



## Relationship Marketing and Business Performance of Cash Crop Markets in Benue State, Nigeria

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Published by – International Academic Journal for Global Research (iajgr) Publishing (USA)

Strictly as per the compliance and regulations of:



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## 1. Introduction

Marketing as a distinct discipline was born out of economics around the beginning of the 20th century. As the discipline gained momentum, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. However, the development of marketing as a field of study and practice is undergoing re-conceptualization in its orientation from transactions to relationships (Kotler and Armstrong, 2008; Gronroos, 1994). The emphasis on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing. Relationship marketing (RM) is meriting an increasing amount of attention in marketing research (Gronroos, 1994; 1999; Ogidi, 2014a).

Since, Leonard Berry first pointed out RM in 1983; there has been a steady increase in RM-related articles (Ford, 1980; Gronroos, 1990, 1991; Kotler, 1992; Morgan and Hunt, 1999; Garbarino and Johnson, 1999). In particular, some RM literature is leading academic marketing thought towards a new paradigm (Sharma and Sheth, 1997; Sheth, 2000). Kuhn (1962) defined and proposed the concept of a “paradigm shift”. In marketing, a paradigm shift involves movement from one of the traditional perspectives of Transaction Marketing (TM), to relationship marketing (RM). This also involves a marketing mix which transfers from the 4Ps model to the 6Rs model

(Christopher, Payne and Ballantyne, 1991), or the 30Rs model in terms of relationships (Gummesson, 1999). Further, it seems reasonable to determine why RM has taken up a place of prominence in mainstream marketing, and what influence RM could have in both marketing theory and practice. This paper works from the premise “that the real purpose of Nigerian cash crop traders, is to create and sustain mutually beneficial relationships with exporters (especially with selected customers – 20%), whose main proposition assumes that successful relationships is a two-way flow of value”. Relationship marketing is considered a true balance between “giving and getting” as a key benefit to encourage an active role and is conducive in delivering two-way value, where loyalty is based on trust and partnership, will prove to be one of the most significant policies to be pursued in development and sustenance of competitive advantage (Gronroos, 1994). Relationship marketing usually results in strong economic, technical and social ties among the stakeholder parties, thereby reducing their transactions costs and increasing exchange efficiencies included in relationship marketing which are not only buyers/sellers exchanges but also business partnerships, strategic alliances, and cooperative marketing networks (Ogidi, 2014a). The relationship typically involves seller-customer exchange, but it could involve any stakeholder's relationship (Morgan and Hunt, 1994, Gronroos, 1994). Rapidly changing markets, a complex array of technologies, shortages of skills and resources and more demanding customers present service organizations with an unprecedented set of challenges (Gummesson, 1994).

Over the years, cash crop traders and retailers have engaged in unethical (sharp) practices by deceiving unsuspecting exporters (Ogidi, 2014a). These unethical practices involve cash crop traders stuffing their packaging bags with stones and other stuffing other than the intended products displayed in the market (Ogidi, 2014a). There is a need for paradigm shift in the marketing practice (i.e. customer retention through enhanced Relationship Marketing Orientation). As earlier stated, the emphasis placed on relationship marketing as opposed to transaction based exchanges, is today redefining the domain of marketing (Sheth, Gardner and Gareth, 1988). The dented relationship between exporters and Nigerian cash crop traders needs to be diagnosed and fixed (Ogidi, 2014a). Consequently, there is increased need for marketing to demonstrate productivity of marketing activities in economies transitioning from command structures to market-driven ones. In view of these therefore, we shall in the course of this study explore the implementation of RM among Nigerian cash crop traders and how this impact on performance.

### **1.1. Research Questions**

- 1) How is cost reduction maintained through Relationship Marketing Orientation?
- 2) How often do cash crop traders retain customers through Relationship Marketing?

### **1.2. Objectives of the Study**

The purpose of this study is to explore the role of Relationship Marketing (RM) in enhancing business performance of cash crop markets in Benue State, Nigeria. However, the study's specific objectives are to:

- 1) analyze the relationship between relationship marketing and cost reduction, and
- 2) examine the relationship between relationship marketing and customer retention.

### **1.3. Research Hypotheses**

**H0<sub>1</sub>:** There is no significant relationship between relationship marketing and cost reduction

**H0<sub>2</sub>:** There is no significant relationship between relationship marketing and customer retention

## **2. Literature Review**

Building relationships with customers and suppliers is necessary for any organization. These organizations must focus their marketing on important customers and suppliers, whom they must develop in order to build long-lasting relations. This is the only way that an enterprise can obtain a permanent competitive advantage and as a result ensure its own survival and growth. It implies

that relationship building is considered to be a key factor to success (Jorgensen, 2001). Relationship marketing would lead to greater marketing productivity by making it more effective and efficient. Building and maintaining relationships has considerable long term implication and has impact on strategic and long-range planning of marketing. In order to create relationship with both individual customers and business customers, we should satisfy them to maintain this relationship; we should retain them so as to make more profits from them (Sheth and Parvatiyar, 1995; Gummenson, 1987). It is imperative that building, developing and maintaining relationship with customers – both individual customers and or businesses – should be the main goals (Izquierdo, Cilian and Gutierrez, 2005).

### **2.1. Conceptual Framework**

From existing literature, numbers of conceptual studies have been done on relationship marketing theory and strategy. Relationship Marketing Orientation (RMO) refers to “the implementation of the relationship marketing concept” (Sin, Tse and Chan, 2006). In particular, the RMO encompasses six components: trust, bonding, communication, shared value, empathy, and reciprocity. Trust is an essential component for successful relationship (Berry, 1995). It refers to a willingness to rely on an exchange partner, in whom one has confidence and reliability (Morgan and Hunt 1994). When the focal organization trusts its partner it will feel secure based on an implicit belief that the relationship with the partner will result in positive outcomes.

#### **(a) Dimensions of Relationship Marketing**

Clearly, making, enabling, and keeping promises are crucial parts of the relationship marketing process, but developing relationships requires more than promises. All relationships depend on the development of emotional links between the parties (Ogidi, 2014a). There are five key dimensions of relationship marketing: bonding, empathy, reciprocity, trust and shared value (Chris and Graham, 2007).

**(i) Bonding:** Two parties must bond together in order to develop a long-strong relationship. Stronger bonds increase each party's commitment to the relationship (Jobber and Fahy, 2006). Bonding refers to the development of an emotional relationship between the two partners acting in a unified manner toward a desired goal (Callaghan, Mcphail and Yau, 1995). Customers having a stronger relationship with their partners through such bonding are more satisfied than those who do not have one (Guttek, McGuire and Baldwin, 1999).

**(ii) Empathy:** Empathy is defined as seeking to understand the desires and goals of somebody else (Sin *et al.* 2006). Firms that better understand what customers' desire are better able to satisfy customers. The ability to see situations from the perspective of the other party is another key emotional link in the development of relationships. An organization confident of the timescale for the planned rollout of changes should make as many of its customers aware, as soon as possible, that the changes are taking place; keeping your customers involved in your decisions and aspirations will promote empathy from them, promoting effective customer buy-in (Faulkner, Hurst and Tripp, 2003).

**(iii) Reciprocity:** Every long-term relationship includes some give-and-take between the parties; one make allowances and grants favors to the other in exchange for the same treatment when its own need arises. Reciprocity refers to the processes that enable customers to interact and share information with the firm and enables the firm to respond to customers (Jayachandran, Sirth and Barakran, 2005). Reciprocity occurs when actions taken by one exchange partner are matched by the other (De Wulf, Gaby and Dawn, 2001). Without the established reciprocal communications, a firm may have lower customer satisfaction as customers are unable to communicate their needs and problems to the firm (Jayachandran *et al.* 2005).

**(iv) Trust:** Callaghan *et al.* (1995) describe trust as the belief of confidence in, or reliance on, the truth, goodness, character, power and ability of someone or something. Morgan and Hunt, (1994)

argued that trust is the willingness to rely on an exchange partner in whom one has confidence. Trust is ultimately the glue that holds a relationship together over the long haul. Trust reflects the extent of one party's confidence in another party's integrity. When parties follow through on commitments, they enhance trust and strengthen relationships. Stronger trust leads to more cooperation between parties in a relationship.

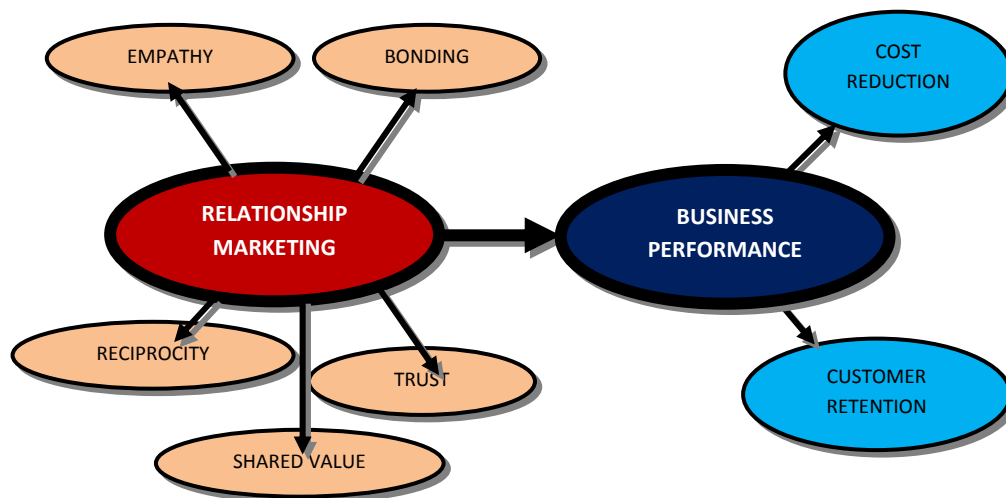
**(v) Shared Value:** Shared value refers to the extent to which partners have beliefs in common about the propriety and importance of behaviors, goals and policies (Morgan and Hunt, 1994). The greater the enhancement of relationship via shared value, the more satisfied customers are likely to be.

### **(b) Business Performance**

Most products are established at one of four performance levels: low, average, high, or superior; a company must manage performance quality through time – continuously improving the product can produce the high returns and market share (Kotler and Keller, 2006). A company's performance does not always have to be gauged against the industry average; it should be gauged against its major competitors – benchmarking (Aderika, Ebue and Nnolim, 1996). Business performance dimension for this study are:

**(i) Cost Reduction:** Advertisement is a very important tool for reducing the cost of doing business on the long run; the real cost is the risk to reputation and pride in the enterprise and the reduced prospects for participating in a market economy (Good Governance Program, 2004).

**(ii) Customer Retention:** Customers coming face-to-face with the product(s) of an enterprise know that they have come face-to-face with a unique brand; the impression this creates for the customer is one of total comfort and satisfaction. If your customers feel comfortable in the presence of people from your organization then they are likely to remain loyal (Faulkner *et al.* 2003).



**Source:** The Study, 2014

**Figure 1:** A Conceptual Framework of Relationship Marketing and Business Performance Model

## **3. Materials and Methods**

### **3.1. Sampling Framework**

Stratified multi-stage random sampling design was used in selecting the sample size. The study employed this technique in the selection of location and respondents. *First stage:* the sampling frame was based on the grouping of L.G.As in Benue State into zone A, B and C. *Second stage:* the

population proportion of local/community cash crop markets were grouped into the three framed zones in the state, from a population list obtained from Radio Benue (FM.95.0). *Third stage:* disproportionate stratified sample from population was designed at 10% from each zone; cash crop markets were then randomly chosen to fit the required chosen percentage. *Fourth stage:* ten (10) respondents (cash crop traders) from each of the cash crop markets were selected for questionnaire distribution. *Stage five:* three hundred and ten (310) respondents, were, finally chosen to be assigned questionnaire from our sample frame.

**Table 1:** Sample Frame of the Study

Stage 1		Stage 2		Stage 3	Stage 4	Stage 5
S/N	Zone	Population proportion		disproportionate stratified sample from market population (10%)	Number of respondents per market	Total respondents
		Freq.	%			
1.	A	151	47.0	15	10	150
2.	B	94	29.3	9	10	90
3.	C	76	23.7	7	10	70
<b>Total</b>		<b>321</b>	<b>100.0</b>	<b>31</b>		<b>310</b>

**Source:** Field Survey, 2014

### 3.2. Validity and Reliability of Instrument

A prerequisite in designing a good questionnaire is to decide what to measure. *Content validity* ensured that the questionnaire fully exhausted all that are implied by the research questions in the questionnaire objectively, paying particular attention to the relevance of the subject matter and their coverage of the entire topic study (Ogidi, 2014b). *Reliability* is the consistency between independent measurements of the same phenomenon. It is the stability, dependability and predictability of a measuring instrument. It is also the accuracy or precision of a measuring instrument.

### 3.3. Data Collection

Survey methodology was used to obtain general overall information. The main instrument for data generation and analysis is structured research questionnaire. Interview method and observation were also used to generate relevant qualitative data which revealed more information to compliment the questionnaires. A questionnaire set developed to gather the data required for the study, was carefully structured by taking into consideration factors critical to the quality of instrument developed. Care was taken in the wording used, sequence of items, expert opinion and the questions being respondent friendly. Effort was also made to minimize the problem of developing a weak research instrument.

The questionnaire contained questions on the following areas:

- 1) Relationship Marketing (12 items)

2) Business Performance (11 items).

### 3.4. Data Analysis

The data for the study was collected, coded and analyzed using computer-based Statistical Package for Social Sciences (SPSS version 21 for Windows). Multiple regression and correlation were used to determine if there is a relationship between exogenous and endogenous variables.

### 3.5. Research Models

$$Y_{\text{COSTR}} = \beta_0 + \beta_1 E + \beta_2 B + \beta_3 R + \beta_4 T + \beta_5 S + e \dots \dots \dots \text{Model1}$$

$$Y_{\text{CUSTR}} = \beta_0 + \beta_1 E + \beta_2 B + \beta_3 R + \beta_4 T + \beta_5 S + e \dots \dots \dots \text{Model2}$$

Where: COSTR = Cost Reduction, CUSTR = Customer Retention, E = Empathy, B = Bonding, R = Reciprocity, T = Trust, S = Shared Value

## 4. Findings and Discussion

### 4.1. Questionnaire Distribution and Retrieval

Two hundred and eighty six (286) usable questionnaires were received out of Three hundred and ten (310) questionnaires. A success rate of 75.81% was achieved from questionnaire distribution and retrieval as 235 of them were acceptable (see Table 2). Fifty one (51) of the questionnaires were rejected because they were defaced or improperly filled.

**Table 2:** Questionnaire Distribution and Retrieval

	Number Administered	Number Retrieved	Acceptance Number	% of Success
<b>TOTAL</b>	310	286	235	75.81%

Source: Field Survey, 2014

### 4.2. KMO and BTS Test of Sphericity

Factor analysis indicates that the KMO (Kaiser-Meyer-Olkin) measure for Relationship Marketing Orientation items is 0.778 with Barlett's Test of Sphericity (BTS) value to be 386.331 at a level of significance  $p=0.000$ . From Table 3, five factors of promotional mix dimension with Eigen value, 2.618; is greater than one (1.000) and accounts for 65.0 percent of the total variance for the study. Our KMO result in this analysis surpasses the threshold value of 0.50 as recommended by Hair, Anderson, Tatham and Black (1995). Therefore, we are confident that our sample and data are adequate for this study (Ogidi, 2014b).

**Table 3:** Principle Component Analysis for RM – Factor Scores (N=235)

		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
<b>1. Bonding</b>						
(i)	emotional relations	0.732				
(ii)	strong relationships	0.750				

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(iii) effective communication 0.855

### 2. Empathy

(i) ability to see situations from another angle 0.774

(ii) changes taking place in market 0.886

(iii) decisions and aspirations 0.776

### 3. Reciprocity

(i) give-and-take 0.672

(ii) customers' aspirations 0.689

### 4. Trust

(i) confidence in operations 0.704

(ii) integrity in business dealings 0.775

### 5. Shared value

(i) synergy between customers and you 0.922

(ii) desires and goals of your customers 0.938

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*Notes:* KMO measure of sampling adequacy = 0.778; total variance explained = 65.0 per cent, Barlett's Test of Sphericity (BTS) = 386.331, Eigen value = 2.618

*Source:* Research instrument – SPSS Version 21

### 4.3. Cronbach's Alpha Test of Reliability

Five sets of analyses were conducted to assess the RM score reliability and validity. First, classical item and reliability analyses were used, with item to total correlation coefficients for all items ranging from 0.726 to 0.879 (subscale), and the Cronbach alpha for each of the five components ranged from 0.714 to 0.878 (Table 4), which are regarded as acceptable for basic research (Nunnally, 1978). Correlation would be weak for item analysis purposes if  $r < 0.3$ ; if such a situation occurs, then that item should be removed and not form a composite score for the variable in question (Ogidi, 2014b).



**Table 4:** Scale Descriptions for the RM Scale (N=235)

s/n	Item	Total sample	
		Cronbach Alpha ( $\alpha$ )	Item-to-total correlation
<b>1.</b>	<b>Bonding</b>	0.813	
(i)	Is there any development of emotional relations with your customers?		0.879
(ii)	Is there any existence of strong relationships with customers?		0.738
(iii)	Is there an effective communication habit between you and customers?		0.724
		0.878	
<b>2.</b>	<b>Empathy</b>		
(i)	Do you have the ability to see situations from the customers' point of view?		0.870
(ii)	Do you make customers aware of changes taking place in your market?		0.745
(iii)	Do you keep your customers involved in your decisions and aspirations?		0.843
		0.714	
<b>3.</b>	<b>Reciprocity</b>		
(i)	How often is your relationship with customers based on give-and-take?		0.726
(ii)	How regularly does actions taken by you match customers' aspirations?		0.738
		0.745	
<b>4.</b>	<b>Trust</b>		
(i)	Do customers have an overwhelming confidence in your operations?		0.736
(ii)	How highly is your integrity in business dealings with your customers?		0.751
		0.843	
<b>5.</b>	<b>Shared value</b>		
(i)	Is there synergy between customers and your believes in common behaviors, goals, and policies?		0.801
(ii)	How well do you understand the desires and goals of your customers?		0.870
	<b>Alpha coefficient of the whole scale</b>	0.865	

Source: Research instrument, SPSS Version 21

#### 4.4. Business Performance

Subjective measures of performance are commonly used in research of similar topics. However,

many of these studies used only a few measures to operationalize this construct. In this study, current business performance was operationalized by 11 items. Each respondent was asked to evaluate his/her current business performance relative to its major competitors with respect to the 11 items in Table 5. Responses were made on a five-point scale ranging from “strongly disagree” to “strongly agree”. The reliability of the 11-item business performance construct scale is 0.827 (Table 3), which is an acceptable level as suggested by Nunnally (1978).

**Table 5:** Scale Descriptions for the Business Performance Scale (N=235)

s/n	Item	Total sample	
		Cronbach Alpha ( $\alpha$ )	Item-to-total correlation
<b>1.</b>	<b>Cost Reduction</b>	0.846	
(i)	Are there clear guidelines on how to conduct day-to-day business?		0.819
(ii)	Is there compliance with business ethics and laws by stakeholders?		0.763
(iii)	Do stakeholders avoid conflict of interests?		0.804
(iv)	How well do you work with customers, suppliers, service providers?		0.791
(v)	How often do you monitor bribery, illegal corrupt conducts around you?		0.803
(vi)	Do you make effort to reduce threat of extortion and blackmail?		0.795
(vii)	How often do you maintain reputation and pride in business?		0.883
		0.719	
<b>2.</b>	<b>Customer Retention</b>		
(i)	Do you come face-to-face with majority of your customers?		0.698
(ii)	Is total comfort created for the customer?		0.769
(i)	How loyal are your customers?		0.618
(ii)	How well is your ability to resolve disputes harmoniously?		0.785
	<b>Alpha coefficient of the whole scale</b>	0.827	

Source: Research instrument, SPSS Version 21

#### 4.5. Test of Hypotheses

In this study, a stepwise regression procedure of the SPSS version 18.0 was conducted to identify the influence of Relationship Marketing on Business Performance as practiced by cash crop traders in Benue State, Nigeria. The stepwise procedure can isolate how the different independent variables affect the dependant variable in a controlled manner.

**(i) Hypothesis One:** From Table 6, the coefficient of correlation (R) is 0.794; meaning that there is a strong relationship between RM and COSTR. The coefficient of determination ( $R^2$ ) on the other hand is 0.630 indicating that 63% of Cost Reduction was caused by a variation of Empathy, Bonding, Reciprocity, Trust and Tangibility. Thus the t calculated values: (2.854, 2.251, 4.711, 2.635 and 2.193) are significant because they are greater than the t tabulated value (2.000). The F calculated value of 35.315 is greater than the F tabulated value and shows significance between the output and input variables. The null hypothesis (**H0<sub>1</sub>**) is rejected and the alternative hypothesis (**H1<sub>1</sub>**) accepted, which states that “*there is significant relationship between relationship marketing and cost reduction*”.

**Table 6:** Impact of RM on Cost Reduction (N=235)

Model 1	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.336	0.258		1.306	0.195
Empathy	0.201	0.071	0.246	2.854*	0.005
Bonding	0.178	0.079	0.198	2.251*	0.027
Reciprocity	0.385	0.082	0.426	4.711*	0.000
Trust	0.154	0.058	0.178	2.635*	0.010
Shared value	0.199	0.091	0.230	2.193*	0.030

*Note:* \*Correlation is significant at the 0.05 level (2-tailed), Dependent Variable: COSTR = Cost Reduction, F Calculated value = 35.315 at 0.05, R = 0.794,  $R^2$  = 0.630

*Source:* Research instrument – SPSS Version 16

**(ii) Hypothesis Two:** Only the t calculated values: 3.475, 5.041 and 9.919 for Bonding, Reciprocity and Tangibility showed significant values, because they are greater than the t-tabulated value (2.000). The F calculated value of 48.258, is greater than the F tabulated value, indicating significance between RM and CUSTR variables. The null hypothesis (**H0<sub>2</sub>**) is rejected, while the alternative hypothesis (**H1<sub>2</sub>**) is accepted, which states that “*there is significant relationship between relationship marketing and customer retention*”. The coefficient of correlation (R) is 0.790; meaning that there is a strong relationship between the variables of Model 2 (see Table 7). The coefficient of determination ( $R^2$ ) on the other hand is 0.624 indicating that 62% of Customer Retention was caused by variation of Empathy, Bonding, Reciprocity, Trust and Tangibility. Thus we conclude that RMO activities in Nigerian markets as practiced by cash crop traders would therefore, influence Customer Retention.

**Table 7:** Impact of RM on Customer Retention (N=235)

Model 2	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.539	0.331		7.674	0.000
Empathy	0.064	0.231	0.044	0.279	0.781
Bonding	0.499	0.144	0.358	3.475*	0.001
Reciprocity	0.005	0.193	0.003	0.026	0.979
Trust	0.604	0.120	0.442	5.041*	0.000
Shared value	0.960	0.082	0.919	9.919*	0.000

*Note:* \*Correlation is significant at the 0.05 level (2-tailed), Dependent Variable: CUSTR = Customer Retention, F Calculated value = 48.258 at 0.05, R = 0.790, R<sup>2</sup> = 0.624

*Source:* Research instrument – SPSS Version 16

#### 4.5. Implications of the Regression Results

The result of the *Research Models* indicates that regression coefficients or slopes of Relationship Marketing variables have significant impacts on Business Performance variables. These findings further support the alternate hypotheses that these regression coefficients or slopes are significantly different from zeros and have predictive powers in estimating Business Performance. The results support the literature that widely discusses RMO as an effective strategy of Business Performance. Our result further revealed that cash crop traders in the study area practiced less of Empathy and Reciprocity because of their lack of significance estimates. The positive coefficient of Bonding, Trust and Shared Value components indicates that a unit increase will be consistent with an increase in Business Performance (Customer Retention).

### 5. Conclusion and Recommendations

The result of this study shows that relationship marketing concept and its effects on business performance indicators are pertinent for the survival of cash crop traders in Nigerian markets. The significant relationship between relationship marketing and cost reduction is as expected. The effect of relationship marketing on customer retention did not show significant values for empathy and reciprocity.

Relationship marketing is a time consuming, but effective strategy for marketing extension programs. Relationship marketing is a process, not a onetime event; stakeholders must understand that they are committed to long-term and that synergy with Nigerian cash crop traders and provide the enabling structures and standard services required in maintaining a cordial relationship. From our findings, the study came to the following recommendations for stakeholders:

- i) in order for Nigerian cash crop traders to reduce costs, successful execution of relationship marketing orientation requires that Nigerian cash crop markets defines its business, and understand how to create and manage total service offering,
- ii) relevant and timely information should be designed and made available to cash crop markets,
- iii) customers' aspirations should be taken into consideration when carrying out transactions,
- iv) benchmarking should be enforced; strictures and standards should be put in place in our cash crop markets if export is to be enhanced,
- v) production and administration of goods and service has to be designed from a customer service orientation in order for cost-reduction to be effective, and finally,
- vi) Nigerian cash crop markets have to improve on the level of empathy and reciprocity with customers in order to enhance customer retention.

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