

## Relationship marketing and customer loyalty: a customer service approach in nigerian companies.

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**Abstract:** This paper examines relationship marketing and customer loyalty from the approach of customer service-using some selected companies in Nigeria as a case study. The study clarifies the role of relationship marketing in customer services toward the achievement of customer loyalty via customer services among a sample of some selected companies in Nigeria. The study is a survey which uses a literature based research instrument [questionnaire] to measure the application of relationship marketing in customer services to achieve customer loyalty. Structured, close ended questions were used to collect primary data from the respondents. A six point likert scale ranging from "very high extent" to "no extent at all" was used to measure the level of the application of relationship marketing through customer services that aid customer loyalty. 2,400 respondents were selected based on convenience sampling method and stratified into the categories of Manufacturing, Service and Others, operating in Nigeria. Data were analyzed using descriptive statistics and chi-square analysis. The research instrument shared high reliability and validity. The major findings of the study were as follows: In Nigeria, there is significant relationship between relationship marketing practice in customer service operation and customer loyalty, relationship marketing can be used to increase sales through customer loyalty via effective customer services and that relationship marketing has positive effect on customer satisfaction and organizational profitability.

**Keywords:** Relationship Marketing, Customer loyalty, Customer Service, Relationship Marketing Strategy and Nigeria.

### Introduction and purpose

The study of relationship marketing in customer service operations and its influence

on customer loyalty has long attracted the attention of marketing researchers and practitioners. In spite of this, very limited research has been conducted on the correlates of

relationship marketing in customer service operation and its subsequent effect on Customers' loyalty. Thus, the connection between relationship marketing in customer service operation and customer loyalty has been a neglected subject in developing nations, Nigeria inclusive.

The purpose of this study is to identify and examine the level of relationship marketing practices in Customer service operations and its effect on customer loyalty. The study is guided by the following questions:

- 1) Is there any significant relationship between the level of relationship marketing adopted in Customer Service Operations and Customer loyalty?
- 2) Can the adoption of relationship marketing in Customer Service Operations be used to increase Sales revenue?
- 3) Do relationship marketing practiced in Customer Service Operations in Nigerian companies influence its customer satisfaction and organizational profitability?

The rationale for raising these questions is that the main objective of any organization in the business environment is to be able to attract, retain and maintain its customers so that the company can enjoy customer loyalty hence the need for relationship marketing as a strategy in their customer service operation.

### Literature review

The study conducted by Grönroos [1990] revealed that the concept of relationship marketing emanated from service marketing and industrial marketing fields and it is concerned with establishing, maintaining and enhancing

relationships between and amongst relevant business parties in order to achieve the objectives of the relevant parties. Grönroos also posit that such relationship is usually, but not necessarily, always long-term oriented and that the mutually beneficial relationship makes it possible for customers/clients to avoid transaction cost associated with shifting from one market to the other.

Gregory [2010] posit that relationship marketing focuses on using customer service and quality of service as benchmarks in a company's marketing activities. Relationship marketing campaigns are developed by looking at the lifetime relationships with clients rather than the individual dealings in order to increase short term profit. However, the study conducted by Main [2008], shows that relationship marketing involves using methods and tactics to develop long-term relationships with customers in order to retain and grow them. An organization must exceed their customers' expectations in order to satisfy, retain and develop a healthy relationship with them. Relationship marketing involves the organization undertaking a number of important activities. First of all, the company must put in place strategies to attract customers. Methods used to attract customers may include promoting the product and brand, offering good quality products/services and competitive prices. Secondly, customers that are attracted to the organization have to be retained. The Harvard business school Newsletter executive Education [2009] suggests that brand loyalty can only be secured through relationship marketing. However, Gregory opined that relationship marketing itself is to be achieved through effective customer service.

According to Jamier [2002], Customer service is a series of activities designed to

enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer's expectation. Customer service may be provided by a person or automated means called self-service. Example of self service media are internet sites. Customer service plays an important role in an organization's ability to generate income and revenue. Some scholars have argued that the level of customer service has decreased in recent years, and that this can be attributed to a lack of support or understanding at the executive and middle management levels of organizations and the absence of a customer service policy. It is believed that providing a high level of customer service, which may be referred to as customer live through relationship marketing practice is the only way to enjoy customer loyalty and business growth. Recently many organizations have implemented the adoption of relationship marketing strategy in their customer service operations. According to Kotler. [1997], the main steps in establishing a relationship marketing program in a company are as follows:

- Identify the key customer meriting relationship marketing.
- Assign a skilled Relationship Manager to each key customer.
- Develop a clear job description for the Relationship Managers. The job description should describe the relationship managers' reporting relationships, objectives, responsibilities and evaluation criteria. The Relationship Manager is responsible for the clients. He provides all necessary information about the client, and is the mobilizer of company services for the client.
- Appoint an overall manager to supervise the relationship manager.

- Each relationship manager must develop long range and annual customer relationship plan. The annual relationship plan will state-objectives, strategies, specific actions and required resources.

When a relationship management programme is properly implemented, the organization will begin to focus as much on managing its customers as on managing its products. This has been shown to be useful as it allows companies to improve their customer service before the customer defects, thus making it far more likely that the customer will return next time. Good customer service is all about bringing customers back, that is turning customers into loyal customers.

However, Kotler and Keller [2006] posit that customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. Increased customer loyalty is the desired end result for any product and this is the desired benefit of relationship marketing. Customer loyalty can make the organization achieve revenue and market share growth and cost shrinkages, as the expenses associated with acquiring and establishing relationships with new customers and replacing old ones declines. As cost go down and revenue go up, profit increases as a third-order effect of loyalty.

However, according to Holetzky [2009], customer loyalty is the behaviour of repeat customers offering favourable word of mouth to friends and family about a certain product and/or organization. He posits that the keys to happy customers are manage project profitably, lead them, build trust and create value. He also believes that, the term customer loyalty is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials.

Some customers do a particular company a great service by offering favourable word of mouth, publicly regarding a product, telling friends and family, thus adding them to the number of loyal customers. Holetzky also went further to say that relationship management is a process, a program, or a group of programs geared towards keeping a client happy so he or she will provide more business. It can be achieved in some cases by offering a quality product with a firm guarantee through rebates and other rewards and incentive programs.

Lawfer [2009] state that loyal customers are easier to do business with, are more predictable and do not attract the additional expense usually associated with attracting new customers. Companies with a substantial loyal customer base enjoy greater profitability in good economic times and depend on their loyal customers to help them survive difficult financial conditions and economic down-turns. The adoption by an organization of customer service operation with the influence of relationship marketing strategies to achieve customer loyalty deserves some empirical research attention.

### Hypotheses

Based on a review of the extant literature on this subject, we hypothesize as follows:

1. There is significant relationship between the level of adoption of relationship marketing strategies in customer service operation and customer loyalty.
2. The adoption of relationship marketing in customer service operation can be used to increase sales.
3. The level of use of relationship marketing in customer service operation significantly influence customer satisfaction and organizational profitability.

### Research method

The research is a survey that used both primary and secondary data. Primary data were obtained with the aid of standardized instrument [questionnaires] while secondary data were obtained from extant literature. The questionnaire was operationalised into 20 variables of relationship marketing in customer service and customer loyalty issues in section A, and the demographic profiles of the respondents in section B. Sixty firms operating in Nigeria were conveniently selected and stratified into three categories, viz: services, manufacturing and others. 40 questionnaires were then administered on each of the 60 firms. The use of convenience sampling method has been found relevant in previous studies [Hall and Lockchin, 2000]. Out of the 2,400 total sample size, 2,220 useable questionnaire were returned, representing a response rate of 92.5%. The data was analyzed using inferential statistics, chi square [X<sup>2</sup>] test, correlation analysis and sample percentage.

The questionnaire used for data collection was pre-tested on a group within the manufacturing and service sectors in Nigeria, in order to reinforce the questionnaire's content validity. Based on the pre-test, few adjustments were made to the questionnaire before final administration. It must be stated, that although the judgement of content validity is subjective, the procedures used in the present research are in accordance with extant marketing research practice [Churchill, 1995]. During the pre-test, a series of personal interviews were conducted with relevant academics and professionals in business. As a result of these interviews, certain items were removed from the questionnaire due to the lack of

conceptual and lexical relevance. The predictive validity of the present research was assessed via zero-order correlation co-efficient [not reported here] while the Cronbach

reliability coefficient measure was used to test the reliability. The coefficient alpha values exceeded 0.70 suggesting adequate reliability [Cronbach, 1947].

**Table 1: Descriptive Statistics**

Variables	N	Minimum	Maximum	Mean	Std. Deviation
1	2220	1	4	3.70	.772
2	2220	1	4	3.49	.726
3	2220	1	4	3.46	.686
4	2220	1	4	3.35	.818
5	2202	1	4	3.33	.919
6	2220	1	4	3.00	1.073
7	2218	1	4	3.16	.861
8	2220	1	4	2.59	1.103
9	2180	1	4	3.54	.706
10	2220	1	4	3.18	.703
11	2220	1	4	3.23	.853
12	2220	1	4	3.03	.875
13	2220	1	4	3.14	.941
14	2220	1	4	3.24	.791
15	2220	1	4	2.76	1.132
16	2220	1	4	3.03	.860
17	2220	1	4	3.14	.956
18	2220	1	4	3.03	.950
19	2220	1	4	3.12	.849
20	2220	1	4	3.39	.679
21	2202	1	4	1.99	1.181
22	2202	1	4	2.19	1.296
23	2220	1	4	3.22	.969
24	2202	1	4	3.24	1.120

Source: Field survey, 2010.

From the mean values in table 1, question 1 of the research questionnaire recorded maximum mean of 3.70 out of the stipulated mean of 4.00. This confirms that the level of

relationship marketing strategies in customer service operation will determine how loyal your customer will be.

**APPENDIX: Key to research variables used in Table 1.**

1. The relationship you keep with your customers in customer service operation determines how loyal they will be.

2. Keeping a sound relationship with your customers boost their morale about your company.

3. Establishing a sound relationship with your customers gives them the psychological satisfaction of being special.

4. Retaining current customers is the major basis for keeping a relationship with them.

5. Your company increases its customers' chances of choosing to do business with it, when it keeps a sound relationship with such customers.

6. Your customers don't switch to competitors brand when you establish a sound relationship with them.

7. The company that practice relationship marketing as its major strategy in customer service is interested in mutual benefits between the parties involved in the relationship.

8. The company that practice transaction marketing is only interested in what to benefit from particular transactions.

9. A company will prevent its customers from switching to competitors' brands if it keeps a good relationship with them.

10. There are difference between relationship marketing and transaction marketing.

11. The practice of effective relationship marketing in customer service operation makes your company's customers to commit themselves to you a long period.

12. The company that practice relationship marketing concept in its customer service operation achieves high customer loyalty.

13. There is a significant relationship between relationship marketing and customer loyalty.

14. The practice of relationship marketing by your company makes its customer to increase their business transaction with the company

15. Your company spends less in keeping relationship with their current customers than the cost of attracting new ones.

16. Relationship marketing can be used to increase sales while reducing the cost of attracting new customers.

17. Your company treats its key customers as partners in business rather than just buyers of its products.

18. Relationship marketing practice in customer service operation has positive effect on customer satisfaction and organizational profitability.

19. Your company practice of relationship marketing makes the Sales tasks of its salespeople easier.

20. Your company salespeople are able to overcome their customers' objections easily when they keep a sound relationship with them.

21. Your company is only interested in making sales rather than keeping relationship with its customers to make them loyal.

22. Your company's practice of relationship marketing in its customer service operations make it to focus only on its key customers.

23. The relationship a company keeps with its customers contribute to the image the customers form about the company.

24. Your company should increase its relationship marketing effort in its customer service operation, in order to increase the level of its customer loyalty.

Question 9 in the research questionnaire recorded the second maximum mean of 3.54 out of the stipulated mean of 4.00. This implies that a company will prevent its customers from switching to competitors' market offering if it implements good relationship marketing strategies in its customer service operation.

Question 2 in the research questionnaire recorded the third maximum mean of 3.49 out of the stipulated mean of 4.00. This also revealed that keeping a sound relationship with your customers boost their morale about your company.

Question 21 in the research questionnaire recorded a minimum mean of 1.99 out of the stipulated mean of 4.00. This shows that the

surveyed companies are not only interested in making sales, but also keep relationship with their customers so as to make them loyal.

Question 22 in the research questionnaire recorded the second minimum mean of 2.19 out of the stipulated mean of 4.00. This implies that the companies' practice of relationship marketing does not focus only on their key customers.

**Tested hypotheses**

The formulated hypotheses were duly tested using chi-square [x<sup>2</sup>] statistical technique through SPSS.

*Table 2: Test Statistics*

	<b>Hypothesis I</b>	<b>Hypothesis II</b>	<b>Hypothesis III</b>
	There is significant relationship between the level of adoption of relationship marketing strategies in customer service operation and customer loyalty.	The adoption of relationship marketing in customer service operation can be used to increase sales.	The level of use of relationship marketing in customer service operation significantly influence customer satisfaction and organizational profitability.
Chi-square	25.243	55.946	24.8111
df	3	3	-
A symp. sig.	.000	.000	.000

*O cells [0%] have expected frequencies less than 5. The minimum expected cell frequency is 18.5. Source: Field survey, 2010*

Hypothesis 1 states that there is significant relationship between the level of adoption of relationship marketing strategies in customer service operation and customer loyalty. At 3 degree of freedom and 5% level of significance, x<sup>2</sup> table value = 7.81 and since

x<sup>2</sup> calculated value [25.24] is greater than x<sup>2</sup> table value, we accept the stated hypothesis formulated above.

Hypothesis 2 tested showed that the adoption of relationship marketing in customer service operation can be used to

increase sales. At 3 degrees of freedom and 5% level of significance,  $\chi^2$  calculated [55.94] is greater than  $\chi^2$  table value [7.81]. Hence we accept the stated hypothesis.

Likewise, hypothesis 3 which states that the level of use of relationship marketing in customer service significantly influence customer satisfaction and organizational profitability is hereby accepted because from the

analysis, at 3 degrees of freedom and 5% level of significance,  $\chi^2$  calculated [24.81] is greater than  $\chi^2$  table value [7.81].

An analysis of the responses of the respondents and their demographic statistics with respect to age, marital status, gender, educational status, occupational status, position in organization, and work experience suggests that the research sample represents a rich data set.

*Table 3: Demographic Statistics*

	<b>% of Respondents</b>
<b>Age</b>	
21 – 30	43.2
31 – 40	33.8
41 – 50	16.2
51 – 60	6.8
<b>Total</b>	100.0
<b>Marital Status</b>	
Single	31.1
Married	63.5
Not given	5.4
<b>Total</b>	100.0
<b>Gender</b>	
Male	62.2
Female	37.8
<b>Total</b>	100.0
<b>Educational Status</b>	
O' Level	21.6
NCE/OND	27.0
HND/B.Sc	31.1
Postgraduate	20.3
<b>Total</b>	100.0
<b>Position in Organization</b>	
Top Management Staff	9.5
Senior Staff	47.3
Junior Staff	32.4
Others	10.8
<b>Total</b>	100.0

	% of Respondents
<b>Work Experience</b>	
01 – 5 years	27.0
06 – 30 years	51.4
31 – 45 years	18.0
45 – above	3.6
<b>Total</b>	100.0

Source: Field survey, 2010.

**Conclusion and suggestions for further research**

The result of this study shows that there is significant relationship between the level of adoption of relationship marketing concept in customer service operation and customer loyalty. This is confirmed by the decision reached with respect to hypothesis I. Furthermore, 80% of the respondents as shown in a bar chart [not reported here] strongly agreed/agreed that there is a significant relationship between relationship marketing and customer loyalty in their respective companies – see Question 13. This means that the practice of relationship marketing influences the level of customer loyalty.

This research has also shown beyond doubt that the adoption of relationship marketing in customer service operations can be used to increase sales. This was confirmed by the logical decision of the Researchers to accept hypothesis 2 as stated. An analysis of the responses to question 16 of the questionnaire shows that 88% of the respondents, as revealed by a bar chart [not reported here], strongly agreed/agreed that relationship marketing can be used to increase sales, while reducing the cost of attracting new customers at the same time. This means that relationship marketing do result in increases in sales and cost reduction in attracting new customers.

The picture resulting from this study has shown that the level of use of relationship marketing in customer service operations significantly influence customer satisfaction and organizational profitability. This is confirmed by the decision to accept hypothesis 3. The response of respondents to question 18 of the questionnaire corroborates the acceptance of this hypothesis and position. 80% of the respondents as revealed by a bar chart [not reported here] strongly agreed/agreed that relationship marketing has positive effect on customer satisfaction and organizational profitability.

From the above study and analysis, we conclude that relationship marketing has a positive effect on customer satisfaction and organizational profitability. Therefore relationship marketing strategies should be properly and ingeniously conceived and implemented by organizations in order to encourage their customers to remain active and committed to doing business with the organization on a long term/life-time basis. This is particularly important in B2B marketing. It is suggested that future research should be conducted to examine the rate of implementation of relationship marketing by companies in Nigeria. It is also suggested that future research replicates this study in other developing countries for better understanding of the implementation problems and current status.

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