resigned from your main brokerage, would you change broker? Why?

The interviews indicated that all institutional investors gave priority to the quality of research rather than the sales/marketing staff. The participants believed that, without the research team, the marketing/sales staff cannot provide accurate recommendations. However, if a favourite marketing person moved to a brokerage firm of the same quality, there was a chance that institutional investors would allocate some money to the new broker. Normally, they re-evaluate brokerage firms before they decide to change an allocation. For example, IC:3 said:

“...if the quality of the research is still good, I will stay with the same broker. However, the percentage maybe less because there is no one to relate well with. I would not follow them if they went to a worse broker.”

IC:2 added:

“...For example, when one of the marketing staff resigns, we evaluate how efficient the new staff are - not that the new one has to be as good as the old one, but their performance should not drop. Then, we would score them at the same level.”

IC:4 said:

“...I have to ask whether the attitude toward the company changes when there is a movement. That brokerage would be re-evaluated.”

22. Has amendment of brokerage services, such as changes to commission fees, ever caused you to stop dealing with a broker?

The findings revealed that institutional investors were not price sensitive customers. Almost all participants confirmed that changing commission or service fees did not affect their relationship with brokerage firms, provided the brokerage firms gave a reasonable explanation.

For instance, IC:5 explained:

“...if the change improves their operation, even though it might increase some things, it would be acceptable. If the change is caused by changes in SEC rules and regulations, we have to change in order to comply with them anyway.”

Again, IC:4 mentioned:

“...Retail investors might not like it but, for institutional investors, it is different. We would ask for the reasons. If you can give us a rational explanation, no matter how often you change, it's alright.”

And, IC:3 said:

“...Price sensitivity amongst institutional investors is less than with individual investors because what we want is quality research. If we do not pay commissions to brokers with good research, we will lose it or its quality will drop.”

23. Have you ever recommended or encouraged others to use your broker?

Why?

The findings suggested that, normally, institutional investors did not recommend their brokers to others. This was because all institutional investors had an investment committee which decided which broker to do business with. It depended on the results of the scoring system. Therefore, word-of-mouth recommendations did not really apply to institutional investors.

For example, IC:4 mentioned:

“...It does not mean anything. We don’t recommend our brokers to other companies because each of them has their own investment committee to handle this. Moreover, Thai fund managers do not have relationships with each other, unlike foreign fund managers.”

IC:2 said:

“...I will recommend but whether they will use it or not, I don’t know. I will talk straight about both negative and positive performance.”

IC:3 noted:

“...Not really, because it is an internal affair.”

24. In your opinion, do you think that you have a strong relationship with your broker? Why?

The majority of participants reported good relationships with the marketing/sales staff of brokerage firms. This was because they had known each other for a long time. However, the findings suggested that their relationships were based on the firms' quality of service. Without good services, there would be no relationship or loyalty. For example, IC:2 stated:

"...In this industry, there is no true friend or enemy. It's a professional relationship."

IC:3 said:

"...Yes, I have a strong relationship with my relationship manager. A strong relationship for me is about the information that I will get when I ask for it. If they can provide it, that is a strong relationship."

IC:4 added:

"...The business relationship is quite strong. They know what we want from the main brokerage."

Again, IC:5 confirmed:

"...Yes, I think I have a strong relationship with the top five brokers. I haven't changed brokerage firms for a long time so I consider it to be a strong relationship. As I mentioned earlier, it is the overall package of a firm's human resources and activities."

e: Characteristics and Setting

25. What do you think about this business environment?

Half the participants suggested that certain characteristics were inherent in this business environment, especially in an emerging stock market. There is high risk, high sensitivity and a high context culture. For example, IC:16 stated:

“...I feel positive about this environment because I believe it is an imperfect market. Thus, information is not equally received, so we have to be selective and listen to people.”

IC:1 said:

“...It has a big impact on us. If a broker analyzes something and its still not clear why you want us to go North or South, you can guess how trustworthy that person is. Especially, for brokers who change accommodation on the fly according to the market. These guys have no consistency. We do not mind them being wrong, but I want them to know where they are wrong in their assumptions.”

IC:2 also mentioned:

“...I think we are always straightforward. I think institutions always speak directly as we are not dependent on relationship activities. We will speak in a straightforward manner. If they call and talk a lot, I just tell them to keep it short.”

26. How do you respond to this environment?

The majority of institutional investors responded using the scoring system, as it is objectively based. If brokerage firms give accurate recommendations, they get high scores. For example, IC:3 stated:

“...In the end, the environment will prove whether the news is true. If it is, I will give them more points and listen to them. If another firm provides rumours, their news may not be reliable.”

IC:1 confirmed:

“...I respond by entering scores, showing that their recommendations are good or bad.”

27. To what extent does the business environment affect your relationship with a broker or marketing representative?

The findings showed that the environment, (high risk, high sensitivity and high context culture) did not affect relationships or loyalty. For institutional investors, the most important factor was a broker's performance and score. The relationship with marketing/sales staff can be constant but they will not use a brokerage firm if the company performs badly on the scoring system.

For example, IC:1 said:

“...It has no effect on the relationship. It is just that your performance is bad. If they keep doing a bad job, they might not get any business from us. One day, if they improve they can return. It does not mean that we do not like you anymore.”

IC:2 mentioned:

“It does not affect loyalty. It is not important for institutions, unlike retail investors. Some brokers claim hot shots (inside news) to attract clients. I think providing inside news is negative for relationship marketing. No one can get this kind of information everyday. If they chase it, it may not be reliable.”

However, there was another point of view - that this environment does affect the relationship. IC:6 stated:

“...It affects relationships because if the sales person is not there, there will be no link with the company. As I mentioned, the performance of some brokers even foreign brokers, is affected when the sales person is not there.”

5.3.2 Retail Customers (investors)

This section presents the responses of retail customers. In the Thai securities market, there were two distinct groups of investors, firstly, active short-term, or speculators, and secondly, long-term investors. The main differences between these two groups were that short-term investors were mostly profit takers, buying and selling stocks more frequently, while long-term investors were passive, trading stocks only occasionally. (See detailed description in chapter 4)

Six interviews were conducted with this respondent group - three with short-term and another three with long-term customers. The respondents are coded RC:7 to RC:12.

a: General Questions on RM

1. Before commencing the interview, do you know what relationship marketing (RM) is?

The findings from interviews and participant observations suggested that most participants did not know the term, relationship marketing. Short-term investors (speculators) saw interactive communication between them and a brokerage firm's marketing staff as the most important factor to them. Sometimes, a small individual investor felt afraid to ask too many questions of marketing staff because their portfolios were not large. In other words, they felt unimportant. However, long-term investors did not really care about the relationship with the brokerage. They saw the marketing staff's duty as receiving trading orders and highlighting interesting stocks.

For example, RC:7 (short-term investor) said:

“...There should be communication from both sides to make it easier to exchange information. Otherwise, some clients might be too afraid to ask, for example, clients with small portfolios. The commission from these clients is very little so brokers might give more time to bigger portfolio owners.”

RC:8 (long-term investor) revealed:

“...About this term (RM) in the brokerage business, I do not fully understand it because I know only marketing staff whose duty is receiving orders via telephone and pointing out interesting stocks. Therefore, I am not sure whether there is such a thing in this business.”

At the first observation case (small group seminar), an investor said:

“I don’t know what RM is, I think it is something that brings customers closer to sales staff”.

2. How important is RM to you?

All participants agreed that ‘relationship’ was very important for them in this business environment. The differences depended on the type of customers – long-term or short-term investors. For example, short-term investors needed more personal relationship and valued recommendations and suggestions from brokerage firms. On the other hand, long-term investors required more services support from the broker, for example, information sent directly from the firm, research papers and, sometimes, discussions with an analyst or researcher.

RC:9 (short-term investor) said:

“...quite a lot. It helps reduce the space between brokers and clients. A broker may not give more useful information to some clients because there is no thoughtfulness, just like an acquaintance.”

On the other hand, RC:11 (long-term investor) stated:

“...After I got the screen, I could obtain more information about business firms and volumes. I used to send an order by phone, ask the marketing staff to execute it and confirm the transaction later. As the technology has progressed, I can now send an order through the internet. This is very convenient. I really like it.

3. What kind of RM activities have you experienced with your broker(s)?

Findings were that short-term investors had experienced some RM activities from their brokerage firms, such as attending seminars and having lunch with marketing staff, which supported the first observation case, where most attendees at the small group seminar were retail short-term investors. On the other hand, long-term investors were not interested in RM activities although they were invited to participate.

RC:7 (short-term investor) stated:

“...He invited me to attend a seminar and told me to watch his screen, to observe how they play - the techniques. Sometimes, he would ask me to have lunch with him. We have the same hobby, model collecting, so we talk about models and computers.”

Alternatively, a long-term investor, RC:10 explained:

“...Its not important, not what I want. I don't want to waste time with something not needed to create value. However, if they really have an idea about a good stock, have consulted with their research team and want to discuss it with me, I would respond well.”

The observations (case 1: small group seminar and case 4: investment exhibition), showed that retail customers seemed to enjoy participating in these RM activities. The observations confirmed that most retail investors had good, close and informal relationships with marketing staff, sometimes appearing to be close friends.

4. What do you think about the usefulness of these RM activities?

The findings from interviews and observations showed that short-term investors saw RM activities as useful in creating relationships between customers and marketing officers, but not with brokerage firms. None of the long-term investors confirmed the usefulness of RM activities.

RC:9 (short-term investor) noted:

“...I think it is useful for the officer rather than for the brokerage firm. Actually, the people who contact and take care of us are the marketing staff, not the brokerage. I used to think that if he moves from this firm, I will follow him because my relationship with the seller is closer than with the firm.”

The RC:12 (long-term investor) said:

“...Yes, it is useful. This is because it helps the customers get in touch with marketing staff and brokerage firms. The activities help create relationship and this makes the communication more relaxed and understandable.”

b: Usage of brokerage firms

5. How many brokers do you have? If you have more than one broker, why?

The majority of participants used only one brokerage firm. No participant saw any benefit in having more than one taking care of their portfolio.

For example, RC:10 (long-term investor) said:

“...I have only one broker because I don’t want to remember where every stock is. It is easier for portfolio management and I can look at the total portfolio. I don’t know whether I am right or wrong but this is convenient.”

RC:7 (short-term investor) mentioned:

“...I have only one because I have not got that much capital. In the future, if I don’t have any problems with my current broker, I will stay with him.”

RC:11 (long-term investor) stated:

“...Now I use only one broker. I left other brokers before. I’m with one company. Previously, I had many firms.”

6. What are your criteria for choosing a broker?

The findings suggested various needs and requirements among customers. Firstly, short-term investors needed more human relationship and support, such as friendliness, ease of communication and the opportunity to ask questions. Mostly, they chose brokerage firms on the recommendations of friends or relatives. Secondly, long-term investors sought good research and information, ease of access and a wider range of services.

RC:8 (short-term investor) mentioned:

“...Actually, I chose this broker because my friend’s relative is working in this firm. So, he said that he would find someone to take care of me. At first, I consider the friendliness because, if I know my broker, I can easily ask questions

or ask for recommendations. Stock trading needs time, knowledge and other people's opinions."

Interestingly, a long-term investor, RC:11 stated:

"...I use this firm because of, firstly, research and information and secondly, systematic accessibility. When I call, if my marketing person is not there, other people can manage it just as well. I know who to call or connect with. Thirdly, they provide a wider range of services. They provide other kinds of investments apart from stock. Fourthly, service quality from execution to reporting is good. They understand me."

7. How much do you invest in securities?

The findings showed that, for individual investors, there are several factors that affected their investment volume, for example, market conditions, trust that marketing will take care of them and the credibility of the brokerage.

For example, RC:11 said:

"...Relationship is part of the reason for my investment but ultimately, it depends on trust and credibility. Corporate image is part of it at some level. Still it is the trustworthiness and credibility of the person I deal with. I feel comfortable, trusting and assured that they can manage my account well. I think relationship creates trust and credibility. If the relationship management is not good, this cannot happen."

RC:1 said:

"...At first, I played stocks one by one. I didn't trade that much. When the stock prices were falling, I stopped for a while. I couldn't sell the stock I held at that time. Normally I trade during the day, just short-term."

8. How often do you contact your main broker? Whom and for what services?

The findings showed two distinct behaviours, active and passive investment behaviours, governing a short-term investor's contact with a marketing officer. One participant said that he contacted the firm twice every hour. However, long-term investors rarely contacted their broker, as they were not frequent traders.

For example, a short-term investor, RC:7 said:

"...Everyday, I contact once or twice every hour when I trade in TFEX. I have concentrated on SET50 Futures for three months. This is for speculation. I don't think it is for risk management. Thais buy and sell for profit."

A long-term investor, RC:11 stated:

"...I do not trade frequently. I always buy and keep it for a long time."

9. Overall, how satisfied are you with your main broker's services?

The findings were that most participants were satisfied with their brokerage firms. The customers' criteria or expectations varied according to the type of investor they were (see question 8).

RC:2 stated:

"...Overall, I feel OK with my broker. I closed an account with one I was not satisfied with."

RC:7 said:

"...Just moderate. They just do their job. Whether they do it or not, it is the same."

RC:10

“...I am quite satisfied but she could be better at finding more value opportunities for me.”

c: RM and Customer Loyalty

10. In terms of information to support your investment decisions, what kind of information do you get from your brokers? How do you get it?

The findings were that short-term investors preferred to contact marketing staff often, mostly for recommendations about which stock to buy and when. On the other hand, long-term investors preferred to receive value-added services from brokerage firms, not simply learn when to buy or sell stocks. For example, they wanted marketing staff to tell them which stock was undervalued, which listed company had good corporate governance or to invite them to seminars. In addition, long-term investors did not need these staff to contact them often. However, they expected them to always be available, if they wanted to talk with them. For example,

RC:7 (short-term investor) said:

“...He would give some advice and wait for our decision. Mostly, he would call and send emails for the information, a daily portfolio report. Sometimes he calls to say that this stock has an upward trend, gives me the data and details and asks me whether I want to buy the stock.”

However, RC:11 (long-term investor) stated:

“...SMS, email, internet, phone... that is all. This is a lot already. I do not require face-to-face contact. Some may need it. If they are accessible, it is no

problem for me. Whenever I want to, I can call and talk to them. There is no problem. I do not require them to call me everyday or every other day. What I expect is that when I call I can find them.”

11. If so, to what extent are you satisfied with these RM practices?

The findings suggested that most short-term investors were satisfied with RM practices. They believed that RM gave them a chance to gain more knowledge about the stock market and its products. In addition, they could get to know the marketing staff and then communication was better. These findings supported the observations’ findings that most retail customers enjoyed RM activities and preferred relationship building events.

RC:9 (short-term investor) said:

“...I feel good. I think they try to give us knowledge and befriend us. In some cases, the client has never met the seller. At least they can get to know each other. It is better to have an acquaintance.”

For long-term investors, RM practices were not really important. The findings showed that, for them, information was more important.

For example, RC:11 said:

“...Moderate, I have to go back to the bottom line first. In this advisory service, you get the money, if it is good quality. If they invite you to participate in lots of social functions but you lose money in your portfolio or investment advice is very poor, you will not stay with them, right? This is added-on service. It is just nice to have but I don’t know if it is important. For me it is not. Core service must come first. If it is no good, other things will not help.”

RC:10 stated:

“...It is not important and not what I want. I don’t want to waste time with something that does not create more value. However, if she really has an idea about a value stock, already consulted with her research team and wants to discuss it with me, I will relate well to her. It is valuable information. However, this is just the value-added that a broker can do for us. I am not really interested in whether they invite me to have dinner or play golf. If they give me a golf ball, that is fine but will not really affect the relationship.”

12. How do these RM practices benefit you, if at all?

The majority of short-term investors agreed that RM practices were important in terms of gaining knowledge about stock investment and creating relationships with marketing staff. For instance, RC:7 (short-term investor) said:

“...It is useful for me because they give me more knowledge. Sometimes I have to see his face to know what he is thinking and whether he is sincere.”

Again, long-term investors thought RM practices were not very important. This supported the observations’ findings that short-term retail investors have closer relationships with marketing staff.

RC:10 said:

“...information marketing is very important but, in regard to relationship activities, such as golfing or having dinner, for me, it is not important.”

RC:11 commented:

“...The more sophisticated the product, the more you must be well taken care of, right? You need to find a person who is sophisticated and knowledgeable enough to provide advisory services, then RM can come in. Understanding the customer is very important, so RM must play significant role.”

13. How does RM affect your loyalty to your broker?

Most short-term investors confirmed that RM had an impact on their loyalty to a brokerage firm. However, the interviews suggested that most of these investors had close relationships with marketing staff and were, in fact, not really loyal to the firm. For example,

RC:9 (short-term investor) said:

“...It really has a big effect. That is, I don’t move to other brokers or open other accounts. However, it is a disadvantage for the brokerage firm because, if my marketing person moved, I would move with him.

For long-term investors, the factors that impacted on their loyalty included good research and information, ease of access and a wider range of services. It was certainly not personal relationships with marketing officers. For instance,

RC:11 stated:

“...I want high quality research papers and accurate recommendations.”

14. What is the main reason that you keep trading with your broker?

The findings indicated a difference between the two groups. The short-term investors believed that the personal relationship with marketing staff was the main reason for loyalty to a broker. The research revealed that there was no strong relationship between a short-term investor and a brokerage firm.

RC:7 explained:

“...I think its the service from my broker. I give 80% to the seller and 20% to the service from the company. The broker is like an insurance salesperson. People buy insurance because of a personal relationship rather than the firm.”

On the other hand, long-term investors stated that the most important influence on loyalty for them was the quality of brokerage services, including superior research and execution. For instance, RC:10 said:

“...Just like I said, my broker must be ethical, service-minded and punctual. I just want to have one broker.”

d: Loyalty and indicators of attitudinal loyalty

15. How often do you invest with your broker? Why?

The findings showed, not surprisingly, that short-term investors tended to invest more frequently than long-term investors.

For example, RC:7 (short-term investor) stated:

“...It depends. Sometimes, I trade every day, sometimes less.”

RC:12 (long-term investor) stated:

“...I think, less than once a month. It depends on market conditions. But I restate that transactions are very infrequent.”

16. Do you have any person in your main brokerage with whom you are familiar or have some kind of personal touch? If yes, does this benefit you somehow?

Research suggested that most participants agreed that they have good relationships with brokerage firms' marketing staff. The findings confirmed that the personal touch played an important role in this business segment and benefited both parties. For example, it made communication friendlier, more informal and easier to understand. However, the findings also indicated that the personal touch was not the only reason that investors stayed with a broker.

For example, RC:11 (long-term investor) said:

"...Yes, it must be relevant because personal relationship is important. When choosing between a broker or wealth manager, most investors look at many aspects: corporate, personal, system and information. If one aspect changes, we have to evaluate the replacement. If it is not better, I have to reconsider. Still, I have to also consider other factors, for example, system, information, corporate."

RC:11 (long-term investor) said:

"...At the moment, I have recommended her to another person who wants to open an account, I would recommend her immediately, not the others. However, I don't know what the future will be. There are brokers who tried to get me to change but I decided to stay."

From a short-term investor's viewpoint, RC:19 stated:

"...Yes, we are like friends. This makes my investment a lot easier. For example, I can talk to my marketing officer on any topic - stock information, when to buy or sell or even matters not related to stock."

RC:9 (short-term investor) stated:

“...In this Thai securities brokerage industry, the relationship with marketing is very important because they can help you in everything. It is the nature of this industry.”

17. If your favourite marketing person resigns from your main brokerage, will you change your brokerage firm or stay? Why?

The findings suggested that for short-term investors, personal touch was very important. If their favourite marketing person resigned, there was a strong chance that they would follow their marketing contact to the new brokerage firm.

For example, RC:7 said:

“...I might consider the new marketing staff. I might open more portfolios and then, if the new one is not that good, I would move.”

For long-term investors, the findings showed that to have a relationship with the marketing staff is important but not the main factor determining switching brokerages.

RC10 said:

“...Maybe, I have to consider the replacement. It won't be an automatic transfer. I think personal touch has some benefit in the relationship but I wouldn't be too sensitive. At most, I would open an opportunity for the other brokerage firm. If they are good enough, I might transfer everything. Otherwise, I would close the new account.”

18. Has amendment of brokerage services, such as changes in commission fees, ever caused you to stop dealing with a broker?

The findings were that short-term investors were more price sensitive than long-term ones.

A short-term investor, RC:9, said:

“...If there is a change in the commission fee, I might ask my marketing contact to move to another company. If the company’s service is not that good, I will complain.”

A long-term investor, RC:12 stated:

“...Specifically, about changing commission fees, that would not make me stop trading immediately. I don’t think higher commission is such a big deal.”

19. Do you say positive or negative things about your broker? Why?

All participants mentioned that they would complain about or recommend their marketing staff and brokerage firms to others. Only one short-term investor mentioned that he might not complain directly because his portfolio is small.

RC:10 (long-term investor) said:

“...Yes, of course. I have already recommended them to many people. If I found something negative, I would complain, change brokers and also tell my friends not to use that one.”

RC:7 (short-term investor) stated:

“...I might not complain directly but I would reduce my volume. If it is getting worse, I would change brokerage firms. This might be because I have a small portfolio. If I had a larger portfolio, I might complain to their supervisor or try to find out what the problem is.”

20. In your opinion, do you think that you have a strong relationship with your broker?

The findings were that half the participants had strong relationships with marketing officers. A quarter of participants mentioned that they do not have strong relationships with their marketing officers because they do not believe it is necessary. For instance, RC:12 said:

“...I have a moderate relationship. Not that strong. It is not necessary to have strong one. For me moderate is OK.”

RC:8 stated:

“...Yes, I have a close relationship with my marketing officer, not with the brokerage firm.”

e: Characteristics and Setting

21. What do you think about this business environment?

The findings indicated that all participants thought that high risk and high sensitivity was inherent in the stock market. However, short-term investors said that when the market was turbulent and declining, they tended to leave the market. On the other hand, long-term customers took this as an opportunity to invest and make large profits. For example, RC:11 explained:

“...Before I became an investor, when I was still a speculator, this kind of environment really affected me. However, as an investor, I don't focus on market timing but on the fundamentals. Now, I take advantage of market fluctuations. When the overall price is high, I gradually sell. My strategy is quite

weird because, normally, most wait until the peak before selling. When everyone is panicking and the stock price is falling, it's time for me to buy."

RC:7 noted:

"...It is the nature of Thais, or perhaps human beings, to be afraid of losing money. Sometimes, they think that they must receive profit after investing. They don't think about the other side. It is true that, in a high-context setting, some retail investors leave the market after losing without complaining to brokerage firms."

22. How do you respond to this environment?

The findings were that most participants agreed that it was most important to receive regularly updated news and information from brokerages. All participants were aware of the Thai market's characteristics. In other words, respondents accepted that it is in the nature of the Thai securities brokerage industry (high risk, high sensitivity).

RC:10 (long-term investor) said:

"...I do nothing. Just keep updated with the news by, for example, watching some TV programme. And sometimes, my brokerage sends me a newsletter."

RC:8 (Short-term investor) said:

"...I will talk to my marketing contact more often to receive updated news and information."

23. To what extent does this business environment affect your relationship with a broker or marketing representative?

Most participants agreed that the environment did affect relationships. Particularly, when there was a rumour or sensitive news in the market, investors contacted their brokerages more often. If there was no bond between investors and brokerage firms, it made communication and business more difficult.

RC:12 said:

“...Of course, it must have some effect because the product is very sophisticated compared to those of other industries.”

RC:7 explained:

“...I think it does affect things. The news could change very often and then we have to contact our broker more often. If we do not feel comfortable with him, then it is hard to ask questions even when it is necessary to do so. However, I am close to my broker so I can consult him.”

RC:9 noted:

“...Normally, I would hear a rumour and call him to ask whether it is true. I think he has connections which I don't have. Then, he would explain whether the rumour is true or not and the underlying reasons.”

RC:8 stated:

“...It does affect things, especially for a new investor, because comments from a broker can influence them and create a bias. However, after receiving a lot of comments, I use the news and wait until the action appears on the chart. Therefore, rumours make me watch that stock as “watch risk” rather than “just buy it”. To invest or not depends on the chart.”

5.4 Summary

The research findings established the importance of RM in the Thai securities brokerage business. All participants, including local and foreign securities brokerages, institutional investors, individual short-term investors (speculators) and long-term investors, agreed that, in practice, RM was significant although the degree of this varied according to the type of customer (investor).

It was found that securities firms in Thailand implemented three types of RM activity - firstly, *information marketing*, secondly, *relationship-building*, and lastly, *utilising database-marketing*. However, it was found that the most brokerages did not have or did not utilise database marketing to support their RM practices. These findings form a significant and original addition to the current body of knowledge of RM.

The study identified three principal factors impacting on customer loyalty to Thai securities brokerage firms - firstly, *providing high quality research papers*, secondly, *having close relationships with customers* and lastly, *providing efficient trade execution services*. The findings add another contribution to professional practice from this study.

All market participants in this study were aware of the Thai stock market environment's intrinsic characteristics of high risk, high sensitivity and high context culture and agreed that, in this milieu, good relationships with representatives from brokerage firms were advantageous. Moreover, most stated that these characteristics and the setting did not affect loyalty and relationships. This forms a new addition to the body of RM theory in the financial services sector and in SET specifically.

Among the four respondent groups in this study, a number of similarities and variations were found. The findings for each are summarised below.

a. Local securities brokerage firms:

RM was an effective instrument in gaining customer loyalty in the securities brokerage industry and most local brokerages implemented RM activities in a similar manner, but concentrated on different areas according to their dominant customer type. That is, companies focusing on individual investors tended to give greater attention to relationship-building activities than to providing information, such as research reports. These firms concentrated on constructing closer relationships with customers by using the ‘personal touch’. In contrast, local brokerage firms, which focused on institutional investors, such as asset management companies or foreign funds, emphasised high-quality information provision. These findings provide a valuable addition to current practice knowledge.

The study also identified the most influential factors impacting loyalty for brokerages. Firstly, there were *information services*, for example research papers and newsletters, secondly, *understanding different customers’ investment behaviours*, for example those of long- and short-term investors and institutional and retail investors and lastly, *providing one-stop services*, by offering all products available on the stock market. These findings offer new knowledge for professional practice.

In response to the question, *do brokerage firms treat their customers differently?*, it was found that all local securities brokerage firms in SET treated their

customers differently, depending on the type of business received, for example, higher volume investors received more attention and services than lower volume.

b. International securities brokerage firms operating in Thailand:

The study found that, without relationships, it was almost impossible to survive in this competitive business environment and retain customer loyalty. It was discovered that international brokerage firms emphasised two equally important RM practices: firstly, building personal relationships and the company's reputation with customers and secondly, providing insights and quality information to support clients' investment decisions. The research revealed that foreign institutional customers perceived sales or marketing officers as rather like '*ambassadors*' for the Thai market. In addition, the findings were that international securities brokerage firms operating in Thailand also expected a personal touch/relationship approach. The relationship between marketing/sales staff and foreign institutional fund managers was crucial. These discoveries have extended the body of academic and practice knowledge of RM in the financial services industry.

Another major contribution to practice knowledge is the identification of the most influential factors affecting loyalty to international securities brokerages. These were firstly, *having good relationships with customers*, secondly, *providing high quality summaries of key information* and lastly, *offering un-biased and independent advice*.

In regard to the indicators of attitudinal loyalty and international brokerage firms, the finding was that most foreign investors did not usually recommend their

brokers to others because they feared losing competitive advantage. This is a new addition to the knowledge of RM and attitudinal loyalty theory.

In responding to the question, *do brokerage firms treat their customers differently?*, it was found that international brokerages, unlike local securities firms, treated their customers equally. This was because firstly, foreign clients were very large volume traders, secondly, it was difficult to provide relationship-building activities and lastly, foreign customers seldom came to Thailand.

c. Institutional customers (investors):

This study found that business-related activities, such as corporate access and information provision, were very important for companies dealing with institutional investors who all expected high quality research papers, up-to-date opinions on global and local economic issues and political insights. Securities brokerages that provided better information, trade executions and support through business-related activities, were ranked higher in fund managers' scoring systems and achieved greater customer satisfaction. However, where the quality of research and execution were equal across firms, customers preferred those which provided superior RM. These findings add to the understanding of RM information provision strategies and, so, greatly benefit professional practice.

The study identified the most influential factors for institutional investors. These were firstly, *superior research papers and recommendations*, secondly, *high quality dealer execution*, for example ability to buy stocks at a lower price and execute accurate settlement services, and lastly, *efficient marketing services*, such as offering

knowledgeable sales staff and activities, including company visits, corporate access and seminars. These provide new additions to current professional understandings of RM.

In regard to indicators of attitudinal loyalty, it was found that institutional investors usually recommended a firm-not a particular person. Furthermore, institutional investors, such as asset management firms and mutual funds, commented formally, such as in a quarterly scoring report. These findings also contribute to the knowledge of RM and attitudinal loyalty theory.

d. Retail customers (investors):

It was established that most short-term investors (generally profit-takers or speculators) enjoyed relationship-building activities. They agreed that RM impacted their loyalty to brokerages and most had close relationships with marketing staff. Short-term investors preferred interactive communication with marketing/sales staff and often participated in relationship-building activities. The findings included that Thai consumer behaviour was distinct, placing a lot of importance on the '*personal touch*'. Customers favoured dealing with staff with whom they were familiar and had good relationships. A resounding discovery was that they were most often loyal, not to brokerage firms, but to their marketing contacts. In stark contrast, long-term investors were usually not interested in participating in these activities and the 'personal relationship' with marketing officers was certainly not a key factor in determining their loyalty. This study found that, for them, information provision, for example high quality research papers, up-to-date views on global and local economic situations and political insights were far more important. The finding, that retail customers are loyal to staff rather than firms, is hugely significant for the industry and RM theory.

The study identified the most influential factors for both short- and long-term retail customers. For short-term investors, personal relationship or personal touch was very important. These customers preferred friendliness, ease of communication and the opportunity to ask questions. In contrast, long-term investors stated that good research support was vital. Those investors sought quality research and information, ease of access and a wider range of services. This provides another contribution to practice knowledge.

In term of indicators of attitudinal loyalty, the finding was that retail investors usually recommended their marketing officers only to close friends or family and not to competitors. Individual investors normally commented informally, such as in conversations with marketing officers or relationship managers, rather than in official documents, such as ratings reports. This is also an addition to theoretical and practice knowledge about RM and attitudinal loyalty.

In short, the findings confirmed that RM had an impact on gaining customer loyalty in Thai securities brokerage firms, specified these and described how they came about. In the next chapter, the detailed findings of this study will be discussed and linked to current literature on RM and customer loyalty.

Chapter 6

Discussion and Implications

6.1 Introduction

This chapter examines the study's findings in relation to the principal research question, *'How 'relationship marketing' contributes to gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand?'* This question arose from the pilot studies and has been theoretically positioned amongst current RM and customer loyalty literature in the critical review (chapters 2 and 3). The discussion covers the findings in relation to the research objectives presented in chapter 1.

The chapter deals with objectives one to three, with the fourth being examined in the next chapter (Conclusion). Furthermore, to fulfil the requirements of a DBA thesis, the discussion covers not only the theoretical relationship between RM and the research findings, but also deals with aspects relevant to practitioners. (The author is well-placed to do this, having been with The Stock Exchange of Thailand for almost 15 years.)

Discussion of research objectives one to three is based, not only on findings from the pilot studies, but also on 24 semi-structured interviews and four participant observations. The chapter begins with a consideration of the contextual background to RM in Thailand, then deals with RM practices, their impact on customer loyalty, RM's contributions to the Thai stock market and concludes with a summary.

Most importantly, the chapter not only indicates areas where the study confirms existing RM theory, but also highlights new insights and unique contributions emerging from this research.

6.2 Contextual background of RM in securities brokerage firms in Thailand

The Securities Exchange of Thailand officially began trading on April 30, 1975 and, on January 1, 1991, became "The Stock Exchange of Thailand" (SET). Compared with major stock markets, such as the New York Stock Exchange (NYSE) or the London Stock Exchange (LSE), SET is very new and classified as an 'emerging' stock market (see chapter 3). An emerging stock market displays many interesting differences to established markets, for example, higher trading fees, lower participation by retail and institutional investors, fewer listed companies, smaller numbers of products and services and relatively underdeveloped systems and technology. Although these are important and will be researched in the future, this study focuses only on aspects of 'relationship marketing' among securities brokerage firms and their customers (investors) in SET.

The contextual background of RM is discussed in terms of knowledge of RM in the Thai market and its importance.

6.2.1 Knowledge of RM in the Thai securities market

The 24 interviews confirmed that most local and all international securities brokerage firms were unaware of RM as a technical term (Chapter 5), although the majority believed that they implemented it in their normal practice. In regard to customers, findings confirmed that they were unfamiliar with the term, RM. This was particularly true of institutional investors, such as fund management companies which do not usually undertake very much marketing. Institutional investors saw the provision of information, which is a form of RM, as the most important factor in securities brokerage services. These findings confirmed the observation of Gilbert and Choi (2003) that RM practices are not fully developed and implemented in the financial services industry. In addition, this research discovered that most participants in the Thai securities brokerage industry were unfamiliar with RM as a technical term.

An implication of these particular results is that it is important to develop more systematic and comprehensive RM strategies to build knowledge and create competitive advantage in the industry.

6.2.2 The importance of RM in the securities brokerage business

The pilot and main studies revealed broad and clear agreement on the importance of RM in the securities brokerage business. Despite being unfamiliar with the term, RM, all participants, including local and international brokerage firms and institutional and retail investors, identified it as essential, thus confirming Eisingerich and Bell (2007)'s statement that strong relationships are most important when a service is highly complex, customised and intangible. Moreover, Gilbert and Choi (2003) added

that services or products in this sector involve high monetary values, significant risk and confidentiality. Because customers often lack technical knowledge and experience of services or products, a firm must give more personal attention to them and use RM to maximise selling opportunities.

Even though local brokerages implemented RM activities with clients in very similar ways, there were important differences between participants. These depended on whether the client involved was an individual or an institutional investor and whether they were long- or short-term. For example, institutional and long-term individual investors regarded information provision, through research papers and services support, as the most important service. This reflected observations from Gilbert and Choi (2003), Morris et al. (1998) and Bennett and Barkensjo (2005) that, in RM practice, information provision helps customers to interact with the organisation. Examples of information provision included research papers, newsletters, brochures, other regular updates, email and posts on web sites. Harwood and Garry (2006) suggested that the key success determinant for a marketer in this financial services sector is the ability and willingness to communicate information which, in turn, provides the glue for relationships. This study supported and extended current research findings in the industry.

Most participants indicated that relationship-building was also very significant, supporting the assertions of Schiffman and Kanuk (2004), Barry (1995) and Leverin and Lijander (2006) that, by using relationship-building strategies, the organisation can foster customers' loyalty so that, consequently, the relationship itself becomes a major factor in ensuring satisfaction and customer loyalty. The research findings suggested that, to be able to achieve customer satisfaction, the marketer must customise RM

strategies to suit various customers' characteristics and needs. These findings also add to the current body of knowledge of RM in the industry.

From the author's extensive literature review, no research was found which investigated specific differences between groups of participants in this sector and area of study, i.e. individual versus institutional investors and long- versus short-term. The lack of previous studies makes this research a significant new addition to the current academic and practice body of knowledge in RM. For example, it was an original finding that short-term individual investors (speculators), as opposed to long-term and institutional clients, valued personal relationship activities and snapshot stock recommendations from brokerages more than standard information provision through channels, such as research reports.

6.2.3 Implications for policy makers and authorities

As well as providing new theoretical insights, this study raises important issues for authorities, such as the Securities Exchange Commission (SEC) and SET, to take up with securities brokerage firms. The findings also provided significant implications for other areas of the Exchange's current policy and practice.

For example, given the poor level of understanding of RM in the Thai stock market revealed by this study, it is crucial that authorities, such as SET, educate and promote RM and its benefits to stakeholders. In addition, this examination suggested that, for RM to be successful with a broad array of investors and achieve customer satisfaction, securities brokerages must know their clients' needs and behaviours in greater depth than currently - to develop and implement customised RM strategies.

Accordingly, the findings suggested that SET should reconsider its retail investor education methods, as these concentrate on attracting potential investors to the market on a long-term basis through learning. This has had little real impact, as evidenced by the fact that the number of investors has not significantly increased over recent years. Energy and resources would be better directed to first understanding the needs of various types of investors and then responding differentially, for example, by 1) supporting securities brokerages in developing high quality research papers for foreign investment funds, local institutional and long-term individual investors and 2) improving the competence of these firms' marketing/sales officers in areas such as RM, communication and stock analysis, including the provision of summaries and recommendations. These would be superior marketing strategies and a better use of resources than teaching people to be long-term investors when most of them are resistant to this proposition. Further research could transform these implications into successful strategies.

6.3 RM practices in Thai securities brokerage firms

The following discussion and interpretation of findings deals with RM practices provided by securities brokerage firms and reflects the thesis's first research objective, *'To investigate RM practices in securities brokerage firms in Thailand'*.

This section is divided into three parts: firstly, current RM practices among securities brokerage firms in Thailand, secondly, the strategies they employ and thirdly, customers' reactions to their RM practices.

6.3.1 Practices in the securities brokerage industry in Thailand

The study revealed a number of similarities and variations in current RM practices. The interviews and participant observations demonstrated the following:

- 1. Local securities brokerage firms:** Most local brokerages implemented RM activities in a similar manner. That is, companies focusing on individual investors tended to give greater attention to relationship-building activities than providing information, such as research reports. These firms concentrated on constructing closer relationships with customers by using the ‘personal touch’. In contrast, local brokerage firms, which focused on institutional investors, such as asset management companies or foreign funds, emphasised high-quality information provision. These findings supported and extended the body of knowledge of RM characteristics and practices in the financial services sector, as described by Gilbert and Choi (2003), Morris et al. (1998), Leverin and Liljander (2006), Walsh et al. (2004), Marsh (1995), Peterson (1995) and Lam and Burton (2006).

- 2. International securities brokerage firms operating in Thailand:** This research found that international brokerage firms emphasised two main RM practices: firstly, building personal relationships and the company’s reputation with customers and, secondly, providing insights and quality information to support their clients’ investment decisions. These two practices were equally important to this type of firm. This finding added to the studies of Gilbert and Choi (2003), Morris et al. (1998), Bennett and Barkensjo (2005) and Harwood

and Garry (2006) by focusing on international securities brokerage firms' operations in Thailand.

3. Institutional customers (investors): In response to the Thai Securities and Exchange Commission's circular 3/2551 that fund management companies could not offer gifts or similar benefits, all such firms operating in the Thai market had become very conscious of ethical issues. Certain non business-related activities, for example, buying expensive gifts for customers or taking them overseas, were prohibited by these regulations. This study found that business-related activities, such as corporate access and information provision, were consequently very important for these companies. In this way, RM supported the Exchange's goals of providing high quality corporate governance. Securities brokerages that provided better information, trade executions and support through business-related activities, were ranked higher in fund managers' scoring systems and achieved greater customer satisfaction. These findings added to the understanding of RM information provision strategies and, so, could benefit professional practice. They extended the current body of RM theory, as described by Gilbert and Choi (2003), Morris et al. (1998), Leverin and Liljander (2006) and Walsh et al. (2004).

4. Retail customers (investors): The research indicated that, in the Thai securities brokerage business, retail customers were divided into two distinct types – short- and long-term. The findings were that most short-term investors (generally profit-takers or speculators) enjoyed relationship-building activities, as noted by Gilbert and Choi (2003), Morris et al. (1998), Leverin and Liljander (2006), Walsh et al. (2004), Marsh (1995), Peterson (1995) and Lam and Burton (2006).

They preferred interactive communication with brokerages' marketing/sales staff and often participated in relationship-building activities. These findings are supported by Piansoongnern and Anurit (2007), Srijumpa et al. (2002), Rotchanakitumnuai and Speece (2003) and Srijumpa, Chiarakul and Speece (2007) who noted that, in the Thai brokerage context, personal relationships were the most important factor. Thai consumer behaviour was distinct, placing a lot of importance on the '*personal touch*'. Customers preferred to deal with familiar staff, with whom they had good relationships (Chaoprasert and Elsey, 2004).

On the other hand, long-term investors were not interested in these activities and participated little. This study found that information provision was far more important for them, as discussed earlier.

These findings both supported and extended the current body of academic and practice knowledge on RM in the financial services sector. Furthermore, the findings are unique in that they are derived from studying RM in an emerging stock market. This is especially significant, as these stock markets, such as in Asia, are gaining increasing importance due to globalisation. These markets are closely related, mutually influential and fairly representative of East and Southeast Asian markets (Yang, Kolari and Min, 2003; Srijumpa, Chiarakul and Speece, 2007). From a practitioner's point of view, these findings could benefit other emerging stock markets, including those currently being developed in some South East Asian countries, Eastern Europe and Central Asia.

Do brokerage firms treat their customers differently?

As noted, the research found that all local securities brokerage firms in SET treated their customers differently, depending on the type of business received. Higher volume investors received more attention and services than lower volume. For example, for customers whose investment portfolios were worth more than THB 5 million, brokerage firms provided and installed computer screens in their homes, when requested. These clients could then access information and make transactions from their residences. In contrast, findings indicated that short-term investors did not receive this service and were often afraid to ask brokerage firms too many questions because of their small portfolios. Small volume trading customers made do with group activities, such as seminars. This confirmed Leverin and Liljander (2006)'s statement that, in implementing RM, there is no need to target every customer. Since investment across all customer segments does not yield similar returns (Zeithaml et al., 2001), RM need only be directed only at the most profitable ones (Abratt and Russell, 1999).

In contrast, the findings were that most international brokerage firms operating in Thailand treated their customers equally. This was because firstly, their clients, foreign fund managers or international hedge funds, were very large volume traders and secondly, recent regulatory changes in most countries made it more difficult for brokerage firms to provide some relationship-building activities. Moreover, distance complicated these brokerages ability to undertake such activities because foreign customers seldom came to Thailand. This finding added to the studies of Leverin and Liljander (2006), Zeithaml et al. (2001) and Abratt and Russell (1999), discussed previously in this section.

6.3.2 RM strategy in securities brokerage firms

As stated earlier, RM is comprised of 1) information marketing, 2) relationship activities and 3) database management, as described by Gilbert and Choi (2003), Leverin and Liljander (2006), Walsh et al. (2004), Lam and Burton (2006), Gummesson (2003), Gronroos (2000), Eiriz and Wilson (2006), Lawson (2008) and Lacey and Morgan (2009).

The interviews and participant observation confirmed that securities brokerage firms in Thailand implemented all three types of RM activity. Firstly, *information marketing activities* included information provision, for example, research papers, newsletters, accurate advice and recommendations to customers. The importance of this function is supported by Gilbert and Choi (2003), Morris et al. (1998), Leverin and Liljander (2006) and Walsh et al. (2004). Secondly, *relationship-building activities* assumed greater importance because, as services in this business were very similar, building long-term relationships with customers enabled brokerages to differentiate themselves from their competitors. This confirmed the studies of Gilbert and Choi (2003), Lam and Burton (2006), Leverin and Liljander (2006) and Walsh et al. (2004). Lastly, *utilising database-marketing activities* enabled marketers to treat customers differentially and personally. However, the findings indicated that, although most brokerage firms in Thailand did undertake some basic database marketing strategies, their utilisation of these techniques was limited.

Hunt et al. (2006) observed that RM theory has various components, as discussed in chapter 3. In this study, the finding was that information provision was important, as it included relational factors and provided a basis for *trust, commitment*

and *communication* with customers. In terms of a relationship-building approach, RM theory identifies that successful relationships requires time to develop. As Ward and Dagger (2007) suggested, marketers should not expect relationships with customers' to strengthen automatically over time. The strategic implications for service products and relationship marketing in terms of *competitive advantage* and *differentiation* cannot be overstated. Lastly, RM theory notes that collaborative relationships require considerable transfers of technology and sharing of knowledge between the parties. The theory suggested that utilising a customer database was crucial and required information technology support. This research supported previous studies in the area of database marketing, for example, Eiriz and Wilson (2006), Lacey and Morgan (2009), Bennett and Barkensjo (2005) and Tapp (2005). In short, this research highlighted the importance of 'customisation' in the successful implementation of RM strategies.

The following section discusses the components of RM strategy and practice in the Thai securities brokerage industry, adding to work of Gummesson (2003), Gilbert and Choi (2003), Lam and Burton (2006), Gronroos (2004) and Ward and Dagger (2007). The following data on key RM activities in the Thai securities brokerage sector was derived from semi-structured interviews with 12 marketing managers of brokerage firms and 12 investors, both institutional and retail.

a) Information marketing activities:

- ***'Providing high quality research papers'***: The provision of high quality research papers by securities brokerages elicited greater confidence and trust from customers, supporting Ndubisi and Wah (2005) and Bennett and Barkensjo (2005)'s conclusions that providing quality information can create trust. The

interviews revealed that offering high quality research papers strongly impacted all foreign institutional investors, foreign hedge funds, local institutional investors and retail long-term investors (individual), in accord with Gilbert and Choi (2003)'s, Walsh et al. (2004)'s and Leverin and Liljander (2006)'s findings. From a practice viewpoint, these insights could greatly enhance RM market targeting strategy.

- ***'Arranging seminars'***: Gilbert and Choi (2003)'s assertion that arranging seminars is characteristic of RM activity in a business context is supported by this research. However, current literature notes the importance of seminars only as a form of information provision.

Very significantly, this study expanded current knowledge by investigating this activity's importance more deeply and in the securities brokerage sector, where arranging seminars for customers was a major RM activity. The objectives of these seminars were not only to provide knowledge and information, but also to enable brokerage firms to become acquainted with and closer to their customers. This accords with the notion that RM is a process of attracting, maintaining and enhancing relationships with customers to achieve the objectives of the parties involved (Zineldin and Philipson, 2007; Das, 2009; Adamson et al., 2003). The study suggested that a seminar is a tool that enabled both parties to develop relationships over time, thus relationships became closer and more cooperative (Lages et al., 2005; Lacey et al., 2007). Moreover, as Piansoongnern and Anurit (2007) stated, Thai investors are very active and highly dependent upon marketing officers. Consequently, a seminar offered a good opportunity for these officers to interact directly with customers. Thus, the activity presented not

simply information but also a crucial stepping stone in relationship and loyalty creation. This study found that the seminar in this sector is used very subtly, as not just an information service, but as a core relationship-building activity.

Findings from interviews and observations also indicated that arranging seminars was most appropriate for, and had more impact on, retail investors with smaller portfolios. This addition to academic and practice knowledge was significant and extended the findings of previous studies of RM in the financial services sector.

- ***‘Corporate access and company visits’***: The research revealed that providing corporate access and company visits were vital, especially for institutional investors, both foreign and local. This finding was significant and contributed to the knowledge of RM practice in the financial services sector and, furthermore, as the literature review indicated, no previous study had investigated or mentioned these activities in this area. This RM activity had become increasingly important in the financial services sector, especially for securities brokerages seeking to enhance their credibility, gain trust from their customers and maintain their status as first tier brokerage firms. This confirmed the findings of Gronroos (2004) and Chen et al. (2008) that the outcome of an on-going relationship creates a sense of trust. Moreover, Ndubisi and Chan (2005) added that, among other factors, trust results from keeping promises. Fulfilling commitments that had been given created trust and this, in turn, enhanced relationship quality. Corporate access activities included arranging for institutional customers to meet with the chief executive officers, chief financial officers or senior management of top listed firms in Thailand. This enabled

detailed face-to-face discussion of company performance, policies, future plans and specific issues, such as stock prices. This supported Bennett and Barkensjo (2005)'s and Harwood and Garry (2006)'s observations that, in financial services, it is better to discuss the details of products and services face-to-face. Direct contacts develop a stronger relationship as the customer feels more trusting of the organisation.

The findings indicated that brokerage firms, providing better corporate access activities, gained higher rankings and satisfaction levels from institutional investors than their competitors.

- **‘Arranging meetings with government officials or experts in specific areas’:**

This endeavour was quite similar to the corporate access activity. The difference was that it enhanced the brokerage firm's credibility by enabling entrée to important networks. The activity was most appropriate for high volume investors, such as international hedge funds, large account asset management companies and individual investors with very big portfolios. This type of information marketing activity was reported as definitely adding value to customers' investment decision-making. Examples included brokerage firms arranging for their key account customers to meet with Thailand's ministers of finance and commerce, to discuss key economic issues or a client's specific concerns and meeting with experts in specific areas, such as economics or international law. The literature review revealed that there had been no previous research on this particular activity in this sector. This study's finding, that arranging meetings with government officials and others was a very potent

strategy in creating trust and credibility of brokerages, is a unique contribution to RM academic and practice knowledge in this industry.

- ***‘Telephoning customers’***: The research revealed the importance of daily telephone updates and information exchanges between marketing/sales staff and customers. This supported Gilbert and Choi (2003)’s and Harwood and Garry (2006)’s statements on exchanging and updating information as an RM activity, and also Sammapan (1996)’s, Chaoprasert and Elsey (2004)’s and Srijumpa, Chiarakul and Speece (2007)’s findings on the importance that Thai consumers attached to the personal touch. An obvious prerequisite to making daily telephone calls was having very good relationships in place between customers and marketing officers. This study confirmed that traditional telephone communication was, and will probably remain, a significant communication channel for the financial services sector.
- **Informal information updates**: This research unveiled some interesting facets to communication in the Thai securities brokerage industry, for example, the impact of unofficial or informal information, such as rumours or insider information, on market participants, particularly retail short-term investors. Although SET regulations prohibited brokerages or marketing staff spreading rumours among their customers, in practice, many firms, in order to keep relationships with clients, contacted them about rumours by private telephone or short message (SMS). Whether a rumour was true or not, it affected the value of securities. This concurred with Lawson (2008)’s statement on SMS and telemarketing as very useful communication channels, as messages can be personalised to suit the customer. The finding also complemented Camarero

(2007)'s and Bennett and Barkensjo (2005)'s comments on RM communication, as the formal and informal exchanging and sharing of meaningful and timely information. It can also be understood in light of Sammapan (1996)'s reflection that Thai people prefer informal and personal relationship-based communication.

b) Relationship-building activities:

As Zineldin and Philipson (2007), Das (2009) and Gronroos (2004) stated, RM is a significant strategy in attracting, maintaining and enhancing relationships with customers and is critical in moving customers up the loyalty ladder (Payne et al., 1995). Ward and Dagger (2007) noted that organisations must undertake RM activities to remain competitive. They suggested that marketers should not expect customers' relationships to strengthen automatically with duration or frequency of contact. RM's strategic implications are in increasing a company's competitive advantage, differentiation, market share and profitability. Lam and Burton (2006) pointed out that, to implement RM successfully, financial institutions should focus on the emotional tone of their interactions with customers and have a thorough understanding of their behaviours. In addition, Leverin and Liljander (2006) proposed that a relationship-building activity is a key weapon for marketers in the financial services industry. Findings from this research's interviews and observations supported all these studies. Among the many relationship-building activities, organised by securities brokerages to create closer relationships with, and a deeper understanding of, their customers' expectations, needs and behaviours, were the following:

- ***'Inviting customers to lunch / dinner'***: including one-on-one or group invitations;

- ***‘Leisure activities’***: including river cruises, day trips, cooking lessons and meditation classes. From the interviews, these activities were useful when directed at retail investors;
- ***‘Sporting activities’***: including taking customers to football games, tennis tournaments and golf;
- ***‘Special events’***: such as organising thank you parties.

Based on the interviews and observations, the findings were that many securities brokerage firms blended relationship-building and information marketing activities, for example, organising corporate access followed by a cocktail party on the same day or a small group seminar together with a networking tea or coffee break. Through these activities, firms simultaneously provided useful information and built relationships with customers.

In short, the research findings supported and extended previous studies of RM in financial services sector.

c) Database marketing activities:

Gilbert and Choi (2003), Eiriz and Wilson (2006), Lawson (2008) and Lacey and Morgan (2009) pointed out that the interactive use of a customer database will lead to mutually beneficial relationships with customers. The interviews supported these studies, as most securities brokerage firms reported that fully utilising a customer database strategy was very important for their business and that it had an impact on customer relationship management. However, as previously noted, most local and foreign securities firms in Thailand did not utilise customer databases fully or in a

systematic fashion. This then is another area for future research, i.e. *why* don't Thai securities brokerage industry fully utilise customer database strategies? And *how* could customer databases support firms in building relationships with customers? An obvious implication is that, by implementing comprehensive systematic database marketing strategies, securities brokerages in Thailand could increase their competitive advantage in this very aggressive environment.

6.3.3 Responses to RM practices

The findings were that all brokerage firms believed that their RM activities differentiated them from others. The interviews revealed that individual investors responded positively to brokerages' relationship building activities. For example, investors sometimes opened accounts at broker-sponsored seminars or regularly attended outings or dinners arranged by marketing officers. However, local institutional investors' responded differently to RM practices. The interviews indicated that these investors did not pay much attention to personalised activities but gave priority to the quality of research papers. This confirms Lam and Burton (2006)'s and Leverin and Liljander (2006)'s contention that, to implement RM successfully, financial institutions need to focus on the emotional tone of their interactions with customers and understand their needs and behaviours. Philipson (2007) suggested that companies' marketing activities should concentrate on creating, keeping and retaining profitable customers, as this produces a stronger link between a firm's internal processes and clients' needs, resulting in higher levels of customer satisfaction.

In short, this research yielded interesting findings which supported and extended the body of knowledge of RM in the financial services sector, for example, individual

investors responded positively to brokerages' relationship building activities. On the other hand, institutional investors paid little attention to relationship-building activities but gave priority to information marketing strategies, such as high quality research papers or corporate access events.

6.4 Factors impacting customer loyalty in securities brokerages

The following section discusses the findings and implications arising from the second research objective: *'To investigate factors that impact customer loyalty to securities brokerage firms in Thailand'*.

In seeking to identify what might have impacted customer loyalty in the Thai securities industry, findings from the 24 interviews demonstrated emphatically that there were three main factors.

1. Providing high quality research papers: All participants agreed that information services, including research papers, newsletters, personal updates and information exchange were very important in this business. It was evidenced by the interviews and observations, that most respondents mentioned the names of only two or three securities brokerages operating in Thailand and that these firms were preferred because of their research teams. This clearly supported the findings of Gilbert and Choi (2003), Bennett and Barkensjo (2005) and Harwood and Garry (2006) that, in RM practice in the financial services sector, information provision is essential and helps customers interact with organisations.

2. *Having close relationships with customers:* The findings also demonstrated that having good relationships with customers is a 'must' in this business. All types of customers agreed that, without good relationships, it would be almost impossible to do business. This supported Chaoprasert and Elsey (2004)'s, Rotchanakitumnuai and Speece (2003)'s, Lages et al. (2005)'s and Ndubisi (2006)'s views that high quality relationships enable customers to trust the service provider and count on his/her commitment to service and evolving relationships, efficient communication and conflict handling ability. Thus, an ordinary customer became a loyal one. Moreover, Eisingerich and Bell (2007) suggested that positive relationships are most critical when services are highly complex, customised and intangible. Consequently, relationship-building activities were viewed as very important in the highly complex Thai financial services sector (Leverin and Liljander, 2006; Walsh et al., 2004).

3. *Delivering efficient execution services:* The findings were that efficient dealer execution was also vital, especially for institutional investors. Executions included being able to buy stock at a lower price, based on customers' orders, and providing accurate clearing and settlement processes for trading transactions. According to the literature review, there was no comparable investigation found, focusing specifically on the securities market, although there was related research in the banking industry which supported this study's findings. For example, Ehigie (2006)'s study suggested that bank management must emphasise service quality. Due to the fact that these services are intangible, service quality is usually assessed by measures associated with the service-provider's relationship with the customer. Ehigie's study also pointed out that factors facilitating gaining customer loyalty include confidentiality in transactions and the trustworthiness of the bank. White and Nteli (2004) noted five key service quality attributes in UK banking - security related issues, convenience, speed of

service, timeliness and product variety and diversity of features. Furthermore, Ndubiai and Wah (2005) suggested that banks that are competent, committed and trustworthy, that demonstrate timely and accurate communication and are skilled in conflict handling engender greater satisfaction and loyalty among customers. By better understanding customer needs, a bank can build quality relationships with them and provide greater customer satisfaction than its competitors.

The three factors discussed above supported and extended the knowledge of RM in the financial services sector. By clearly identifying the key factors that impacted significantly on customer loyalty in Thai securities brokerage firms, this study offers a unique contribution to RM theory and practice.

The following section adds significantly to the current level of academic and practice knowledge in RM, by examining these factors in-depth and detailing the differential requirements of various types of participants. There are many aspects of RM that relate to this research's findings, for example, information provision and its importance and role in building customer relationships and trust (Gilbert and Choi, 2003; Morris et al., 1998; Bennett and Barkensjo, 2005; Harwood and Garry, 2006). Relationship quality was another aspect of RM which this study examined. As noted by Barkensjo (2005), RM was found to be an efficient weapon in improving relationship quality and satisfaction in service provision. Ndubisi (2006) mentioned that relationship quality is a higher order construct composed of the four primary or relationship marketing underpinnings, for example, trust, commitment, communication and satisfaction. Understanding customer behaviours is another key aspect of RM, as noted by Hlavinka (2007) who introduced three key factors in the banking relationship: firstly, a focus on specific customer behaviour; secondly, in company RM planning,

substituting the word 'customer' for the word 'product'; and thirdly, not losing sight of how customers defined the word 'relationship'. Some authors, such as Ehigie (2006), Gilbert and Choi (2003), Hennig-Thurau and Day (2000) and Schiffman and Kanuk (2004), considered RM to be the superior strategy in gaining customer loyalty.

This study found that the interaction of customer loyalty and the three main factors noted above was considerably more subtle than the literature indicated. This investigation extended the current research by identifying the factors affecting customer loyalty and relating these to different types of market participants:

a: Most influential factors for 'local securities brokerages':

- 1. Information services:** research papers, newsletters (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006).
- 2. Understanding different customers' investment behaviours:** long- or short-term investors, institutional or retail investors (Hlavinka, 2007; Leverin and Liljander, 2006).
- 3. Providing one-stop services:** offering all products available on the stock market and having products that other brokerages cannot provide, such as corporate access.

b: Most influential factors for 'international securities brokerages':

- 1. Having good relationships with customers:** when customers trusted a sales person, they often related to them as though they were a very good

friend (Ehigie, 2006; Gilbert and Choi, 2003; Hennig-Thurau and Day, 2000; Schiffman and Kanuk, 2004),

2. **High quality summaries of key information:** information summaries were more important than lengthy research papers for foreign institutional customers (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006),
3. **Providing un-biased and independent advice:** customer loyalty required frank recommendations on when to buy or sell stocks.

c: Most influential factors for ‘institutional investors’:

1. **Superior research papers and recommendations:** high quality research papers and newsletters (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006),
2. **High quality dealer execution:** ability to buy stocks at a lower price and accurate settlement processes (Nteli, 2004; Ndubiai and Wah, 2005),
3. **Efficient marketing services:** knowledgeable sales staff and activities such as company visits, corporate access and seminars (Gilbert and Choi, 2003).

d: Most influential factors for ‘retail investors’:

1. **Human relationship or personal touch:** short-term investors preferred friendliness, ease of communication and the opportunity to ask questions (Srijumpa, Chiarakul and Speece, 2007; Chaoprasert and Elsey, 2004; Petison and Johir 2008),

2. **Good research support:** long-term investors sought quality research and information, ease of access and a wider range of services (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006).

It is contended that these particular findings, identifying the relationships between RM and the loyalty of differentiated groups of customers, are unique and significant. They provide a deeper and more subtle analysis of factors impacting customer loyalty in securities brokerage firms. Consequently, they form an important contribution to both academic and practice knowledge. Significantly, they offer a starting point for the more successful implementation of RM by securities brokerage firms.

6.5 RM and its' Impact on Customer Loyalty to Thai Securities

Brokerage Firms

The following section discusses implications and findings arising from investigating the third research objective: *'To explore how these RM practices impact customer loyalty to securities brokerage firms in Thailand'*.

The discussion centres on the impact of RM in *'gaining'*, *'strengthening'* and *'maintaining'* customer loyalty in Thai securities brokerage firms, including the barriers to implementing RM and the indicators of attitudinal loyalty in this sector.

6.5.1 RM and its impact on *'gaining'* customer loyalty

The 24 interviews and four participant observations confirmed that RM had an impact on gaining customer loyalty to securities brokerage firms in SET. These findings

supported and added to those of Zineldin and Philipson (2007), Das (2009), Adamson et al. (2003), Kotler and Armstrong (1999) and Berry (1995) that RM is a process of attracting, maintaining and enhancing relationships. Moreover, Harridge-March (2008) suggested that loyalty is an objective of relationship marketing, as loyal customers may be of strategic advantage to an organisation.

Importantly, this is the first study, investigating the impact of RM in gaining customer's loyalty, concentrating on securities brokerage firms and, the first to examine these dynamics in an emerging stock market. What follows is a summary of the views of each respondent group in the industry on RM and gaining customer loyalty:

- **Local securities brokerage firms:** The study confirmed that RM was a successful tool in gaining customer loyalty in the securities brokerage industry. The implementation of RM strategies depended on the behaviours, needs and types of target customers. Its efficacy relied on the strengths and limitations of each brokerage firm. This reflected Leverin and Liljander (2006)'s observations on the importance of relationship-building activities, particularly in the ongoing monitoring of customers' needs.
- **International securities brokerage firms:** The findings found RM successfully gained customer loyalty and that, without relationships, it was almost impossible to survive in this competitive business environment. For international securities brokerage firms, the study revealed that information provision and relationship-building strategies are equally important. These findings were supported by Gilbert and

Choi (2003), Bennett and Barkensjo (2005), Harwood and Garry (2006), Ehigie (2006), Hennig-Thurau and Day (2000) and Schiffman and Kanuk (2004).

- **Institutional investors:** RM gained these investors' loyalty to brokerage firms although its impact varied according to the expectations of each brokerage. However, if the quality of research and execution were equal across firms, those which provided superior RM became these customers' first choice. The most important services for institutional investors were information provision (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006) and brokerage services (Nteli, 2004; Ndubiai and Wah, 2005). These findings added to the body of knowledge of RM in the financial services sector.
- **Retail investors (short- and long-term):** The findings were that most short-term investors agreed that RM had an impact on their loyalty to a brokerage company and most had close relationships with marketing staff, which concurred with the views of Piansoongnern and Anurit (2007), Srijumpa, Chiarakul and Speece (2007) and Chaoprasert and Elsey (2004). In fact, they were loyal to their marketing contacts, not the actual firms. On the other hand, the factors that impacted on long-term investors' loyalty were 'information marketing strategies', including superior research and information, ease of access and the breadth of services offered, as supported by Gilbert and Choi (2003), Bennett and Barkensjo (2005) and Harwood and Garry (2006). It was certainly not the 'personal relationship' with marketing officers, in contrast to short-

term investors' priorities. These findings supported and added new knowledge to the field.

6.5.2 Does RM '*strengthen*' customer loyalty?

One of the most significant findings of this study was that all participants agreed that RM practices strengthened customer loyalty.

The study found that institutional investors gave priority to the quality of research and execution of services. These customers saw business-related RM activities, such as company visits, corporate access, one-on-one meetings with top executives and presentations from experts, as the most beneficial. This supported the conclusions of Leverin and Liljander (2006) and Harwood and Garry (2006) that face-to-face communication and regular personal meetings with customers were important relationship-building strategies in financial services sector.

Most retail investors agreed that RM practices were important in gaining knowledge about stock investment (Gilbert and Choi, 2003; Morris et al., 1998) and creating relationships with marketing staff (Piansoongnern and Anurit, 2007). They reported being satisfied with RM practices and believed that these gave them a chance to better understand the stock market and its products. In addition, RM provided these investors with the opportunity to get to know marketing staff and enhance communication with them. The very significant and new finding was that most short-term investors confirmed that RM impacted on their loyalty to marketing staff - not to brokerage firms.

For long-term retail investors, the factors that impacted on their loyalty included good research and information, ease of access and having a wide range of services available (Gilbert and Choi, 2003; Morris et al., 1998; Leverin and Liljander, 2006; Walsh et al., 2004). It was certainly not the personal relationship with marketing officers – in marked contrast to short-term retail investors.

In short, the research supported the contention that RM practices strengthened customer loyalty in securities brokerage firms in Thailand. This finding contributed to the body of knowledge of RM in both academic and professional practice, by expanding it to the securities brokerage industry and by differentiating the interrelationships between customer loyalty, customer types and various types of RM activities.

6.5.3 The importance of RM in ‘*maintaining*’ customer loyalty

From the interviews and customers’ perceptions of RM activities, it was apparent that these had an impact on relationship-building and creating customer loyalty in the sector (see section 7.3). The findings showed that most brokerages focusing on individual investors gave higher priority to relationship-building activities than providing information. On the other hand, brokerages concentrating on institutional investors gave more attention to information-related marketing activities, such as providing high quality research. Moreover, international securities brokerage firms operating in Thailand viewed RM, including relationship building, as very important and agreed that it impacted customer loyalty. Regarding international customers, the interviews revealed that sales or marketing officers were perceived as acting like ‘*ambassadors*’ for the Thai market. If customers trusted the sales staff, they were more receptive to a company’s communications. This study confirmed that, to maintain

loyalty, brokerage firms needed sales teams with highly developed marketing relationship skills.

The research demonstrated that all participants in the securities brokerage business strongly believed that RM is important in '*maintaining*', not simple gaining or strengthening, investor loyalty in securities brokerage firms in SET, thus supporting the studies of Zineldin and Philipson (2007), Das (2009), Adamson et al. (2003) and Gronroos (2004). The implication for practice was that Thai securities brokerage firms must deepen their comprehension of RM and its benefits to their companies and the Thai stock market. If brokerages fully understood RM, they could implement well-chosen strategies in a systematic manner. The study suggested that RM contributed hugely to customer satisfaction and loyalty.

In short, the research confirmed that RM had a positive impact in '*gaining*', '*strengthening*' and '*maintaining*' customer loyalty in securities brokerage firms and supported previous work by Zineldin and Philipson (2007), Das (2009), Adamson et al. (2003), Gronroos (2004), Kotler and Armstrong (1999) and Berry (1995).

6.5.4 Barriers in implementing RM in securities brokerages

During the interviews, no securities brokerages reported major barriers limiting their implementation of RM strategies. However, despite their views, this research did uncover significant limitations to RM implementation:

- **Lack of knowledge of RM:** Some participants pointed out that half their marketing staff did not have any background knowledge of RM. This

supported Gilbert and Choi (2003)'s statement that RM practices are not yet fully understood or implemented in the financial services industry. Moreover, Das (2009) and Ward and Dagger (2007) indicated that RM research had concentrated mostly on theory building, with very little activity directed at industry applications and practitioners. An important implication of this study was that, deepening the understanding of RM amongst brokerage firms and their major stakeholders increases relationship quality and loyalty.

- **Limited number of marketing staff:** As noted previously, in the Thai securities brokerage industry, personal relationships were very important as observed in Srijumpa, Chiarakul and Speece (2007)'s and Piansoongnern and Anurit (2007)'s studies. If a marketing officer was responsible for too many individual investors, he/she was usually unable to provide full services to all of them. Consequently, customers would complain about and be dissatisfied with the staff and the firm. This supported Chaoprasert and Elsay (2004)'s finding that Thai consumer behaviour is distinct, placing a lot of importance on the 'personal touch'. Many Thai investors preferred to deal with those staff with whom they had good relationships. This suggested that the Thai industry's requirement for more one-on-one relationship marketing demanded greater time, resources and investment from firms.
- **Stricter rules and regulations:** SET's circular 18/2546, regulations on trading commissions and the Thai Securities and Exchange Commission's circular 3/2551 prohibited brokerage firms from doing

non business-related activities, such as buying expensive gifts or entertaining customers over a certain cost. This study found that these changes limited brokerages' 'personal relationship' or 'personal touch' behaviours which were previously important in maintaining customer satisfaction. This supported the studies of Srijumpa, Chiarakul and Speece (2007) and Piansoongnern and Anurit (2007).

- **Corporate access problems:** The congestion, resulting from the efforts of so many brokerage firms attempting to set up corporate access activities for customers, made it very difficult to arrange meetings for all clients with top executives of listed companies. Consequently, only large investors or fund managers had the opportunity of participating in these meetings, while other investors had to settle for meeting with listed firms' investor relations officers. To provide adequate corporate access, a brokerage firm had to have many relationships with high level networks. This finding further contributed to the significance of the study. It was valuable in that it had clear implications for professional practice.

6.5.5 RM and its impact on long term relationships in securities brokerages

In financial services, especially the securities brokerage industry, a personal relationship between investors and marketing staff is vital in establishing trust (Srijumpa et al., 2002). In addition, Piansoongnern and Anurit (2007)'s study concluded that, in the Thai securities brokerage context, the personal relationship was the most important factor influencing an investor's loyalty. As noted in this research, all respondents emphasised the importance of '*trust*' in creating long-term relationships

with customers. Wilson (1995) pointed out that trust is a fundamental relationship building prerequisite and comes from keeping promises to customers. Ndubisi and Chan (2005) stated that, fulfilling commitments will create trust and, in turn, enhance relationship quality. Furthermore, Chen et al. (2008) indicated that the outcome of relationship quality in the services industry is trust in and satisfaction with service providers leading to positive behaviours, such as re-patronage and positive word-of-mouth recommendations. As Crosby et al. (1990) and Dwyer et al. (1987) said, the concept of relationship quality is described in RM theory as the customer's perception that their needs and wants are fulfilled by a service provider through a satisfying interchange between seller and buyer (Levitt, 1980; Wong and Sohal, 2001). This research's findings on RM and its impact on long-term relationships supported previous studies and added to the body of knowledge in the area by focusing on an emerging market sector, the Thai securities brokerage firms industry.

The study revealed two principal success factors in building trust in this business. Firstly, brokerage firms had to provide superior services, such as high quality research papers (Gilbert and Choi, 2003; Leverin and Liljander, 2006; Walsh et al., 2004) and fast and accurate executions (trading orders). Secondly, having a 'personal touch' or 'personal relationship' with marketing officers was key in building long-term relationships with customers, as confirmed by Chaoprasert and Elsey (2004), (Srijumpa, Chiarakul and Speece (2007) and Petison and Johir (2008).

The research demonstrated that 'trust' was crucial in building long-term relationships with customers in the securities brokerage industry. Long-term relationships, in turn, strengthened customers' loyalty.

6.5.6 Indicators of attitudinal loyalty

Accepted indicators of attitudinal loyalty include the customer's attachment to a brand as a precondition, an increase in purchase behaviour, positive word-of-mouth and low propensity to switch preference for a particular service provider (Lam and Burton, 2006; East et al., 2000; Dekimpe et al., 1997; Zeithaml et al., 1996; Sirdeshmukh et al., 2002; Liang, Wang and Farquhar, 2009). The research revealed that individual investors usually recommended their marketing officers only to close friends or family and not to competitors. This was due to firstly, their apprehension that, if their marketing officer had too many customers, the officer would not have enough time for them and secondly, their desire to limit the circulation of stock analyses and recommendations in the market. Individual investors usually commented on this matter informally, such as in conversation with a marketing officer or relationship manager, rather than in official documents, such as ratings reports. This supported and extended the finding of Ndubisi (2007) that customers' trust in an organisation can be intrinsically beneficial and superior outcomes can be achieved, when trust building measures are designed to cultivate customers' willingness to recommend the organisation to relatives or friends.

On the other hand, this study found that institutional investors usually recommended a particular firm – not a person. This provided further evidence of the very low priority placed by these investors on personal relationships with marketing officers. Clearly, personal touch was not required. Furthermore, institutional investors, such as asset management firms and mutual funds, usually commented formally, such as in a quarterly scoring report. These findings offered new understandings to the current body of knowledge of behavioural loyalty in the financial services sector.

In regard to international brokerage firms, the findings were that most foreign investors did not usually recommend their brokers to others because they feared losing competitive advantage. These investors were mostly information seekers. They tended to find the most competent sales staff and the best information for their investment purposes and stay with a small number of brokerage firms. The research identified two factors that dictated the loyalty of international brokerages: firstly, the value of a customer's portfolio maintained over a long period - in other words, a very active portfolio - and secondly, the relationship or interaction measured by the number of the investor's calls, emails or company visits. This was another new finding identified by this research.

Uncovering the range of factors, ensuring customer loyalty across different types of investors who exhibit variable behaviours, was an original finding emerging from this study and contributed significantly to the pool of academic and practice knowledge about RM and indicators of attitudinal loyalty in securities brokerages.

6.6 RM's Contributions to the Thai Stock Market Environment

The discussion now turns to environmental issues affecting the Thai stock market, such as levels of risk and sensitivity, the influence of culture and the relationship of these factors to RM.

To understand the Thai stock market environment, it is necessary to appreciate the implications of Thailand's high-context culture (Hall, 1976). Communication in such cultures depends on contextual and social cues for meaning, rather than on the words themselves. In contrast, in low-context cultures, such as in Northern Europe and

North America, meaning is usually made verbally explicit (Thatcher, 2001; Simintiras and Thomas, 1998). Because, in a high-context environment, meaning is primarily in the milieu as opposed to the actual words, much of a message is lost if context (for example, people present and absent, settings, social rituals, facial expressions, etc.) does not accompany words. In addition, strong, reciprocity-based relationships, form a cornerstone of Thai society (Holmes and Tangtongtavy, 1997) and are crucial in Thai business culture. Thais prefer informal and personal relationship-based communication (Srijumpa, Chiarakul and Speece, 2007; Sammapan, 1996; Chaoprasert and Elsey, 2004; Petison and Johir, 2008) to the impersonal and formal. Furthermore, the findings demonstrate that, as an emerging stock market, Thailand's securities industry is very sensitive to news and rumours.

The context of Thai securities brokerage firms exhibited two dominant characteristics which were investigated and are now discussed.

Firstly, attributes endemic to the Thai securities brokerage industry: The nature of the Thai stock market was generally volatile (thus, it is high-risk) due to its sensitivity to news and external factors such as political and economic issues (high-sensitivity) and operates within a Thai milieu (high-context culture). The findings regarding '*high-risk*' revealed that investors and brokerages were well aware of this attribute as a key environmental characteristic. They agreed that the business environment was very challenging and more difficult than that of the general financial industry. Consequently, the findings confirmed that investors and brokerage firms accepted and understood '*high-risk*' as endemic to the business and, particularly, an emerging stock market, such as in Thailand. Interestingly, some brokerage companies saw this characteristic as providing investment opportunities for their customers.

Intriguingly, in regard to the other two environmental issues, purportedly influencing the Thai stock market, '*high-context*' and '*high-sensitivity*' to political and economic information, this research contradicted Hall (1976)'s conclusion that, because Thai culture is very high-context, depending on contextual and social cues for meaning and communication will not be verbally explicit (Thatcher, 2001; Simintiras and Thomas, 1998). Surprisingly, the findings indicated that, in this industry, people communicated *very explicitly* because of pressures to maintain confidentiality and to deal with risks associated with significant investment profit or loss.

This finding is supported by Trompenaars (2002)'s study of executives across various countries, where he found that nobody is completely the 'victim' of their culture. That is, people are not 100% high- or low-context, but move between the two according to the situation. Thus, in a military emergency, for example, culturally high-context soldiers will be deliberately low-context, depending on clear orders and explicit verbal communication, not grappling with implications, inscrutable facial expressions and inferences. Similarly, actors adapted to the environment of the securities industry.

However, although the industry requires low-context behaviours, many of the participants remain high-context culturally. Therefore, it was essential, and supported by this research, that securities firms encouraged their marketing staff to contact customers directly, because the officers' personal touch and relationship gave context to communication and rendered it easier to understand, as supported by Srijumpa, Chiarakul and Speece (2007), Chaoprasert and Elsey (2004) and Petison and Johir (2008). Not surprisingly, in a high-context culture, customers expected to be able to see marketing officers and to develop trust and close relationships with them. These

findings were very significant and expanded the body of knowledge and understanding of the area of communications and relationship-building in the financial services sector. They also contained implications for understanding business cultures.

Secondly, the different settings and events in the securities brokerage industry:

The industry involved multiple business events regarding – clients (for example, services provided), brokerage firms (for example, marketing and sales staff turnover) and the business environment (for example, amendment of brokerage services and commission fees). The research found that changes in the business environment did not negatively impact customer satisfaction or loyalty, provided these applied throughout the industry, for example, generally applicable modifications in rules, regulations or trading fees. However, where there were alterations in services provided only by a specific securities firm, such as due to marketing or sales staff moving or resigning, the study demonstrated very significantly that this type of event negatively impacted the company, as they would often lose customers (short-term investors) associated with those staff. This strongly correlates with the findings of Piansoongnern and Anurit (2007), Srijumpa, Chiarakul and Speece (2007), Chiu et al. (2003), Rotchanakitumnuai and Speece (2003) and Chaoprasert and Elsey (2004).

Thus, in response to the question, *‘To what extent does this business environment impact relationships with your clients?’*, a large number of participants, including local and international brokerage firms and retail short- and long-term investors, agreed that environmental factors, such as high-risk, high-sensitivity and a high-context culture, negatively impacted relationships with customers, except in the cases specified above, for example, generalised rule changes.

However, local institutional investors differed and maintained that this environment did not affect relationships or loyalty at all. This was because, as the findings illustrated, local institutional investors viewed the brokerage's performance and service quality as the most important factors in maintaining satisfaction and loyalty. Relationships might be good or simply adequate but, if a company performed badly in the scoring system, they did not use that firm. In support, Lam and Burton (2006) and Ehigie (2006) noted that, in the financial services industry, the intangibility of services complicates the evaluation of service quality and satisfaction, which are said to be the leading determinants of loyalty.

The findings also indicated that securities firms must maintain regular contact with local and foreign institutional investors and keep them informed with up-to-date market information, as supported by Ndubisi (2007), Ndubisi and Chan (2005) and Ndubiai and Wah (2005). Finally and most importantly, the findings were that creating personal relationships with customers was very helpful in this business environment. In addition, they showed that, for some types of investors, such as individual short-term and foreign institutional investors, '*personal touch*' was essential (Srijumpa, Chiarakul and Speece, 2007; Chaoprasert and Elsey, 2004; Petison and Johir, 2008).

6.6.1 The effect of organisational change or amendment

Eriksson and Vaghult (2000) suggested that financial institutions need to note the potential negative effects of organisational change on customer behaviours and relationships. Moreover, Chiu et al. (2003) pointed out that a significant key success factor for brokerage firms is their ability to retain existing clients and increase their satisfaction, through efficient RM in an environment of multiple business events.

Business events relevant to clients included order placement, complaints filing, service exceptions and changing personal profiles. Business events relevant to brokerage firms included staff turnover and amendment to brokerage services. Business events due to the environment included market news and stock price fluctuations.

This research clearly supported Chiu et al. (2003)'s finding that, where marketing sales staff moved or resigned, there was an identifiable negative effect on customer loyalty. The study revealed that all brokerages, focusing on retail investors, had a very difficult task in convincing a customer to stay with them when the marketing officer handling their account resigned or moved to another company. This was because customers had bonded with the officer rather than with the firm. This observation is confirmed by Piansoongnern and Anurit (2007) and Chaoprasert and Elsey (2004).

Conversely, the findings indicated that local institutional investors relied on the firm rather than on a particular marketing officer. This was because these institutional investors gave higher priority to a company's credibility and services, such as providing high quality research papers, recommendations and access to top-level people in the country, rather than to the personal touch.

This research provided an innovative refinement of Chiu et al. (2003)'s study by uncovering that, at least in the Thai securities brokerage sector, business events relevant to brokerage firms, including staff turnover, did not affect local institutional customers, as 'personal touch' was not an important requirement for this type of investor.

In terms of service amendments, such as commission fees, the findings confirmed that these changes definitely affected relationships with customers, unless

they applied throughout the industry, in which case there was no negative effect. These refinements were useful and expanded the understanding of the role of RM in customer loyalty and the dynamics in an emerging stock market sector, such as in the Thai securities brokerage industry.

6.7 Summary

The study revealed that all participants were unaware of RM as a technical term. However, the majority of brokerage firms believed it was very important and that they implemented RM in their normal practice. This research identified that the levels of knowledge and development of RM among securities brokerage firms and their stakeholders in the Thai stock market were low.

The findings showed that local securities brokerage firms implemented RM activities with their clients in very similar ways. Differences depended on whether the client involved was an individual or institutional investor and short- or long-term. For example, institutional and long-term individual investors regarded information provision, as opposed to personal networking activities, as the most important customer service. On the other hand, short-term individual customers required more personal relationship-oriented activities. This study suggested that, for RM to be successful with the variety of types of customers in the business, securities brokerage firms must understand and know their customers needs and behaviours in-depth before implementing RM strategies.

Turning to RM practices in Thai securities brokerage firms, the research revealed the following similarities and variations:

Firstly, local securities brokerage companies which focused on individual investors tended to give greater attention to *'relationship-building activities'*, rather than information provision. On the other hand, local brokerages focusing on institutional investors paid more attention to the *quality of information provided*.

Secondly, international securities brokerage firms operating in Thailand implemented two main RM practices: 1) building personal relationships and the company's reputation with customers and 2) providing insights and quality information to support clients' investment decisions.

Thirdly, institutional customers stated that *'business-related activities'*, such as corporate access, company visits and meetings with government officials, were very important for them.

Finally, among retail customers, short-term investors enjoyed relationship-building activities and preferred interactive communication with a brokerage firm's marketing/sales staff. On the other hand, long-term investors were not interested in personal relationship-building and interaction but preferred high quality information provision.

In terms of RM strategy in Thai securities brokerage firms, the findings identified three types of RM activities:

- 1) **Information marketing activities**, such as providing high quality research papers, arranging seminars, corporate access, company visits and arranging meetings with government officials or specific experts.
- 2) **Relationship-building activities**, such as inviting customers to lunch/dinner, leisure and sporting activities or special events, including thank you parties.
- 3) Regarding **database marketing activities**, this research revealed that the majority of securities brokerage firms did not use customer databases in a systematic fashion, although they were aware that full utilisation of such a strategy was very important.

In regard to database marketing strategy, the author suggests that securities brokerage firms must pay more attention to database marketing activities to differentiate themselves from their competitors and increase customer satisfaction and loyalty.

Concerning barriers in implementing RM, the study clearly demonstrated that securities brokerages in Thailand had very few major barriers in putting RM strategies into practice. However, the research uncovered some limitations, such as a lack of knowledge about RM, inadequate numbers of marketing staff, restrictions due to SET and SEC rules and regulations and difficulties in accessing listed companies.

In regard to organisational changes and alterations, where marketing staff moved or resigned there was a serious negative impact on customer loyalty on one type of investor. This was because short-term retail customers bonded with particular marketing officers rather than with their employers. Service modifications, such as changes in commission fees, definitely affected relationships with customers except that, when alterations were across the whole industry, loyalty was unaffected.

This study identified three factors that most affected customer loyalty in Thai securities brokerages: *‘providing high quality research papers’*, *‘giving efficient execution services’* and *‘having close relationships with customers’*. The findings also demonstrated that *‘trust’* is key in creating long-term relationships with clients.

The research uncovered a number of original findings and expanded the existing body of knowledge by providing a more subtle and in-depth analysis of RM in the securities brokerage industry. Examples of new findings include that short-term retail investors enjoyed relationship-building activities while, on the other hand, long-term investors preferred high quality information provision. The study revealed a number of similarities and variations in current RM practices in securities brokerage firms. It also identified three main RM activities: 1) information-marketing 2) relationship-building and 3) utilising database-marketing. The discovery of factors affecting customer loyalty among different types of customers was a significant addition to existing RM theory. Lastly and surprisingly, it was a very significant and new finding that, in this securities industry, people from a high-context culture communicated very explicitly, contradicting Hall (1976)’s assertion that, in Thai culture, communication would always be high-context, but confirming Trompenaars (2002)’s contention that, when the environment requires it, people are able to move between culturally specified behaviours.

In conclusion, this research confirmed that RM has a demonstrable impact on gaining customer loyalty in securities brokerage firms in The Stock Exchange of Thailand. However, in the case of individual short-term investors, RM activities positively impacted their loyalty to brokerages’ staff only. This provided yet another

important addition, among the many others indicated in this section, to the existing body of theoretical and practice knowledge of RM and customer loyalty.

Chapter 7

Conclusion

7.1 Introduction

This final chapter begins with a brief overview of the research and a short description of the findings and their implications. This is followed by an examination of the research objectives and a review of the study's limitations and difficulties. The chapter concludes by noting the contributions of this study and the areas for future investigation.

7.2 Research Conclusion

This research explored 'relationship marketing' (RM), an area of theoretical knowledge and professional practice in Thailand's financial services sector and, specifically, in securities brokerage firms. The study's principal research question, *'How 'relationship marketing' contributes to gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand?'* arose from the author's pilot studies and was intellectually positioned amongst current RM and customer loyalty literature. The findings which emerged from examining the research question led to the following conclusions.

7.2.1 Contextual Background of RM in Thai's Securities Brokerage Firms

In the Thai securities industry, most brokerages were unaware of RM as a technical term although the majority believed that they implemented it in their normal practice. In regard to customers (investors), the findings confirmed that they were also unfamiliar with the term. Overall, the research noted that the knowledge and development of RM among securities brokerage firms and their stakeholders in the Thai stock market was low.

Both the pilot and main studies revealed broad and significant agreement on the importance of RM in the securities brokerage business. All participants in this study identified RM as essential, despite their unfamiliarity with the term. However, there were important differences between them, depending on whether they were individual or institutional or long- or short-term investors.

Institutional and long-term individual investors regarded information provision, through research papers and support, as the most important customer service. However, the majority said that relationship-building was also very significant, supporting the assertions of Gummesson (2003), Gilbert and Choi (2003), Bennett and Barkensjo (2005) and Harwood and Garry (2006).

However, a significant addition to RM knowledge, provided by this research, was that '*short-term individual investors*' preferred personal relationship activities (Gilbert and Choi, 2003; Morris et al., 1998; Lam and Burton, 2006; Leverin and Liljander, 2006; Walsh et al., 2004) and snapshot stock recommendations and

suggestions from brokerages over standard information provision through research reports.

7.2.2 RM's Contributions to Thailand's Stock Market Environment

This study investigated the relationship between RM and key environmental issues affecting the Thai stock market, such as levels of risk and sensitivity and the influence of culture.

The discussion, in Chapter 6, of the Thai stock market's environment confirmed that the country's high-context culture (Hall, 1976), with its heavy reliance on strong, reciprocity-based relationships, forms a cornerstone of Thai society (Holmes and Tangtongtavy, 1997) and that Thais prefer informal and personal relationship-based communication (Srijumpa, Chiarakul and Speece, 2007; Sammapan, 1996; Chaoprasert and Elsey, 2004; Petison and Johir, 2008). These attributes emerged as two dominant characteristics in the Thai securities brokerage industry.

Furthermore, the research confirmed that investors and securities brokerage firms accepted and understood 'high-risk' as endemic to the business and particularly to an emerging stock market, such as in Thailand. The investigation revealed that some brokerages saw this characteristic as providing investment opportunities for customers.

Intriguingly, in regard to the other two environmental issues in the Thai stock market, 'high-context' and 'high-sensitivity' to political and economic information, this research contradicted Hall (1976)'s conclusion that, because Thai culture is very high-context, depending on contextual and social cues for meaning, communication will not

be verbally explicit. Surprisingly, this research indicated that, in the Thai securities brokerage industry, people communicated very explicitly because of pressures to maintain confidentiality and deal with risks associated with significant investment profits and losses. Interestingly, this finding is supported by Trompenaars (2002)'s study of executives across various countries, as discussed in chapter 7, where he found that people are not simply the passive 'victims' of their cultures.

Therefore, an important implication of this study is that securities brokerage firms in Thailand should encourage their marketing staff to contact customers directly to enhance the officers' personal touch and build reciprocal relationships with them. As one would assume in a high-context culture, customers expect to see their marketing officers and develop a 'close relationship' and '*trust*'. This supported the studies of Srijumpa, Chiarakul and Speece (2007), Chaoprasert and Elsey (2004) and Petison and Johir (2008). The finding (about culture and sensitivity) was new and extended the body of knowledge of RM in a high-context cultural environment.

In addition, the research examined the different settings and events in Thai securities brokerages. The industry involved multiple business events, associated with – clients (for example, services provided), brokerage firms (for example, marketing and sales staff turnover) and the business environment (for example, amendment of brokerage services and commission fees) (Chaoprasert and Elsey, 2004; Thatcher, 2001; Simintiras and Thomas, 1998; Sammapan, 1996; Lam and Burton, 2006; Srijumpa et al., 2002; Rotchanakitumnuai and Speece, 2003; Chiu et al., 2003). The study found that changes in business services did not negatively affect customer satisfaction or loyalty, provided these applied throughout the industry. However, where there were alterations to services provided by a specific brokerage, such as due to marketing or sales staff

moving or resigning, the findings demonstrated that this type of event negatively impacted those companies significantly, as they often lost the clients associated with those staff. This finding contributed to professional practice, especially for the securities brokerage industry in emerging stock markets.

Overall, these findings provided valuable new additions to the body of RM theory, applied to the financial services sector and to emerging stock markets. That is, that ‘environment factors’, such as high-risk and high-sensitivity negatively affected relationships with customers. Furthermore, the study confirmed the usefulness of creating personal relationships with customers in this business environment and, in addition, showed that for individual short-term and foreign institutional investors, ‘*personal touch*’ was essential.

7.2.3 RM and its impact on long-term relationships in the Thai securities brokerage industry

In financial services, especially securities brokerage firms, a personal relationship between investors and marketing staff is vital in establishing trust (Piansoongnern and Anurit, 2007; Srijumpa, Chiarakul and Speece, 2007; Chaoprasert and Elsey, 2004; Srijumpa, et al., 2002). As discussed in the previous chapter, all stakeholders in the industry emphasised that ‘*trust*’ was very significant in creating long-term relationships with customers (Wilson, 1995; Ndubisi and Chan, 2005; Chen et al., 2008). In short, this study confirmed and extended the notion that, in the securities brokerage industry, ‘*trust*’ is crucial for building long-term relationships with customers and that, in turn, long-term relationships strengthen customers’ loyalty.

7.2.4 Indicators of Behavioural and Attitudinal Loyalty

Accepted indicators of behavioural and attitudinal loyalty include customer's attachment to a brand, purchase behaviours, positive word-of-mouth, low propensity to switch and a preference for a particular service provider (Dekimpe, et al. 1997; Riley, et al., 1997; Lam and Burton, 2006). Interestingly, the findings revealed that individual investors usually recommended their marketing officers only to close friends or family and not to competitors (Ndubisi, 2007). In regard to negative comments, individual investors usually gave these informally, such as in a conversation with a marketing or relationship manager, rather than in official documents, such as ratings reports. On the other hand, institutional investors typically recommended a particular firm – not a person. Clearly, personal touch was not required by them. Furthermore, institutional investors, such as asset management firms and mutual funds, usually commented formally, such as in a quarterly scoring reports.

In regard to international brokerage firms, the findings were that most foreign investors did not normally recommend their brokers to others because they feared losing competitive advantage. The study uncovered two factors governing the loyalty of international brokerage firms in Thailand: firstly, the value of a customer's portfolio maintained over a long period - in other words, a very active portfolio; secondly, the relationship or interaction measured by the number of the investor's calls, emails or company visits.

This was another original addition to RM theory and practice - the identification of the exact and multiple factors, ensuring customer loyalty across different types of investors who exhibit variable behaviours. This was a significant contribution to the

pool of knowledge about RM and indicators of behavioural and attitudinal loyalty in securities brokerage firms.

7.3 Examination of Research Objectives

The following section summarises how the main research question and research objectives of the study were explored and satisfied.

7.3.1 Examination of the First Research Objective

‘To investigate RM practices in securities brokerage firms in Thailand’.

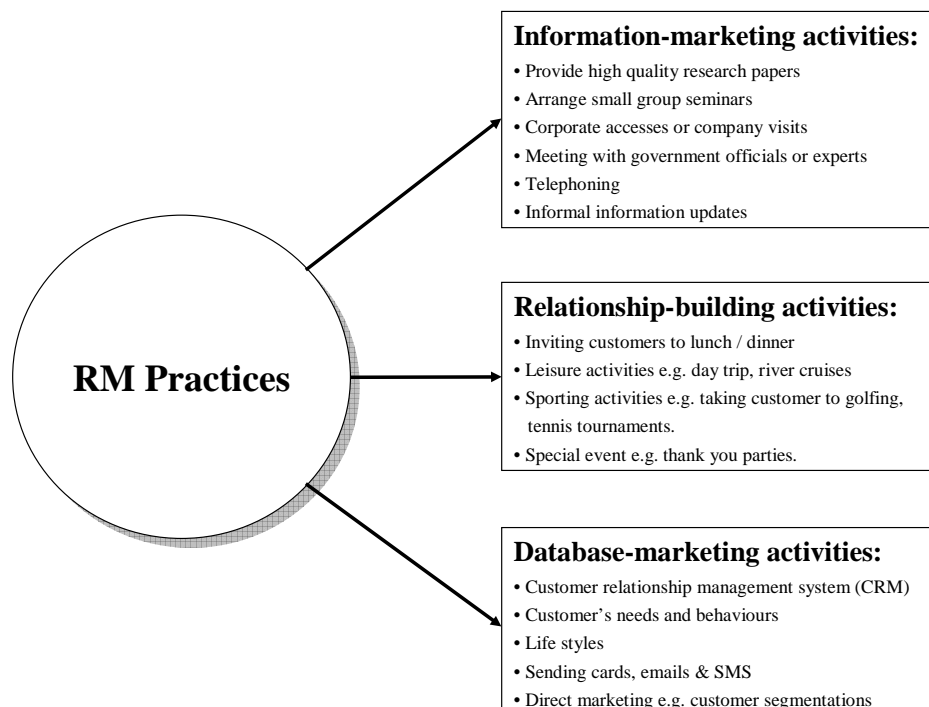
The study revealed a number of similarities and variations in current RM practices in Thailand’s securities brokerage industry. It was discovered that local brokerages in Thailand treated their customers differently, depending on the type of business received. In contrast, international firms in Thailand treated their customers similarly.

The findings confirmed that securities brokerage companies implemented three types of RM activity. Firstly, *‘information marketing activities’*: these included providing information, accurate advice and recommendations to customers. The importance of this function is supported by Gilbert and Choi (2003), Leverin and Liljander (2006) and Walsh et al. (2004). Secondly, *‘relationship-building activities’*: this area assumed greater importance because, as services in this business are very similar, securities brokerage firms differentiated themselves from their competitors through the quality of their relationships with customers (Gilbert and Choi, 2003; Lam

and Burton, 2006; Leverin and Liljander, 2006; Walsh et al., 2004). Lastly, '*utilising database-marketing activities*': using a firm's database enabled marketers to treat customers differentially and personally (Gummesson, 2003; Gilbert and Choi, 2003; Bruhn, 2003; Eiriz and Wilson, 2006; Lawson, 2008; Lacey and Morgan, 2009). However, the findings indicated that, although the majority of brokerage firms in Thailand did undertake some basic database marketing strategies, their utilisation of these techniques was limited.

Figure 9 displays RM practices in Thai securities brokerage industry.

Figure 9: RM Practices in Thai securities brokerage industry



Source: Author

A detailed explanation of RM practices in the Thai securities brokerage industry follows:

a) Information marketing activities:

- ***‘Providing high quality research papers’***: The provision of high quality research papers by securities brokerages elicited greater confidence and trust from customers, as noted by Gilbert and Choi (2003), Lam and Burton (2006) and Leverin and Liljander (2006).
- ***‘Arranging small group seminars’***: The study expanded the current pool of knowledge by investigating this activity’s importance more deeply and in the securities brokerage sector, where arranging small group seminars for customers was a major RM activity. The objectives of these seminars were more subtle than simply providing knowledge and information. Brokerages consciously used these activities to become acquainted with and closer to their customers – to build reciprocal relationships. Thus, the seminar was a core strategy in relationship and loyalty creation (Gilbert and Choi, 2003; Lages et al., 2005; Lacey et al., 2007).
- ***‘Corporate access and company visits’***: The research revealed that providing corporate access and company visits were vital, especially for institutional investors, both foreign and local. This RM activity had become increasingly important for brokerages seeking to enhance their credibility, gain trust from their customers and maintain their status as first tier brokerage firms.
- ***‘Arranging meetings with government officials or experts in specific areas’***: This endeavour was quite similar to the corporate access activity. The difference was that it enhanced the brokerage firm’s credibility by demonstrating entrée to

important networks. It was most appropriate for high volume investors, such as international hedge funds, high account asset management companies and individual investors with very large portfolios.

- ***‘Telephoning customers’***: The findings demonstrated the importance of daily telephone updates or information exchanges between marketing/sales staff and customers. This concurred with observations from Gilbert and Choi (2003), Chaoprasert and Elsey (2004) and Lawson (2008) (see Chapter 7).
- ***‘Informal information updates’***: For emerging stock markets, such as Thailand’s, unofficial or informal information, such as from rumours or insiders, had a major impact on market participants, especially retail short-term investors. Although SET regulations prohibited stock brokerages or marketing staff spreading rumours among their customers, in practice, in order to keep relationships with customers, many firms contacted their customers about informal information by private phone or short message (SMS) (Lawson, 2008). Whether a rumour was true or not, it affected the value of securities.

b) Relationship-building activities:

This study discovered that securities brokerage firms organised the following activities to create closer relationships with, and a deeper understanding of, customers’ expectations, needs and behaviours (Gilbert and Choi, 2003; Morris et al., 1998; Marsh, 1995; Peterson, 1995; Lam and Burton, 2006; Leverin and Liljander, 2006; Walsh et al., 2004):

- ***‘Inviting customers to lunch / dinner’*** : including one-on-one or group invitations;

- ***‘Leisure activities’***: such as river cruises, day trips, cooking lessons and meditation classes. From the interviews, these activities were useful when directed at retail investors;
- ***‘Sporting activities’***: including taking customers to football games, tennis tournaments and golf;
- ***‘Special events’***: such as organising thank you parties.

c) Database marketing activities:

The literature notes that the interactive use of a customer database will lead to mutually beneficial relationships with customers (Gummesson, 2003; Gronroos, 2000; Gilbert and Choi, 2003; Bruhn, 2003; Eiriz and Wilson, 2006; Lawson, 2008; Lacey and Morgan, 2009). As previously stated, the finding was that the majority of securities brokerage firms in Thailand reported that utilising a customer database strategy was very important and that it had an impact on customer relationship management. However, most local and foreign brokerages did not use customer databases in a systematic fashion.

This investigation of RM activities practices in the Thai securities brokerage industry extended the work of Gummesson (2003), Nowesnick (1993), Gilbert and Choi (2003), Lam and Burton (2006), Leverin and Liljander (2006), Eiriz and Wilson (2006), Lawson (2008) and Lacey and Morgan (2009). Notably, the findings about the use of seminars provided another new addition to current RM knowledge.

In addition, the research revealed a number of similarities and variations between different stakeholders in relation to current RM practices:

- 1. Local securities brokerage firms:** Most local brokerages implemented RM activities in a similar manner. That is, firms focusing on individual investors tended to give greater attention to relationship-building activities than providing information, such as in research reports. These companies concentrated on constructing closer relationships with customers by using the '*personal touch*'. (see figure 10)

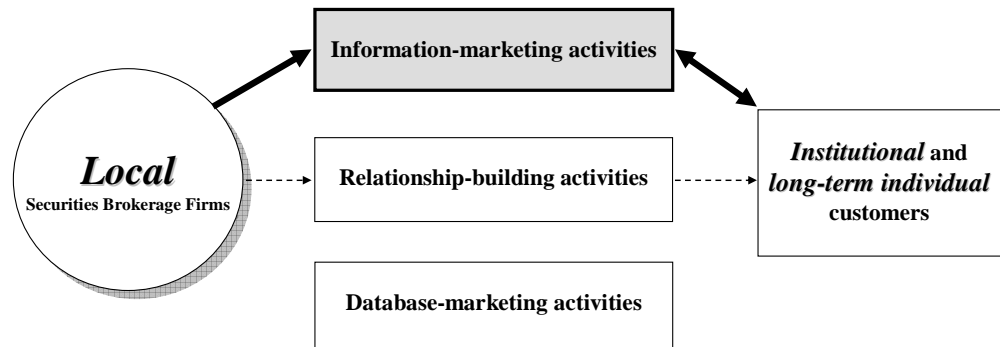
Figure 10: RM practices for short-term individual customers



Source: Author

In contrast, local brokerage firms, which focused on institutional investors, such as asset management companies or foreign funds, emphasised high-quality information provision. (see figure 11)

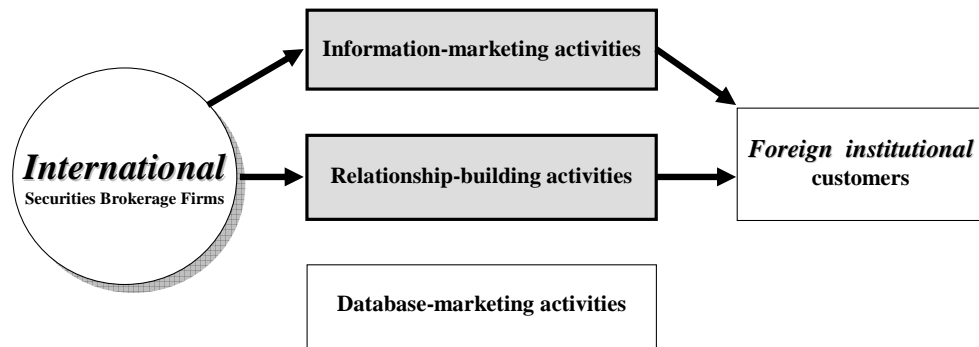
Figure 11: RM practices for institutional and long-term individual customers



Source: Author

- 2. International securities brokerage firms operating in Thailand:** The research found that international brokerage firms emphasised two main RM practices: firstly, building personal relationships and the company's reputation with clients and secondly, providing insights and superior information to support customers' investment decisions. These two practices were equally important to this type of firm. (see figure 12)

Figure 12: RM practices for international brokerage firms



Source: Author

3. Institutional customers (investors): Business-related activities, such as information provision, corporate access and trades processing, were very important for firms dealing with institutional investors. Brokerage companies that provided better information, trade executions and support through business-related activities were ranked higher in the scoring system by fund management companies and achieved greater customer satisfaction. (see figure 11)

4. Retail customers (investors): The research indicated that most short-term investors enjoyed relationship building activities, preferred interactive communication with the brokerage firm's marketing/sales staff and participated actively in those firms' networking activities (see figure 10). On the other hand, long-term investors were not interested and participated little in these activities. Information provision was far more important for these investors (see figure 11).

The study both supported and extended the current body of academic knowledge of RM in the financial services sector. In addition, the findings were unique in that they are derived from exploring RM in an emerging stock market. This is especially significant as emerging stock markets, such as in South East Asia and Central Asia, are gaining increasing importance due to globalisation. The investigation is important because these markets are closely related, mutually influential and representative of East and Southeast Asian markets (Yang, Kolari and Min, 2003; Srijumba, Chiarakul and Speece, 2007). From a practitioner's viewpoint, the findings could benefit a range of emerging stock markets, such as those currently being developed in South East Asia, Eastern Europe and Central Asia.

7.3.2 Examination of the Second Research Objective

'To investigate factors that impact customer loyalty to securities brokerages firms in Thailand'.

The findings demonstrated clearly that there were three main factors that impacted significantly on customer loyalty to Thai securities brokerage firms.

1. Providing high quality research papers: All participants agreed that information services, including high quality research papers, newsletters, personal updates and information exchange were very important in this business (Gilbert and Choi, 2003; Lam and Burton, 2006; Leverin and Liljander, 2006).

2. Having close relationships with customers: All types of customers agreed that, without good relationships, it would be almost impossible to do business (Gilbert

and Choi, 2003; Morris et al., 1998; Lam and Burton, 2006; Leverin and Liljander, 2006; Walsh et al., 2004).

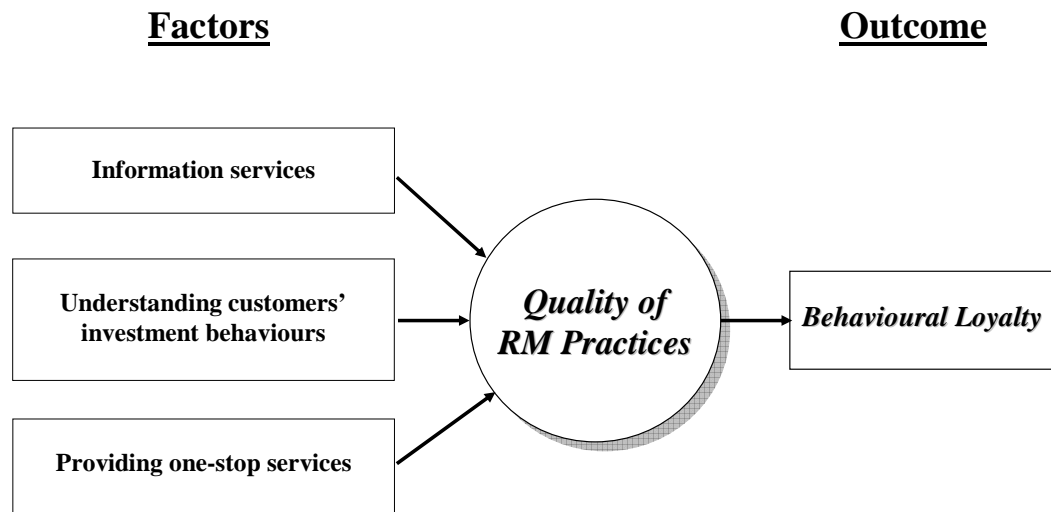
3. *Providing an efficient trade execution service*: The findings revealed that providing efficient trade execution services also impacted customer satisfaction, trust and loyalty, for example, buying and selling stock at a good price, delivering cash or shares to customer's accounts on time.

This research contributed significantly to RM academic and practice knowledge by examining these factors more deeply than in past studies and detailing the differential requirements of various types of participants. The investigation found that the interaction of customer loyalty and the three main factors noted above was considerably more subtle than the current literature indicates. From this research, the following typology emerges:

Factors impacting '*local securities brokerages*'

The study identified the three most influential factors impacting on customer loyalty for local securities brokerage firms: firstly, providing superior information services, secondly, understanding customers' investment behaviours (as discussed earlier, this research uncovered that various types of customers had different behaviours and needs) and thirdly, providing one-stop services, such as offering all products available on the stock market plus services that other brokerages did not have (such as corporate access) (see figure 13).

Figure 13: Most influential factors for ‘local securities brokerages’

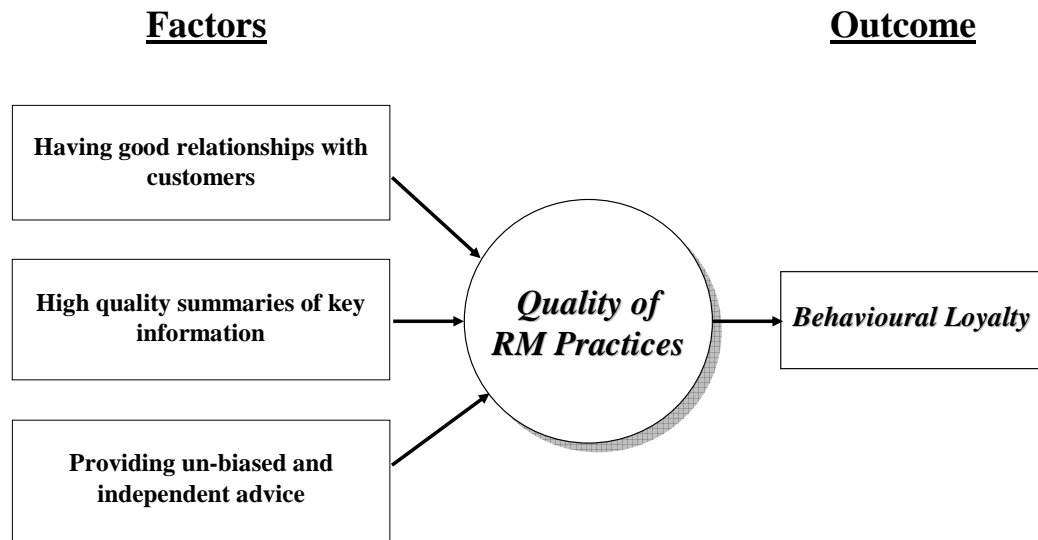


Source: Author

Factors impacting ‘international securities brokerages’

Turning to international securities brokerage firms, the study identified the three most important factors impacting on their loyalty as firstly, having good relationships with customers. The research found that, when foreign customers trusted a sales person, they often related to them as though they were a very good friend. Secondly, providing high quality summaries of key market information was very significant because, for foreign institutional customers, information summaries were more important than lengthy research papers. Thirdly, providing unbiased and independent advice was key because, as the research found, customer loyalty required frank recommendations on when to buy or sell stocks (see figure 14).

Figure 14: Most influential factors for ‘*international securities brokerages*’

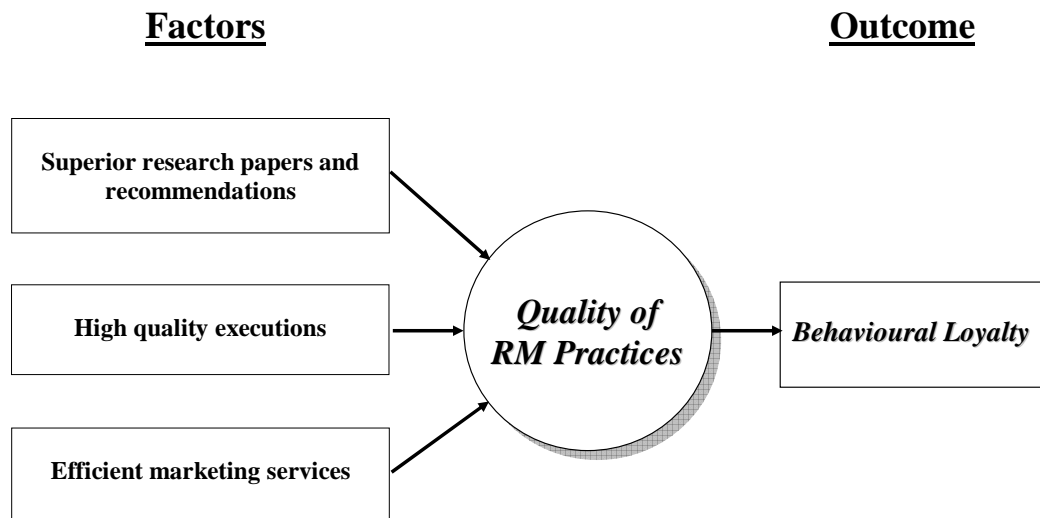


Source: Author

Factors impacting ‘*institutional customers*’

In regard to institutional customers, the study identified the three most influential factors impacting on their loyalty. Firstly, brokerages needed to offer superior research papers and recommendations and possess strong research and analyst teams. Secondly, these firms had to provide high quality and efficient trade executions, for example, buying stocks at a lower price and delivering accurate clearing and settlement processing. Lastly, brokerages needed to have knowledgeable sales/marketing staff and must organise business-related activities, such as corporate access, company visits and seminars (see figure 15).

Figure 15: Most influential factors for ‘institutional customers’

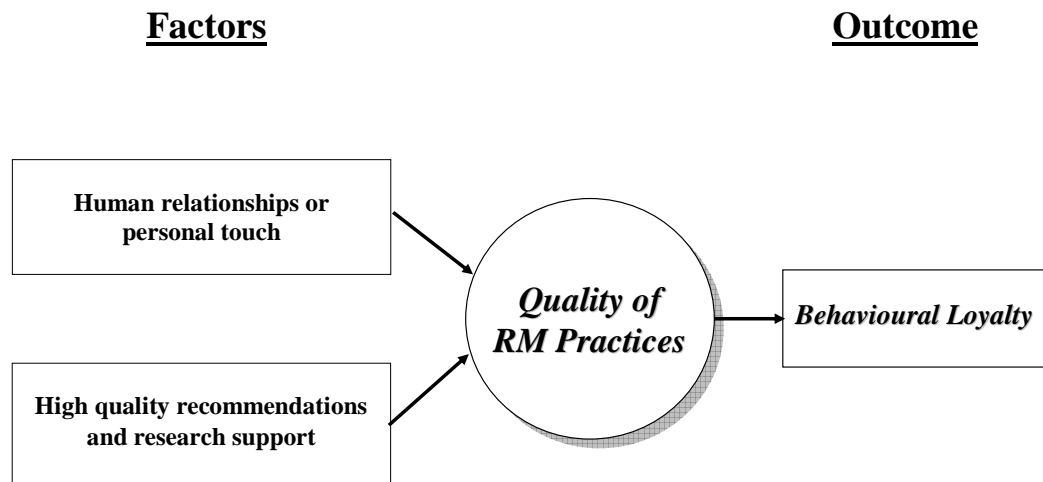


Source: Author

Factors impacting ‘retail customers’

Retail customers (investors) exhibited a variety of needs and behaviours. Short-term individual customers preferred relationship-building activities, personal relationships and the personal touch. They favoured friendliness, ease of communication and the opportunity to ask questions. On the other hand, long-term individual customers sought high quality research papers and information, ease of access and a wider range of services. (see figure 16)

Figure 16: Most influential factors for ‘retail customers’



Source: Author

It is contended that these findings (describing the RM strategies, loyalty and customer types paradigm) were unique and significant because they provided a deeper and more subtle analysis of factors affecting customer loyalty to securities brokerage firms. Consequently, they form potentially a very influential contribution to both academic and practice bodies of knowledge. Importantly, they offer a starting point for the better implementation of RM by securities brokerages.

7.3.3 Examination of the Third Research Objective

‘To explore how these RM practices impact customer loyalty to securities brokerage firms in Thailand’.

In exploring how RM practices impact customer loyalty to Thailand’s securities firms, the following discussion centres on the importance of RM in ‘gaining’, ‘strengthening’ and ‘maintaining’ customer loyalty.

RM and its impact on gaining customer loyalty

This research confirmed that RM had an impact on *gaining* customer loyalty in Thai securities brokerage companies. These findings added to the studies of Zineldin and Philipson (2007), Das (2009), Adamson et al. (2003), Gronroos (2004) and Kotler and Armstrong (1999). The views of each respondent group on RM and gaining customer loyalty are summarised as follows:

- **Local securities brokerage firms:** RM practice was a valuable tool in gaining customer loyalty in the securities brokerage industry (Leverin and Liljander, 2006).
- **International securities brokerage firms:** Without relationships, it was almost impossible to survive in this competitive business environment (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006; Ehigie, 2006; Gilbert and Choi, 2003; Schiffman and Kanuk, 2004).

- **Institutional investors:** If the quality of research and execution were equal across firms, those which provided superior RM practices became the investor's first choice (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006).
- **Retail investors (short- and long-term):** Most short-term investors confirmed that RM secured their loyalty, though not necessarily to the brokerage firm. Typically, they had close relationships with marketing staff. In fact, short-term investors were not really loyal to brokerages but to staff (Piansoongnern and Anurit, 2007; Srijumpa, Chiarakul and Speece, 2007; Chaoprasert and Elsey, 2004). Regarding long-term investors, the factor that gained their loyalty was 'information marketing strategies' (Gilbert and Choi, 2003; Bennett and Barkensjo, 2005; Harwood and Garry, 2006). It was certainly not 'personal relationships' with marketing officers.

Does RM practice strengthen customer loyalty?

One of the most interesting findings of this study was that that all participants agreed that RM practices *strengthened* or increased customer loyalty.

The findings were that institutional customers gave priority to superior research and high quality dealer execution services. Business-related RM activities, such as company visits, corporate access and presentations from experts, were seen as highly beneficial by these investors.

Most retail short-term customers agreed that RM practices were important in terms of gaining knowledge about stock investment and creating relationships with marketing staff. Long-term retail investors reported that the factors that impacted on their loyalty were good research and information, ease of access and a wide range of services - not relationships with marketing officers.

In short, the research supported the contention that RM practices strengthen customer loyalty in securities brokerage firms in Thailand. This finding added to RM academic and practice knowledge, by expanding it to the securities brokerage industry and by differentiating the interrelationships between customer loyalty, customer types and various kinds of RM activities.

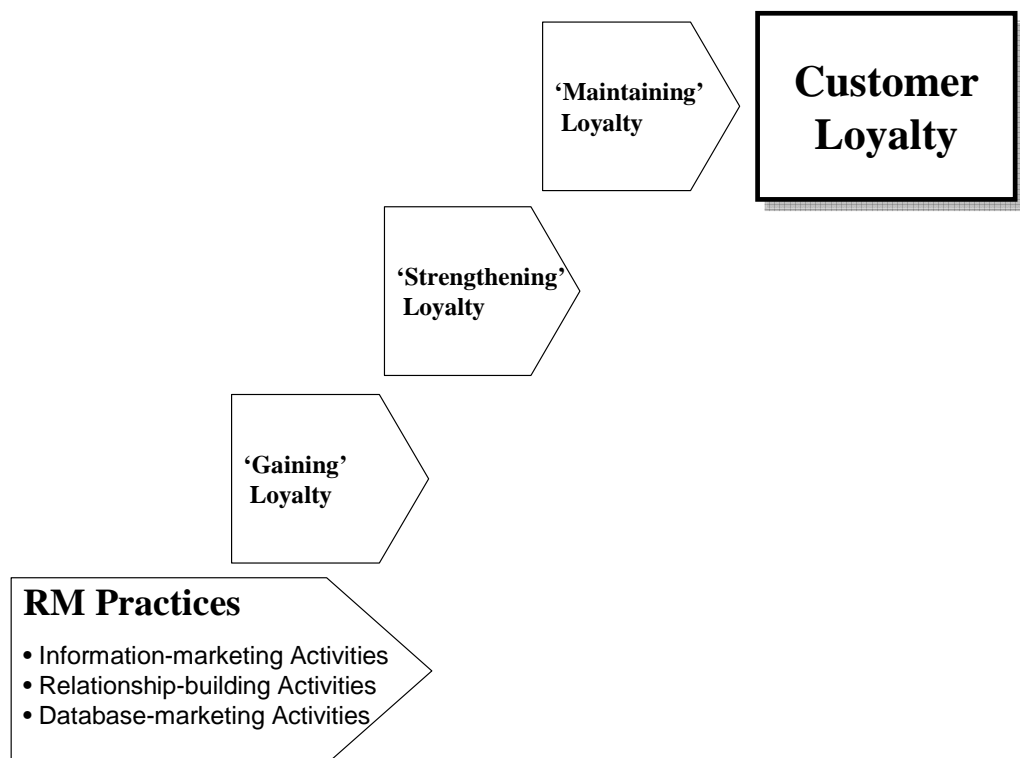
The importance of RM practice in maintaining customer loyalty

From the evidence and customers' perceptions of RM practices, it was clear that these had a positive impact on *maintaining* customer loyalty in the securities brokerage business in Thailand. This was found across the sector even though firms and customers varied on which RM activities they preferred. To international customers, the sales or marketing officers were like '*ambassadors*' for the Thai market. If they trusted these staff, they were more receptive to the company's communications.

In short, the research demonstrated that all participants in the securities brokerage business strongly believed that RM was important in '*maintaining*', not simply *gaining* or *strengthening*, investor loyalty in securities brokerage firms in SET. This reflected the views of Zineldin and Philipson (2007), Das (2009), Adamson et al. (2003), Gronroos (2004) and Kotler and Armstrong (1999).

In investigating this research objective, *To explore how these RM practices impact customer loyalty to securities brokerage firms in Thailand*, the study found that RM practices had a significant and powerful impact on customer loyalty in the Thai securities brokerage firms industry. Figure 17 summarises the findings related to the third research objective.

Figure 17: RM Practice and its impact on customer loyalty



Source: Author

As illustrated in figure 17, it was clear that, by implementing appropriate RM practices with the right target customers, brokerages not only 'gained' and 'strengthened' customers' loyalty but successfully 'maintained' significant and high

quality loyalty to their firms. These findings extended the body of theoretical and practice knowledge of RM and customer loyalty in the financial services sector.

In addition to this research objective, the study examined current barriers to implementing RM in Thailand's securities brokerage industry and found that there were no *major* issues. However, there were some limitations on RM in the industry. These included marketing staff's lack of knowledge of RM, limited numbers of marketing staff, stricter rules and regulations prohibiting non business-related activities and difficulties in arranging corporate access to top executives of listed companies.

Importantly, this was the first study, investigating how RM practices impacted customer's loyalty and the impact of RM on gaining that loyalty, focusing on securities brokerage firms and, of course, the first to examine these dynamics in an emerging stock market. This research filled a glaring deficit in knowledge in the area and provided important theoretical and practical contributions to RM in the financial services sector.

7.3.4 Examination of the Fourth Research Objective

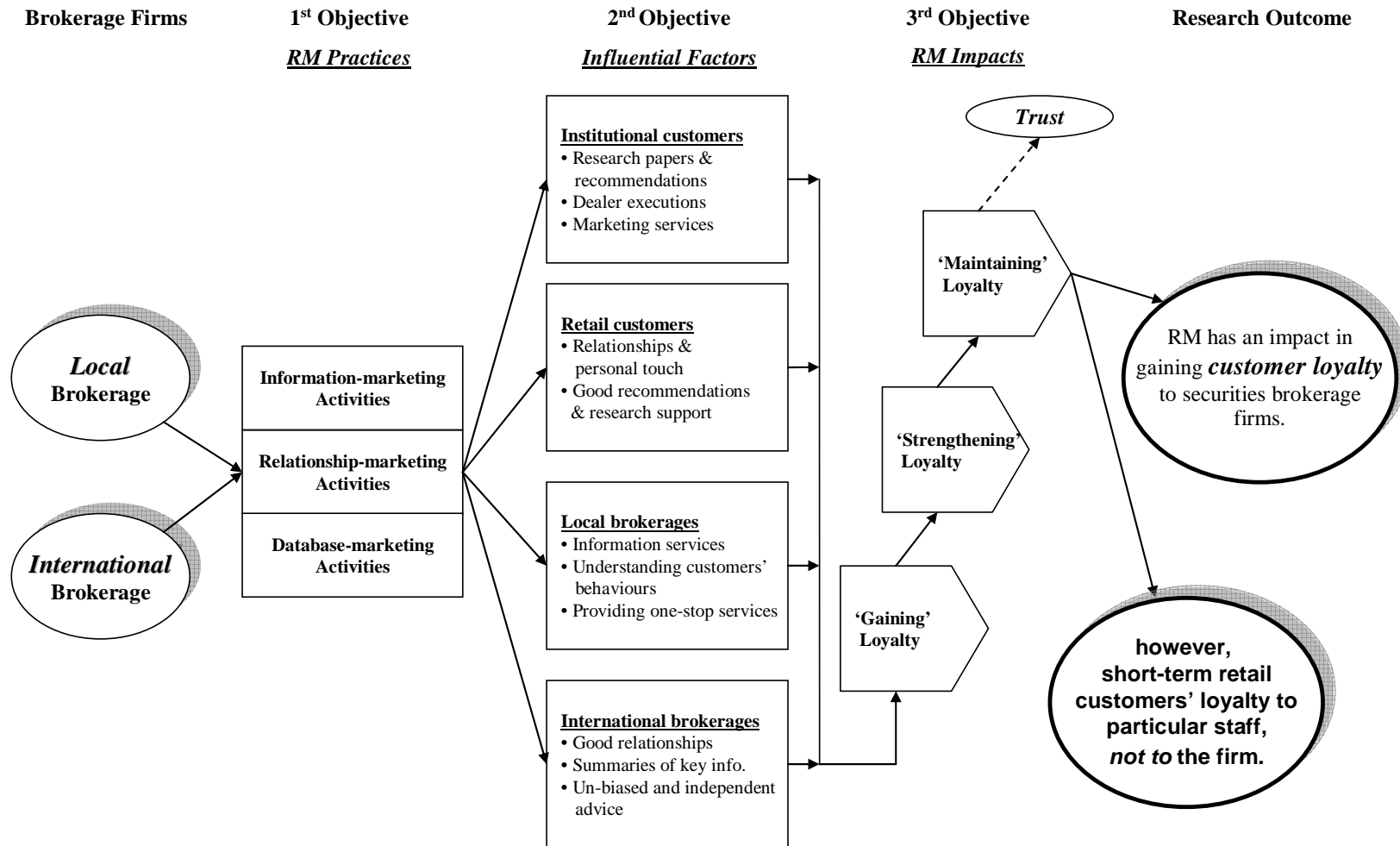
'To produce academic knowledge that contributes to understanding how RM impacts customer loyalty to securities brokerage firms'.

Rigorous and thorough research processes were applied throughout this study, including in the literature review of RM in general, RM in the context of financial services and, especially, RM in an emerging stock market, such as Thailand's. The same high research standards were used in arriving at the pilot and main studies' findings, the

data collection and analysis and the discussion of findings and implications. The thesis not only produced academic and practical knowledge that contributed to a better understanding of how RM impacted customer loyalty in securities brokerage firms. This study also uncovered new, unique and potentially very influential paradigms which significantly impact on both academic and practice knowledge. It provided a detailed and in-depth basis for new theory-building. Consequently, it clearly achieved the fourth research objective.

In conclusion, in investigating the main research question, ***‘How ‘relationship marketing’ contributes to gaining customer loyalty to securities brokerage firms in The Stock Exchange of Thailand?’***, this research confirmed that RM had a demonstrable impact in gaining customer loyalty in securities brokerage firms in The Stock Exchange of Thailand although, as previously noted, RM activities positively affected individual short-term investors’ loyalty to particular staff and not to brokerages - a significant addition to the existing body of theoretical and practice knowledge of RM and customer loyalty. Figure 18 gives a summary of the key findings emerging from the research objectives and research question.

Figure 18: The summary of key research findings



Source: Author

As shown in figure 18, the findings were that there were three main RM strategies implemented in the Thai securities brokerage industry – information-marketing, relationship-building and database-marketing activities. The study demonstrated that securities brokerage firms in Thailand actively implemented information-marketing and relationship-building activities but the execution of database-marketing activities was limited.

The findings indicated that brokerages must understand the behaviours and needs of the different types of customers and employ appropriate RM strategies to gain their trust and loyalty. The research also identified the most influential factors impacting each customer group's loyalty behaviour. Moreover, this study established that RM is important in '*maintaining*', not simply *gaining* or *strengthening*, customers' loyalty to securities brokerage firms. Finally, in answering the main research question, the investigation confirmed that RM had a demonstrable impact on gaining customer loyalty to brokerages in The Stock Exchange of Thailand although, RM activities positively affected individual short-term investors' loyalty to particular staff and not to brokerage firms.

This thesis has satisfied all the research objectives originally proposed. The study has examined the current knowledge of RM in the financial services industry and made significant new contributions to it. As a result, the research has important implications for policy and practice in the securities brokerage industry in Thailand.

7.4 Research Limitations

Time is the most commonly cited limitation to research and, in that regard, this study was no exception. As the author was employed full-time during the research, time management and maintaining timetables became extremely complicated. Without these constraints, respondents' contributions would have been greater and the findings more in-depth, in line with the author's initial aspirations. The study required rigorous time management to meet both the selected respondents' and the author's schedules.

Secondly, one of the data collection methods (semi-structured interview) used in this study had its own intrinsic limitations as well as advantages. Its advantages included gaining access to core feelings and thoughts, which was important in obtaining deep information. However, its implementation required considerable effort, time and labour, particularly in transcription. In addition, interrupted interviews were another limitation. The participants were very busy people with limited time. Consequently, their concentration and the natural flow of the interviews were sometimes affected.

Thirdly, in regard to participant observation, there was some difficulty at first in gaining access to the RM activities of brokerage firms, because this type of activity was a very private arrangement between a brokerage and its key account customers. For example, corporate access activities usually took the form of confidential one-on-one discussions in a closed meeting room. However, this limitation did provide further evidence of the 'high-sensitivity' endemic to the industry, as discussed in Chapter 6. Furthermore, in the 'observer as participant role', taking notes while simultaneously observing and participating in activities was not easy. Sometimes, the note-taking was necessarily a little brief.

The restricted scope of the study itself imposed a final limitation. Because the research questions and span of the thesis limited the focus to RM in the Thai securities brokerage industry, investigating the many fascinating and interesting characteristics of an emerging stock market fell outside the remit of this exploration. However, as a result of this research, the author is very keen to investigate these in the future.

7.5 Recommendations for Further Research

There are a number of future research issues and topics which emerge from this study. Further investigation is recommended in the following areas:

- Although this research confirmed that RM had a demonstrable impact on gaining customers' (foreign and local institutional and long-term retail customers) loyalty to securities brokerage firms in The Stock Exchange of Thailand, the findings were that short-term retail customers were more attached to marketing or sales staff than to their employing companies. Further research is required to develop an in-depth understanding of these investors' needs, expectations and behaviours and how they might be induced to move their loyalty from staff to brokerage firms.
- The influence of culture has been documented both very well and very poorly in many business areas. However, the subtle and intricate influences of cultural factors in the financial industry have not been thoroughly explored. As noted in this study, culture is not simply a one dimensional determinant of behaviour but interacts with a complex range of other environmental factors, nuanced by the

demands of the capital market. This would provide a demanding but fascinating area of investigation and be of special relevance to emerging markets.

- This research found that ‘trust’ was crucial in the securities brokerage industry. The author recommends further definition and exploration of this attribute in the financial services sector, especially in the capital market. Investigation would cover the factors influencing trust and its measurement in this sector. Clearly, this would provide interesting results as well as methodological and analytical challenges.
- This study uncovered very interesting dynamics between customer behaviours and environmental factors, such as ‘high-risk’, ‘high-sensitivity’ and ‘high context culture’, in the securities brokerage industry. The findings indicated an opportunity for a comparative study of culture and RM in developed and emerging stock markets.
- Research could be undertaken to investigate RM in Thailand’s banking sector. This area is very competitive, involving both Thai commercial and international institutions. A study could examine whether and how RM can secure competitive advantage in the industry.
- Research on RM can easily be extended to other sectors, such as small and medium size enterprises (SMEs) and the retail consumer market. Studies could investigate whether and how RM creates competitive advantage in these areas. The outcome could provide a starting point for the development of a model of best RM practice in Thailand.
- A very important research possibility would be the exploration of RM’s potential in creating relationships between government agencies and their stakeholders. Based on this investigation’s literature review, there are very few studies in this area and it certainly needs attention.

7.6 Research Contributions

This thesis provided significant and potentially influential contributions to the body of academic and practice knowledge of RM in the financial services sector. As the literature review revealed, it is also the first study of RM and its impacts on customer loyalty in securities brokerage firms and a pioneering work on RM in emerging stock markets. The following section alludes to three of this study's original and unique contributions.

7.6.1 Theoretical Contributions

This research added to RM theory by bringing together three main RM components which, to-date, have been treated separately in the literature. Firstly, *information marketing activities* were noted as important by Gilbert and Choi (2003), Morris et al. (1998), Leverin and Liljander (2006) and Walsh et al. (2004). Secondly, *relationship-building activities* had been emphasised by Gilbert and Choi (2003), Lam and Burton (2006), Leverin and Liljander (2006) and Walsh et al. (2004). Finally, *utilising database-marketing activities*, using a firm's database to enable marketers to treat customers differentially and personally, had been described by Gummesson (2003), Gilbert and Choi (2003), Bruhn (2003), Eiriz and Wilson (2006), Lawson (2008) and Lacey and Morgan (2009). This study, however, was the first to provide a investigation of these components in synthesis.

Among the most important and potentially influential theoretical and professional contributions of the research was the development of a far deeper and more subtle analysis of the intricate interrelationships between RM strategies, customer types and customer loyalty. It is contended that this study's findings in this area were unique,

potentially influential and very significant. For example, a notable finding in regard to the *loyalty – RM* dynamic was that RM did not increase the loyalty of individual short-term investors to brokerage firms but contributed to strengthening their pre-existing attachments to a company's marketing staff.

Intriguingly, this research's findings contradicted Hall (1976)'s and the generally held conclusion that, because Thai culture is very high-context, depending on contextual and social cues for meaning, communication will not be verbally explicit. Surprisingly, this study established that, in the Thai securities brokerage industry, actors communicated very explicitly because of pressures to maintain confidentiality and to deal with the risk of large investment profits and losses. This finding was significant and added new knowledge of RM in the financial services environment. It also has implications for academic and practice knowledge about culture and business.

The research discovered that, in the securities brokerage industry, a personal relationship between customers and marketing staff was vital in establishing trust (Piansoongnern and Anurit, 2007; Srijumpa, Chiarakul and Speece, 2007; Chaoprasert and Elsey, 2004; Srijumpa, et al., 2002). This study confirmed and extended the notion that, in this industry, '*trust*' was crucial for building long-term relationships with customers and that, long-term relationships, in turn, strengthened customers' loyalty (Ndubisi and Chan, 2005; Chen et al., 2008).

This research also demonstrated that RM was important in '*maintaining*', not simple *gaining* or *strengthening*, investor loyalty to securities brokerage firms. This finding supported and extended RM theoretical knowledge and the studies of Zineldin

and Philipson (2007), Das (2009), Adamson et al. (2003), Gronroos (2004) and Kotler and Armstrong (1999).

In summary, the research not only confirmed that RM had a demonstrable impact on customer loyalty in securities brokerage firms in The Stock Exchange of Thailand, but also constructed a more nuanced understanding of this dynamic, thus contributing significantly to the existing body of theoretical and practice knowledge of RM.

7.6.2 Professional Practical Contributions

The study's finding, that most brokerages operating in Thailand did not utilise customer databases in a systematic fashion, has specific practice implications. The Stock Exchange of Thailand and securities brokerage firms need to develop systematised database marketing strategies to increase customer satisfaction and loyalty.

Concerning RM conceptually and 'knowing your customers', this research suggests that Thai securities brokerage firms need to approach RM more professionally to capitalise on its benefits to themselves and the Thai stock market. If brokerages fully understood RM, they would implement it more strategically, professionally and systematically. For example, a clear practice implication of this study was that, to maintain loyalty, brokerage firms must have sales teams with highly developed marketing relationship skills. This is currently not the case.

The research established three factors that had most influence on customer loyalty for local securities brokerage firms: providing superior information, understanding different types of customers' investment behaviours and offering one-

stop services. The study added significantly to RM practice by examining these factors more deeply and detailing the differential requirements of various types of participants, as discussed earlier in this chapter.

7.6.3 Policy Implications

As well as providing new theoretical insights, the research raised important issues for organisations, such as SEC, SET and securities brokerage firms. The findings hold significant implications for the Exchange's current policy and practice. For example, given the proven low level of understanding of RM in the Thai stock market, it is crucial that SET promote RM and its benefits to stakeholders.

In addition, this study suggested that, for RM to be successful with a broad array of customers, securities brokerage firms must have a more subtle understanding of different types of customers' (investors') needs and behaviours before implementing strategies. These must be '*customised*' to achieve consumer satisfaction. In RM, *one size does not fit all*.

In line with the need to understand investors differentially, SET should reconsider its retail investor education methods which aimed to attract potential investors to the market on a long-term basis through learning. Although this is an admirable ambition, the research and the author's first-hand knowledge indicated that many potential investors were not interested in education and information provision. They required a different sort of RM. Energy and resources would be better directed to first understanding the needs of various types of investors and then responding differentially by 1) supporting securities brokerage firms in developing high quality research papers for foreign investment funds and local institutional and long-term

individual investors, 2) improving the competence of brokerages' marketing/sales officers in RM and communication and 3) offering stock analyses, including summaries and recommendations. These would be more influential marketing strategies and a better use of resources than teaching people to be long-term investors when most of them are resistant to this. Transforming these ideas into successful RM strategies offers interesting professional challenges.

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Appendix 1

Definitions

Security: a type of financial instrument or transferable interest representing financial value. A security is issued by a company (or an issuer) and traded on a stock exchange. It can be an equity (stocks), debt instrument (bonds), derivatives instrument (a futures contract), etc. A security may be represented by a certificate or by an electronic book entry, evidencing ownership in a corporation (stocks), debt obligations (bonds) or other rights to ownership as stipulated in specific contract (a futures contract). Ownership can be transferred from one person to another.

Securities and Exchange Commission (Thailand) (2009) Available at:

http://www.sec.or.th/investor_edu/investor_fundmkt/Content_0000000580.jsp?categoryID=CAT0000305&lang=th (Accessed: 9 September 2009).

Securities brokerage firm: a type of business in the financial service industry that is significantly engaged in providing financial products or services to customers. As a member of a stock exchange, securities brokers facilitate securities investment for investors by buying and selling stocks and/or bonds for clients on the exchange, where each transaction must be made between two members of the exchange. In general, a transaction must be done through a broker, not directly between the ultimate buyer and ultimate seller (except for online trading); an individual may not walk into the exchange and ask to trade stock. A fee or commission is therefore charged to investors for acting as an intermediary between buyer and seller. In addition to generally trading stocks for

their clients, stock brokers may also offer advice or supply them with information to assist in decisions about buying or selling stocks, bonds, commodities, options, etc.

Securities and Exchange Commission (Thailand) (2009) Available at:

http://www.sec.or.th/investor_edu/investor_fundmkt/Content_0000000580.jsp?categoryID=CAT0000305&lang=th (Accessed: 9 September 2009).

Financial service industry: a type of business that is significantly engaged in providing financial products or services to customers, for example, banks, insurance companies, investment banks, or brokerages. Services are, for example, loan and investment services, insurance, trust and agency services, securities, and all forms of financial or market intermediation, including the distribution of financial products and providing information on the stock market.

Securities and Exchange Commission (Thailand) (2009) Available at:

http://www.sec.or.th/investor_edu/investor_fundmkt/Content_0000000580.jsp?categoryID=CAT0000305&lang=th (Accessed: 9 September 2009).

High-risk: as used here, means that securities brokerage industry as well as securities investment deals with large sums of money and there is potential that investors may face significant monetary losses from trading securities. Therefore, such trading is risky and investors have to be more cautious in investing. Good advice and service from brokerage firms are required and there is potential for risk diversification by investors through having more than one broker instead of relying extensively on a single provider, enabling comparison of services and loss minimisation (Chaoprasert and Elsey, 2004).

High-sensitivity: as used here, this means that the securities brokerage industry, as well as securities investments, is very sensitive to news, rumours and other external factors (for example, political and economic issues). To illustrate, a strengthened information flow is required from various parties, including the securities companies involved, to mitigate the effect of rumours (Chaoprasert and Elsey, 2004).

High-context culture: this is where meaning is primarily in the context as opposed to the actual words, and many things are left unsaid, letting the culture do the explaining. When the culture context is high, general communication does not require much background information, as a lot is already known. Persons in these cultures encourage sharing information regularly by keeping in close contact. They have less need to be explicit and rely less on words to convey meaning and more on nonverbal communication. A high-context culture is more common in the eastern cultures like Japan, Korea and Thailand and it is considered to be the opposite cultural characteristic to the American “low-context culture” <http://www.time-management-basics.com/time-management-high-and-low-context-culture.shtml> (Accessed: 17 June 2007).

Multiple business events, including happenings relevant to clients, brokerage firms and business environment are explored in the study to see how effective RM is in gaining customer loyalty in these various situations.

- **Business events relevant to ‘clients’** are where brokerage firms (sales staff, brokers and traders) interact with their clients, whether individual or institutional. The events include acquisition and entry of orders, fulfilment of orders, all regulatory reporting for the orders, complaint filing, service exceptions, changing personal profiles, etc. (Chiu et al., 2003).

- **Business events relevant to ‘*brokerage firms*’** are the situations that happen within the brokerage firms. The events include staff turnover and amendment of brokerage services. All of these may cause their clients to stop their transactions with the brokerage firm in question and turn to a competitor, because of, for example, dissatisfaction with their broker’s new marketing staff or changed rules (Chiu et al., 2003).
- **Business events due to the ‘*environment*’** are the situations that happen external to the company. These include market news and stock price fluctuations. These events are important, as investors are always sensitive to news and rumours (Chiu et al., 2003).

Close and strong relationship: as used here, refers to an attachment characterised by a “*personal touch*”, close human relationships and communication, and the comparison of benefits obtained. A close and strong relationship renders psychological or social benefits in terms of familiarity, friendship, and information-sharing between brokerage staff and investors. Such relationships with customers are required to provide long-term retention of customers or a kind of long-term relationship. The closer and stronger the relationship is, the longer the relationship is maintained and the more benefits are seen. Such benefits include economic ones, in terms of discounts or other money-saving gains, as well as customisation in terms of tailor-made services/products. According to social exchange theory, relationships will be influenced by the rewards of the relationship, as well as rewards they may potentially receive in alternate relationships. All relationships are usually formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. For example, when a person perceives the costs of a relationship as outweighing the perceived benefits, then the person will choose to leave the relationship (Alexander and Colgate, 2000).

Appendix: 2

Purpose of interview questions

2.1 Interview questions for marketing manager

a: General questions on RM

The questions in this part were to give a general background as to the respondent's knowledge about RM.

1. Before commencing the interview, do you know what relationship marketing (RM) is?

This question is to learn what respondents think about RM.

2. In your opinion, how important is RM to you and your organisation?

This question seeks to learn the opinion of respondents about the importance of RM from two points of view: that of the respondent and of his/her company.

3. What kind of RM activities do you use in your current relationship marketing programme?

This question aims to create a detailed picture of the RM activities that the respondent's securities brokerage firm uses and to know the objectives of each RM activity. Moreover, the question could lead to asking about the results of RM activities in this sector.

b: Usage of RM in brokerage firms

Based on the literature review and the key research focus of this study, participants were asked to identify key RM strategies used in their companies, including how firms managed their marketing staff and customers. Some questions seek to learn how brokerages communicate with their customers and manage some situations, for example, when marketing staff resign, services are changed, or rumours surface in the stock market. These issues will be key evidence of loyalty in the securities brokerage sector.

4. What Relationship Marketing strategies do you use to encourage clients to choose your brokerage?

This question aims to learn the RM strategies used in the brokerage firms, and how firms differentiate their company from competitors.

5. What are your strategies for matching marketing staffs with clients?

This question seeks to know how firms matching their marketing staff to customers,

including the criteria used in this matching.

6. Information marketing is a key of Relationship Marketing; what information marketing do you use for your customers?

Based on the literature, information marketing is a key component of Relationship Marketing. This question seeks to know that what kind of information marketing is used in this business and its importance.

7. If marketing staff resign, how do you communicate this to your clients and maintain their usage of your firm?

Based on the literature review, changing marketing staff sometimes affects the relationship between customers and their brokerage firms. This question aims to investigate the level of relationship and loyalty between customers and securities brokerage firms. How do customers react after their marketing contact person resigns? In addition, it seeks to understand how important the marketing staffs are to the brokerages compared to the firms' RM strategies.

8. If you amend brokerage services, such as by changing commission fees, how do you communicate this to your clients and maintain their usage of your firm?

Based on the literature review, changing services sometimes affects relationships between customers and their brokerage firms. The question also aims to investigate the relationship level and loyalty between customers and brokerages.

9. Do you treat clients differently, depending on the size of their investment? How?

This question is to study how brokerages treat their customers. Is the size of the customers' portfolios affect the firms' strategies?

10. When facing rumours on the securities you hold, how do you communicate these to your clients?

This question requests each marketing staff member to provide their viewpoints about how they react to rumours: how do they communicate with each other? To what extent does this situation affect their relationship or loyalty?

11. Do you utilise a customer database to support your relationship marketing?

Based on the literature, customer database management is a key component of relationship marketing. This question aims to investigate the extent to which brokerages in Thailand use customer databases, and the degree of importance of customer database systems in the then-prevailing business environment.

c: RM and customer loyalty

This section is to investigate RM practices in securities brokerages. The questions request respondents to share their knowledge and experiences in implementing RM, including how RM affects their customer loyalty. Question also requests the respondents' evaluation of the degree to which MR is effective in gaining customer loyalty.

12. How do customers respond to your RM practices?

This question asks customers about how they respond to RM practices from brokerage firms, including what kind of communication they use in their interaction, and what reaction they receive.

13. How important is the role of *relationship marketing perception* in maintaining customer loyalty?

This question seeks to learn the opinion of customers the degree to which they perceive RM as being important in this business sector, including the degree to which RM really helps maintain customer loyalty in this business environment.

14. What factors affect customer loyalty in securities brokerage firms?

This question seeks to know the factors in MR practices that affect or help build customer loyalty towards brokerages, including finding out what are the similarities and differences of factors affecting RM as applied to different type of customers, for example, institution investors, long-term individual investors and short-term individual investors.

15. To what extent do *relationship marketing strategies* help securities brokerage firms strengthen customer loyalty?

This question aims to reconfirm and learn how effective and usefulness of RM

strategies are in strengthening relationship and loyalty levels.

16. What problems are there in implementing relationship marketing in securities firms?

This question requested respondents (marketing managers of brokerages) to identify problems in implementing their RM practices. The question aims to discover similarities and differences of problems between doing RM to institutional and individual investors.

17. To what extent, is *relationship marketing* effective in gaining customer loyalty?

This question requests respondents (marketing managers and customers) to share their opinions about the effectiveness of RM in gaining customer loyalty in brokerages.

d: Loyalty and indicators of attitudinal loyalty

This part focuses on loyalty in the brokerages. The questions also aim to investigate indicators of attitudinal loyalty in this business sector.

18. How do you create long-term relationship to your customer?

This question requests the respondents to share their practices or experiences in doing relationship-building with their customers, including how marketing

managers create long-term relationship with customers.

19. To what extent are your customers loyal to your company?

This question asks about respondents' experiences, to explore the degree to which their customers are loyal to the company. If the company is not that important to clients, then what important?

20. When there are any changes in your company that may outweigh your customer's perceived benefits, for example, marketing staff resign, rules change, etc.: to what extent do your customers stay loyal to your company?

This question seeks to know how business event, such as marketing staff resign or rules and regulation change, affect the relationship.

21. Do your customers say positive or negative things about your company? Please give an example.

The question seeks evidence about positive or negative feedback from the customers. It is also seeks to learn the customers' expectations that play an important role in their relationships to the firms.

22. Do your customers recommend that others use your services?

This question seeks to learn the strength of customers' relationships to the firms, and to understand the customers' behaviours in this business sector.

e: Characteristics and setting

Two characteristics of Thai brokerage firms are investigated in this part: 1) The nature of the securities industry, which deals with large sums of money and is sensitive to external factors such as news on political and economic issues. 2) Different settings of securities brokerage industry, involving multiple business parties and events – including clients (for example, providing various services), brokerage firms (for example, broker's staff turnover) and business environment (for example, amendment of brokerage services or fees). In addition, the events take place in the context of the high-risk, high-sensitivity and high-context culture of the Thai securities brokerage industry.

23. What do you think about this business environment?

This question aims to discover the respondents' opinions about the business environment in the brokerage business, which occurs in the context of high-risk, high-sensitivity information.

24. In this environment, how do you respond to/communicate with your clients?

This question seeks to know the communication styles or tools used in this business environment. It also seeks to learn about the effectiveness of communications in this business sector.

25. To what extent does this business environment affect relationships with your clients?

This question is to learn the degree to which this business environment affects relationship between securities brokerages and their customers.

f: Other comments & Suggestions

26. Do you have any other comments or suggestions about the usage of relationship marketing and the customer loyalty in the securities business services?

This welcomes any respondents' additional opinions or suggestions about RM and customer loyalty in this business sector.

2.2 Interview Questions: Customers (Investors)

a: General Questions on RM

The questions in this part concern the general background of the respondents' knowledge about RM. There are two groups of respondents in this research: 1) Institutional investors, for example, fund managers of asset management companies. 2) Individual investors, including long- investors and short-term investors or speculators.

Here is the purpose of each question.

1. Before commencing this interview, do you know what relationship marketing (RM) is?

This question is to learn respondents' knowledge about RM, and what they think about it.

2. How important is RM to you?

This question seeks to learn the opinion of respondents (who are investors) about the importance of RM, and to explore the differences, if any, in this respect between institutional and individual investors.

3. What kind of RM activities have you experienced with your broker(s)?

This question seeks to know the kind of RM activities that investors have experienced from their brokerages.

4. What do you think about the usefulness of these RM activities?

This question requests respondents to share their viewpoints as to the usefulness of the RM activities they experienced.

5. How do you feel after RM activities?

This question asks about the respondents' feelings after their experiences with the RM activities.

b: Usage of brokerage firms

According to the literature review and the key research focus of this research, the respondents were asked to identify key RM strategies used by securities brokerages, including the criteria that investors used to choose their brokerage, and what the investors (customers) thought about their broker.

6. How do you feel about your broker?

This question requests the respondents to provide their viewpoints about their

brokers in term of services and relationships with the broker they are using.

7. How many brokers do you have? If you have more than one broker, why?

This question aims to understand why some investors prefer to open account with more than one broker, and to explore any similarities or differences in this respect between institutional and individual investors.

8. What are your criteria for choosing brokers?

This question aims to learn the reasons or criteria that investors used to selecting their broker.

9. Which is your main brokerage? Please give the name of the brokerage and specify why it is your first choice. (Optional question)

This question requests respondents to give the name of their favourite broker (Optional) in order to compare with the findings with findings from the marketing manager part. Moreover, the question seeks to know the reason investors used in choosing their main broker.

10. For how long have you used services from your main broker?

This question is similar to the previous question but allows respondents to share their viewpoint on relationships with their main broker.

11. How much do you invest in securities?

This question is to enquire about the volume, value and frequency with which the respondents invest with their brokerage. This also gives the researcher insights on the relationships between respondents and their brokers.

12. How often do you contact your main broker? Whom do you contact, and for what services?

This question seeks to know the investors' behaviour in terms of frequency of using the service: what kinds of service do they frequently use? Also, it seeks to know whom the investors mostly contact and why.

13. Overall, how satisfied are you with your main broker's services?

This question requests each respondent to provide his/her viewpoint on his/her satisfaction with their main broker, including the factors affecting their satisfaction.

c: RM and Customer Loyalty

This section aims to investigate RM practices in brokerages. The questions request respondents to share their RM experiences, including evaluations of the degree to which RM affects their loyalty.

14. In terms of information to support your investment decisions, what kind of information do you get from your brokers? What communication channels do your brokers use in contacting you?

This question seeks to learn the kind of information marketing strategies and communication channels used.

15. Have you ever been offered RM activities by your (main) broker?

This question requests respondents to share their experiences with RM activities that offered by their main broker. The answers to this question will enable the researcher to compare the different relationship strategies used for institutional and individual investors.

16. How did you respond to these RM practices?

This question requests respondents to provide opinions on RM practices that they received from their brokers.

17. If so, to what extent are you satisfied with these RM practices?

This question requests respondents to provide viewpoints on his/her satisfaction about RM activities.

18. How did these RM practices benefit you, if at all?

This question aims to discover the benefits of RM as practiced by securities brokerages.

19. How does RM affect your loyalty to your broker?

This question seeks the opinion of the respondent as to the degree to which RM influenced their loyalty to their brokerages.

20. What is the main reason that you keep trading with your broker?

This seeks to identify the key reasons that make investors stay and invest with the same broker.

d: Loyalty and indicators of attitudinal loyalty

This part focuses on loyalty in brokerages. Moreover, the questions aim to investigate the indicators of attitudinal loyalty in this business sector.

21. How often do you invest with your broker? Why?

This question aims to obtain data on a respondent's investment behaviour: why do they invest or not invest? To what extent does their pre-existing relationship with their brokerage important in determining investment frequency?

22. Do you have any person in your main brokerage with whom you are familiar or have some kind of personal touch? If yes, does this benefit you somehow?

This question investigates the degree to which “personal touch” impacts the relationship with customers (investors). It also investigates the benefits that customers and their companies get from “personal touch”.

23. If your favourite marketing person resigned from your main brokerage, would you change brokers to follow the marketing officer or stay? Why?

This question investigates the level of relationship and loyalty between customers and brokerages. How do customers react after marketing staff resign? In addition, it seeks to understand the importance of marketing officers to the brokerages’ RM strategies.

24. Have changes in brokerage services, such as rises in commissions, ever caused you to stop dealing with a broker?

The literature review shows that changing services sometimes affects relationships between customers and their brokerages. This question aims to investigate the extent to which amendment of brokerage services will affect these relationships.

25. Do you say positive or negative things about your broker? Why?

This question seeks to learn how the customer reacts to or gives feedback on the brokerage services, and how customers communicate these messages.

26. Have you ever recommended or encouraged others to use your broker? Why?

According to the literature, recommending one's broker is a key indicator of loyalty. This question aims to investigate the relationship level of each respondent with his/her broker.

27. Do you think that you have a strong relationship with your brokers?

This question requests each respondent's viewpoint on their level of relationship with their broker.

e: Characteristics and Setting

Two characteristics of Thai securities brokerage firms are investigated in this part: 1) The nature of securities brokerages, where firms deal with large sums of money and are sensitive to news and external factors, such as political and economic issues. 2) Different settings of securities brokerages, involving multiple business events – clients (for example, services provided), brokerage firms (for example, brokerage staff turnover), and changing business environment (for example, amendment of brokerage services or fee). In addition, the question is in the context of the high-risk, high-sensitivity and high-context culture in Thailand's securities brokerages/

28. What do you think about this business environment?

This question gives respondents a chance to share their general viewpoints

about this specific business environment. What are they thinking about? Based on their experience, are there any differences or similarities with other business sectors?

29. How are you responding to this environment?

Related to the previous question, if the customer believes that this specific business environment is unique, how is each respondent dealing with it?

30. To what extent does this business environment affect your relationship with a broker or marketing representative?

This question aims to learn the extent to which this business environment has an effect to the relationship.

f: Other Comments & Suggestions

31. In your opinion, do you have any other comments or suggestions about the usage of RM to keep and maintain customer loyalty in the securities business services?

This welcomes any additional client opinions or suggestions about RM relationship marketing and customer loyalty in this business sector. It is also seeks the respondents' points of view about the research apart from the above question.