International Journal of Management and Marketing Systems
ISSN: 2384-537X, Volume 13, Issue 3, (June, 2018) pages 71 - 79
www.arcnjournals.org

Customer Relationship Marketing: A Formidable Tool for Building Customer Loyalty

Ikechi Ann[1] and Anyanwu Ahamefule, V.[2]
[1]Department of Marketing, Abia State Polytechnic, Aba
[2]Department of Marketing, Imo State University, Owerri.

Abstract: *Marketing oriented firms, in this turbulent era, has gone beyond creating and offering products to customers, to that of backing up their transactions with intimate relationships that metamorphose into strong and immutable bond with customers. This work, entitled customer relationship marketing: a formidable tool for building customer loyalty emphasizes commitment, trust and communication as drivers of customer relationship marketing, which ultimately translate into customer loyalty. It does not align with the common view that a loyal customer is simply one who makes repeat purchases only, but one who is fully committed to a brand to the extent that variables like, price hike, distance, introduction of substitutes by competing firms are not strong enough to make him switch brands. This work is purely based on authoritative secondary data which strongly support its propositions. The work suggests that marketers should know their customers very well, build one on one relationship with each of them, develop strategic alliance with key customers, handle dissatisfaction related issues with care so as not to lose their customers, avoid acts likely to be perceived as evasion of privacy, and finally, know when to quit a relationship as part of customer relationship management strategy, knowing that customer relationship marketing can be cost intensive in such situations.*

Key Terms: *Marketing, Customer Relationship Marketing, Relationship Marketing, Customer Loyalty*

1. INTRODUCTION

Marketing, in the past, had passed through some eras with each era advocating a concept or an ideology. These eras range from production through societal marketing. The marketing concept, which emerged in the mid 50's challenged the preceding concepts – production, product and selling. According to Kotler (2003), the marketing concept holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets. Kotler's definition of marketing concept appears transactional as it failed to emphasize the need for relationship. The definition emphasizes creating, delivering and communicating superior customer value to a chosen market(s) relative to competitors, which is like a one-way traffic as it is possible for all these to be actualized without a bond (relationship) being built between the organization and its customers. AMA in 1937 also toed the same lane when it defined marketing as "business activities involved in the flow of goods and services from production to consumption (Lusch, 2007)." This definition has a distribution undertone probably because it was coined when the world was passing through a great depression, which resulted in shortage of demand. Though, there is no single all encompassing definition of marketing, it is obvious that this association by implication flawed their first definition when they came up with a better one twenty five (25) years after the issue of marketing myopia was raised by Theodore Levitt in a seminar/article in 1960, and almost half a century after their first definition. In a bid to improve on their first definition, AMA in 1985, defined marketing as the "process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals (Gundlack and Wikie, 2010)." This second definition, like the first, was also transactional as it failed to emphasize the customer relationship aspect of marketing which is the crux of marketing. The 1985 definition remained uncontested and unchanged until 2004, when the AMA again updated its definition of marketing to: "an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders (Lusch, 2007)." This definition aptly captures these two issues: value creation and customer relationship, which are imperative in marketing, but it is too myopic to see marketing as an organizational function, hence by a 'structural ectomy' (removal of some parts of the definition), one can define marketing as a socio-managerial process that creates, communicates and delivers value to customers and manages customer relationship in such a way that benefits the firm and other stakeholders. Many authors have also come up with their own corrective definitions which rightly see marketing as a socio-managerial process and not an organizational function. This is in line with Peter Drucker's proposition that marketing is too big to be seen as a management function; rather, the entire business of an organization seen from the customers' perspective. Probably, that is why Kotler and Armstrong (2006) defined marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Kotler and Armstrong's definition and that of AMA in 2004 obviously uphold the relevance of customer relationship marketing. Little wonder Gronroos (1996) opined that customer relationship marketing is the biggest paradigmatic shift in marketing theory and practice in recent decades. To that effect, this work shall be focusing on Customer Relationship Marketing: A Formidable Tool for Building Customer Loyalty.

2. PROBLEM SITUATION

It has been widely acclaimed that it is more cost effective to maintain an existing relationship than to acquire new ones. Managing customer relationships is costly and sometimes challenging, as genuine efforts made to build this relationship are seen as an evasion of privacy. Moreover, mismanaged customer relationship marketing initiatives do not only lead to wasted efforts, but often result in high customer churn rate, corporate image destruction and costly litigations.

3. OBJECTIVE OF THE PAPER

The objectives of this paper are to:

i. examine the relationship between customer relationship marketing and customer loyalty;
ii. clearly differentiate between customer relationship marketing and relationship marketing;
iii. establish veritable ways of practicing customer relationship marketing;
iv. examine various ways of displaying customer loyalty;
v. examine the negative aspects of customer relationship marketing.

4. THEORETICAL FRAMEWORK

RELATIONSHIP MARKETING/ CUSTOMER RELATIONSHIP MARKETING

Gronroos (1997) defines relationship marketing as a "process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises. Here, the relationship is not just 'customer-centric', but extends to other stakeholders which include: suppliers, bankers, security operatives, among others. Harker (1999) and Sheth and Parvatiyar (2000) excluded these stakeholders in their definitions, making it appear myopic.

Customer Relationship Marketing (CRM) is a business process in which client relationships, customer loyalty and brand value are built through creative activities that establish a solid customer base that forms the bedrock of this relationship. CRM allows businesses to develop long-term relationships with established and new customers, even as it helps to streamline corporate performance. Kotler (2003) asserts that Customer Relationship Marketing enables companies to provide excellent real-time customer service by developing a relationship with each valued customer through the effective use of individual account information.

In other words, customer relationship marketing focuses on building an immutable bond with a customer (as captured by a notable Sterling Bank ad, tagged 'One Customer'), while relationship marketing extends the relationship to other stakeholders like suppliers, security agencies, banks, host communities, among others.

CUSTOMER LOYALTY

Customer loyalty is simply not the act of buying repeatedly from a seller. It is deeply held commitment to re-buy or patronize preferred goods or services consistently in the future despite situational influences and marketing efforts that have the potential to cause switching behaviour (Oliver, 1997). Zeithaml, Berry and Parasuraman (1996), propose a multi-dimensional framework to measure customer loyalty: (1) High purchase intention (repurchase intention); (2) Less price sensitivity (price insensitivity); (3) Feedback to the firm (word-of-mouth, complaint behaviour); (4) Propensity to do more business (frequent purchase and no switching behaviour). Going by these distinctive characteristics of loyal customers, it is pertinent for firms to build strong relationships with their customers. Anyanwu (2013) asserts that Customer Relationship Marketing is not only geared towards attracting buyers but in making them loyal. Making a customer loyal is a process. John (2009) in his loyalty ladder expects a marketer to take a prospect from the terrorist's level to a level where he becomes an evangelist of that brand.

Evangelists
Enthusiasts
Loyalists
Buyers
Rejectors
Terrorists

Figure 1: The Loyalty Ladder

Source: www.zunch.com

Appreciating the categories of people on the loyalty ladder, Anyanwu (2013) explains thus:

Terrorists (people who are so unhappy that they speak out against a poorly delivered product at every opportunity); **Rejectors (**people who do not see any value in the product and make no attempt at acquiring it); **Buyers** (those who have purchased the product for personal consumption or industrial purposes); **Loyalists** (buyers who have used the product and have come to believe in some qualities of the product that assure them of satisfaction); **Enthusiasts** (people who approve of something and show enthusiasm for it; **Evangelists** (people who tell others about the need to buy specific goods and services). The loyalty ladder clearly shows the need for commitment and trust in customer relationship building. It takes commitment to grow a terrorist, nurture him through, till he becomes an evangelist - one who wins customers for the firm.

TRUST – COMMITMENT THEORY

Morgan and Hunt (1994) opine that trust and commitment are the key mediators in the exchange between participants, which essentially leads to relational co-operation. Taking customers through the length of a relationship requires trust. Trust is defined as a willingness to rely on exchange partner in whom one has confidence (Moorman, Deshpande and Zaltman: 1993). Trust is an individual's belief that an exchange partner will deliver desirable resources in a predictable manner (Foa and Foa, 1976). Trust provides the basis for loyalty, relationship enhancement and is mediated by customer perceived value of the relationship (Morgan and Hunt, 1994). Trust reduces uncertainty in an environment where customers feel vulnerable because they know that they can rely on the trusted organization (Aydin and Ozer, 2005).

The success of any relationship, to some extent, depends on the level of trust built by the parties involved in the relationship. Huang and Chiu (2006) assert that increased trust is critical for relationship success between the customer and the business. Customers trust organizations when they perceive them to be making investments that reduce uncertainty, increase efficiency, and improve the effectiveness of their relationships (Gutek, 1997). Trust is an antecedent of commitment, and an essential feature of successful relationship.

COMMITMENT

Commitment is a long-term desire to maintain a valued partnership (Brink and Berndt, 2008). It is the intention to continue a relationship because it is worthwhile (Moorman, Zaltman and Deshpande, 1993). It is another important determinant of the strength of marketing relationship and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach and Wikie, 2010). Luarn and Lin (2003) establish a significant relationship between commitment and loyalty. Commitment and loyalty have been revealed by some studies as having a crucial influence on one another (Anderson and Nams, 1990; Morgan and Hunt, 1994; Anderson and Weitz, 1992; Printchad, Havitz and Howard, 1999). Reinforcing this, Berry and Parasuraman (1991) maintain that relationships are built on the foundation of mutual commitment.

Commitment is a two way traffic. Customer commitment to the supplier is a very important driver of customer loyalty in service industries (Fullerton, 2003). Gundlach and Wikie (2005) opine that customer commitment can be demonstrated in these manners: loyalty, willingness to make short-term sacrifice, long term orientation and willingness to invest in the relationship. Firm commitment is highly imperative in this relationship. A high commitment level on the part of a firm is an emotional barrier to customer churn or attrition (that is, loss of clients or customers).

COMMUNICATION

Communication is a process in which two or more persons attempt to consciously or unconsciously influence each other through the use of symbols in order to satisfy their respective needs (Burnett,1984). Empirical studies reveal that communication increases the level of trust between partners (Anderson and Narus, 1990; Anderson and Weitz, 1992; Morgan and Hunt, 1994) Customer relationship marketing gets better with the building of customer database, as this makes communication more effective and intimate.

5. ACADEMIC REVIEW

i. In his study on the impact of relationship marketing on customer loyalty, Mollah (2014) revealed that relationship marketing increases trust, which associates with customer loyalty.

ii. Patrick et al. (2014), in their study on the effect of relationship marketing on customer loyalty also corroborate the fact that there is a positive correlation between level of customer loyalty and trust, commitment, communication and conflict handling.

iii. Still on the issue, Habibollah et al. (2011) investigated the impact of relationship marketing tactics on customer loyalty: the mediating role of relationship quality. The findings of this work revealed that relationship quality has a positive influence one customer loyalty.

iv. Laith and Nahla (2010) investigated the impact of relationship marketing orientation on customer loyalty; the customer's perspective. One of their findings is that the five dimensional scale (bonding, trust, communication, satisfaction and commitment) possesses adequate reliability and internal consistency as well as convergent validity.

v. Velnampy and Sivesan (2012) revealed a positive correlation between customer relationship marketing and value creation. They specifically pointed out that customer relationship marketing contributes to customer value creation by 52.1% and the remaining 47.9% can be attributed to other factors, like customer satisfaction, customer loyalty and customer service quality.

vi. Xuan and Yuanguan (2009) studied the impact of customer relationship tactics on customer loyalty within Swedish Mobile Telecommunication Industry and their study revealed that relationship quality (trust and satisfaction) are positively related to loyalty.

vii. William (2010) did an analysis of customer relationship marketing in DB Schenker Logistics, Finland and the study, like similar studies revealed that loyalty is enhanced through a better relationship with customers.

6. STRENGTHS AND WEAKNESSES OF CUSTOMER RELATIONSHIP MARKETING

Ndubuisi (2004) reports that research has shown that the cost of serving one loyal customer is significantly less than the cost of attracting and serving one new customer. Customer relationship marketing is one way of building customer loyalty. Customer Relationship Marketing offers social benefits and customer value, enhances customer services, builds confidence, and customer ensures retention orientation (Gwinner, Gremler and Bitner, 1998). From the organization's perspective, customer relationship marketing makes it possible for organizations to access privileged information on customers' needs and wants and build trust in customers, which in turn makes them loyal to the firm. According to Gremler and Brown (2001), loyal customer's word-of-mouth can be very influential in terms of gathering new business and helping to attract new customers, because satisfied customers convey positive messages about the company's service and personal recommendations are often taken most seriously in consumer purchase decisions. Satisfied customers are powerful advocates for a company and they form the foundation of a successful business (Hoyer and Mclnnis, 1997).

Despite the benefits of customer relationship marketing, the following have been identified as its weaknesses: high cost of maintaining relationships, evasion of privacy, mismanagement of time, waste of human and material resources, perceived unequal treatment to customers, among others.

7. CONCEPTUAL MODEL

Based on the review of literature, the authors, Ikechi and Anyanwu have proposed this conceptual model to be known as Ik - AN Firm - Customer Interface.

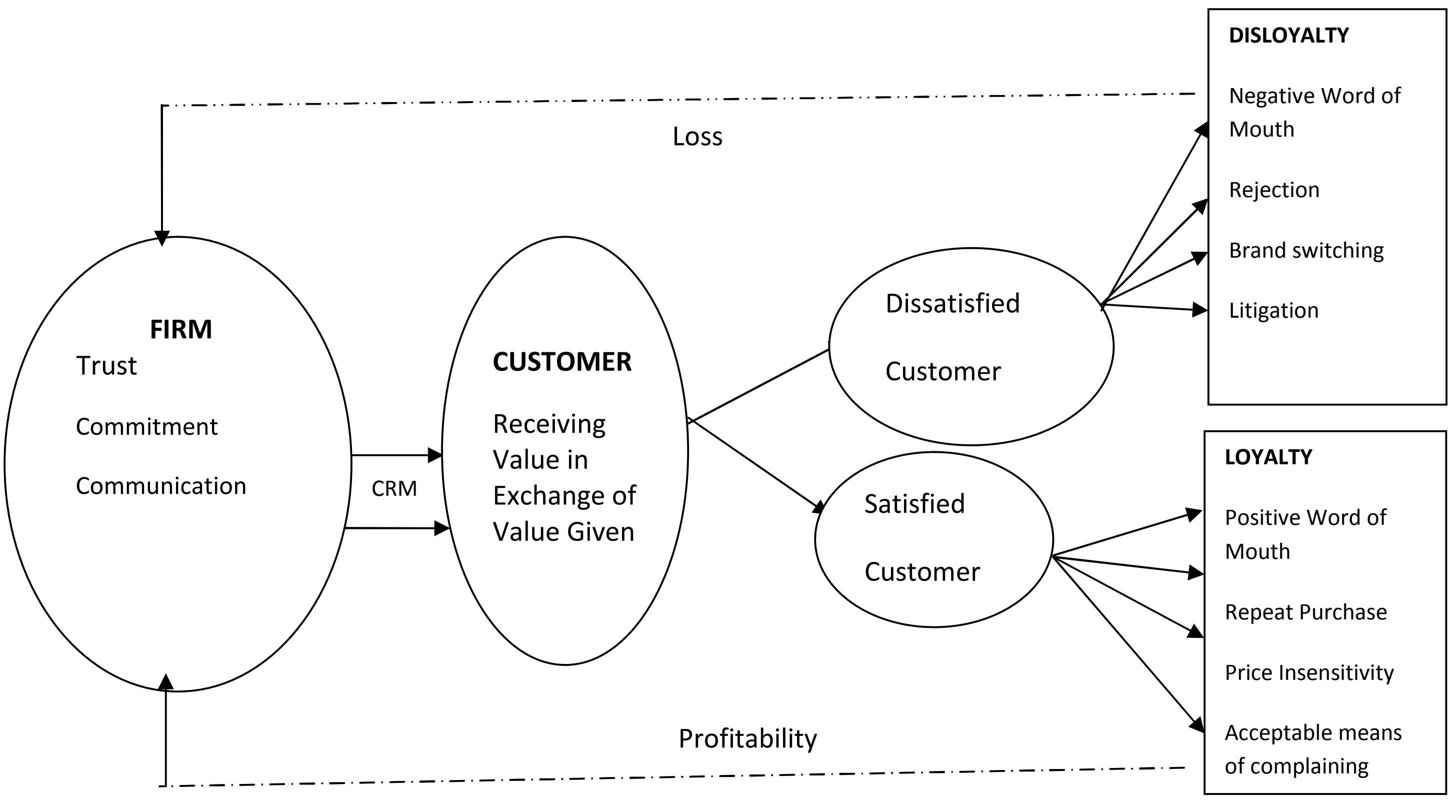

Figure 2: IK – AN Firm – Customer Interface Model

Source: Researchers' Concept

From the conceptual model above, as a firm builds trust, shows commitment and communicates, it gives value to a customer through customer relationship marketing. If this customer is satisfied in the course of the relationship, he becomes loyal to the firm. His loyalty is displayed by positive words of mouth, price insensitivity, repeat purchase and acceptable means of complaining to the firm. These actions are all profitable to the firm. On the contrary, if a customer is dissatisfied by virtue of poor relationship quality, he displays this by rejecting the brand, switching to a substitute or going for litigation in some cases, and all these would translate to a loss.

8. SUGGESTIONS

The kingship of a customer should be revered in every inch of his relationship with a firm. The driving force of customer relationships is the need for organizations to satisfy customers and cope with a rapidly changing business environment through the collaboration of the parties (Cravens and Piercy, 2003). Trust, commitment and communication are essential in building this bond. As this is done, the 80/20 rule should be taken into cognizance for effective customer relationship marketing. Evasion of privacy should also be checked given the security situation in the country.

9. CONCLUSION

Customer relationship marketing is built on core values which are trust and commitment. Effective communication drives these values home and this is smoothened with the aid of customer database. When all these are done, customer loyalty will be guaranteed. It is hoped that researchers can subject the IK – AN firm – customer interface model to empirical validation.

REFERENCES

Anderson, J. C. & Narus, J. A. (1990). A Model of Distributor Firm and Manufacturer Firm Working Partnerships. *Journal of Marketing,* 54(1), 42 – 58.

Anderson, J. C., and Weitz, B. (1992). The Use of Pledges to Build and Sustain Commitment in Distribution Channels. *Journal of Marketing Research*, 25(2), 18 – 34.

Anyanwu, A. (2013). *Marketing Management and Strategy*. Owerri: Avan Global Publications.

Aydin, S. & Ozer, G. (2005). How Switching Costs Affect Subscriber Loyalty in the Turkish Mobile Phone Market: 'An Exploratory Study.' *Journal of Targeting, Measurement and Analysis for Marketing*, 14(2): 141 – 155.

Berry, L. and Parasuraman, A. (1991). *Marketing services*. New York: The Free Press.

Cravens, D.W. and Piercy, N.F. (2003). *Strategic marketing*. Boston: McGraw-Hill Irwin.

Foa, U. G. and Foa, E. B. (1976). *Resource theory of social exchange in contemporary topics in social psychology*, John W., Thibant, Janet T. Spence and Robert C. Carson (eds.) Morristown, NJ: General Learning Press, 99 – 131.

Fullerton, G. (2003). The service Quality – Loyalty Relationship in Retail Services. Does Commitment Matter? *Journal of Retailing and Consumer Services*, 12(2).

Gremler, N and Brown, S. W. (2001). "The Loyalty Ripple Effect: "Appreciating the Full Value of Customers". *International Journal of Service Industry Management*, Vol. 10, No. 3: 277 – 93.

Gronroos, C. (1997). *From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing.* Management Decision, 32(2), 4 – 20.

Gwinner, K, Gremler, D and Bitner, M. (1998). Relational Benefits in Service Industries: The Customer's Perspective. *Journal of the Academy of Marketing Service*. Vol. 26

No. 2: 101 – 104.

Gundlach, G. T. and Wikie, W. L. (2010). Stakeholder Marketing. Why "Stakeholder" was Omitted from the American Marketing Association's Official 2007 Definition of Marketing and Why the Future is Bright for Stakeholder Marketing. *Journal of Public Policy and Marketing,* 29(1), 89 – 92.

Gutek, A. (1997). *"Dyadic to Interactions in Organizations" in Gary, L. Cooper and Susan E. Jackson (eds.).* A Handbook for Future Research in Organizational Behaviour. NY: John Wiley and Sons, Ltd., 139 – 155.

Habibollah, D.; Abbas, R. and Rozita, K (2011). Impact of Relationship Marketing Tactics on Customer Loyalty: The Mediating Role of relationship Quality. *International Journal of Business Administration.* Vol. 2 (3), 83 – 93.

Harker, M. J. (1999). *Relationship Marketing Defined: An Examination of Current Relationship Marketing Definitions, Marketing Intelligence and Planning,* 17(1), 13 – 20.

Hoyer, W. D. and Macinnis, D. J. (1997). *Consumer behaviour.* NY: Houghton Mifflin Company.

John, G. S. (2009). *Building customer relationship for enduring profits in a wired economy.* Source: www.zurich.com

Kotler, P. (2003). *Marketing management.* India: Pearson Education, Inc.

Kotler, P. and Armstrong, G. (2006). **Principles of Marketing**. India: Prentice-Hall Inc.

Laith, A and Nahla, A. (2010). The Impact of Relationship marketing Orientation on Loyalty: The Customer's Perspective. *International Journal of Marketing Studies*. Vol. 2 (1), 155 – 174.

Luarn, P & Lin, H. (2003). A Customer Loyalty Model for E-Service Context. *Journal of Electronic Research,* 4(4), 156 - 167.

Lusch, R. F. (2007). **Marketing's Evolving Identity: Defining Our Future.** Journal of Public Policy and Marketing, 26 (fall), 261 – 268.

Mollah, S. (2014). Impact of Relationship Marketing on Customer Loyalty. European *Journal of Business and Management*. Vol. 6 (3), 21-55.

Moorman, C., Deshpande, R. and Zaltman, G. (1993). Relationship Between Providers and Users of Market Research: The dynamics of trust within and between organizations. *Journal of Marketing Research,* 29(3), 314 – 328.

Morgan, R. M. and Hunt, S. D. (1994). The Commitment – Trust Theory of Relationship Marketing. *Journal of Marketing.* Vol. 58:28 - 30

Ndubuisi, N. O. (2004). "Understanding the Salience of Cultural Dimension on Relationship Marketing, Its Underpinnings and Aftermaths". *Cross Cultural Management.* Vol. II. No. 3, 70 – 89.

Ndubisi, N.O. and Wah,C.K. (2005), Factorial and Discriminate Analyses of the Underpinnings of Relationship Marketing and Customer Satisfaction," International *Journal of Bank Marketing.* Vol. 23 (7), 542-570.

Oliver, R. L. (1997). *Satisfaction: A Behavioural perspective on the consumer.* NY: McGraw Hill.

Patrick, L.K; Chenuos, N.K; Koskei, N.K; Kenyoru, D.n and Tuwey, J.K (2014). Effects of Relationship Marketing on Customer Loyalty: Evidence from Petrol Service Stations in Uasin- gishu County, Kenya. *European Journal of Business and Management*. Vol. 6 (25), 125 -132.

Printchad, M. P., Harvitz, M. E. and How ard, D. R. (1999). Analyzing the Commitment – Loyalty Link in Service Contexts. *Journal of the Academy of Marketing Science*, 27(3): 333 – 348.

Sheth, J. N. and Parvatiyar, A. (2000). *Handbook of relationship marketing*. Thousands Oaks, Califonia: Sage Publications Inc.

Velnampy, T and Siveson, S. (2012). Impact of Customer Relationship marketing on Customer Value creation in Mobile Service Providers – a Sri Lankan Experience. *Herald Journal of Marketing and Business Management*. Vol. 1 (1), 016 – 021.

William S. K. (2010). *Analysis of customer relationship marketing in DB Schenker Logistics, Finlands.* Masters Thesis .

Xuan, F and Yuanyuan, F (2009). *Impact of customer relationship marketing tactics on customer loyalty- within Swedish Mobile Telecommunication Industry*. Masters Thesis, Halmstad University, School of Business and Engineering.