The Impact of Customer Relationship Marketing Tactics on Customer Loyalty

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Abstract

This study is relationship marketing (RM) in online retailing, and extends the framework in the domain of online retailing. Specifically, this study identifies key antecedents and consequences of relationship marketing in online retailing. The study also examines the role of four mediators namely trust, commitment, relationship quality, and relationship satisfaction between the antecedents and outcomes of relationship marketing. The model proffered in this study will help managers in identifying the key drivers in relationship marketing. Similarity and seller expertise were found to have the strongest impact on relational mediators and word of mouth was the most critical outcome of relationship marketing efforts.

Introduction

Relationship marketing is all about keeping the customer for the long-term; the life time value the customer has to offer. Traditional firms (or bricks and mortar businesses) have established strategies to encourage customers to visit their stores again and again. With the rapid increase in online purchases businesses have been forced into offering their products and services through the internet. Online websites create new challenges when it comes to relationship marketing, especially as through the click of a button customers can move onto competitor websites. Below we discuss some of the strategies firms use to develop long term relationships with customers through the internet.

With technology changing at a very fast rate businesses need to update their websites regularly and use advancements in technology to improve the online experience for people visiting their websites. If they choose not to, they are risking customers selecting competitors who do make the most of technological developments. Businesses also need to develop innovative strategy to persuade customers to select them over millions of other businesses on the internet. The internet is a huge market place and competition is fierce.

Social Networking

Social network strategies are an essential part of relationship marketing. Many firms have a business profile on popular social network sites like Facebook. Consumers are encouraged to join the firm's social network group/profile through things like only allowing competition entries to social network members. Once consumers have joined the firm's social network group the firm has valuable information about the consumer (through the consumer's profile information) which can be used for relationship marketing.

Customization

Some websites offer customers the opportunity to customise their products online and view how they would look if purchased. This not only provides a unique experience but encourages the customer to develop an attachment to the product they have customised. Shoe manufacturer Nike and car...
manufacturer Mini Cooper allow their customers to customise their products when visiting their website.

**Online Questionnaires**

Many websites ask customers to feedback their experience of using the website at the end of their visit to the web site. Feedback information can be analysed very quickly to find out what improvements can be made. Some changes such as website navigation can be implemented within a short space of time.

**E-vouchers**

Regular customers are often sent e-vouchers that give them discounts off their next purchase. Vouchers can be targeted around what the customer frequently buys. Firms may have software to identify customers that have not purchased from them for a while and send a voucher to try and entice them back and re-establish the online relationship.

**Online Chat**

To recreate a high street shop environment some websites offer the option to chat via web cam or chat window. This gives the opportunity for users to talk to a sales persons via the web. The customer is able to have their questions answered straight away and the firm has an opportunity to try and sell their products to an interested customer. For example Dell the computer group's online chat facility allow customers to talk through computer specifications with a qualified member of their team. By trying to create the interactivity customers have in shops online retailers may persuade customers to select them over competitor firms. It also allows their employees to connect with customers from around the world.

**Customer Service**

Customer service is the key to maintaining long term online relationships. It is important to ensure that the customer receives excellent customer service prior to, during and after a sale (post-transactional strategy). For example no matter how hard a firm tries things still go wrong, for customers this isn't usually an issue for them it's about how you resolve it. For example how efficient and easy is your process for returning items. Some online firms allow the customer to log the fault through the website, print a returns number and select a date for the item to be picked up from their home. This is quite straight forward and encourages repeat business. However not all businesses make it this easy and some even expect online customers to arrange returns through the telephone. If the customer feels that the process for returning and liaising with the online retailer is long or complicated, they are likely to take their business somewhere else.

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Objective of the study

- To investigate the impact of customer relationship marketing tactics on customer loyalty.
- To examine the relationship between the eight constructs (service quality, price, value offers, brand image, satisfaction, trust, switching cost and customer loyalty)
Review Literature

Palmatier, Dant, Grewal, and Evans (2006) provide insight into the most effective RM strategies, the conditions that moderate this effectiveness, and how the links between both antecedents and consequences of relational mediators depend on the mediator being investigated. These insights provide managers with opportunities to improve the returns on their RM investments and researchers with directions to build more robust models of the influence of RM on outcomes (Devaraj, Fan, & Kohli, 2006) have conducted an empirical study in USA regarding, Examination of online channel preference: Using the structure-conduct-outcome framework. This study examines the behavioral and economic features that add to online consumer's satisfaction and further head to their preference of online channel.

Relationship marketing has received much attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). During this period relationship marketing became a major trend in marketing and management business (Ibid). Relationship marketing is concerned about building customer loyalty by providing value to all the parties involved in the relational exchanges (Peng and Wang, 2006), as customer loyalty is the final goal of relationship marketing.

Berry (1996, p. 42) offers “trust as perhaps the single most powerful relationship marketing tool available to a company,” and Spekman (1988, p. 79) suggests that trust is the “cornerstone” of long-term relationships. Alternatively, Gundlach, Achrol, and Mentzer (1995, p. 78) propose commitment as the “essential ingredient for successful long term relationships,” and Morgan and Hunt (1994, p. 23) suggest “commitment among exchange partners as key to achieving valuable outcomes.” De Wulf, OdekerkenSchröder, and Iacobucci (2001) prefer the overall concept of relationship quality to any specific component. In summary, there is little agreement among researchers as to which individual or composite relational mediator best captures the key aspects of a relationship that most affect outcomes. To address this issue empirically, our meta-analytic framework compares the relative effects of the different perspectives by analyzing relational mediators separately and as a group. A study has been conducted in UK on adoption and usage of online shopping. Their analysis shows that online consumers choose different courses of action based on the perceived beliefs. They found that, how socio-demographic variables, attitudes and beliefs towards internet shopping effect on both decision to adopt and use of online shopping channels. Further they categorized, online buying behavior as; first, those who purchase online, second, who browse online but purchase in store and third, those do not shop online. The limitation of this research, the study had not covered, shoppers who choose product in the store and buy online. (Soopramanien & Robertson, 2007)

(Comegys, Hannula, & Vaisanen, 2006) have conducted an empirical study regarding online purchase behavioral comparison of Finnish and US citizens. They have used a five-stage buying decision process model. The stages are need recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior.

A Quantitative method is chosen in this research paper. “Quantitative research can be construed as a research strategy that emphasizes quantification.”

“Quantitative research can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and that entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories;
In this research, the case selection is focused. The questionnaire was composed of two parts and total 40 statements (see appendix). The first part is about individual characteristics with two questions by asking respondents’ gender and the name of the mobile telecom operator they are choosing currently. The second part contains all eight constructs in the research model with total 38 statements. Several items on each construct are developed and adopted from relevant literatures. All of the items were measured by using a five-point Likert-type response scales, anchored at 5 strongly agree and 1 strongly disagree.

Questionnaires are administrated in different ways: face to face, telephone, postal, e-mail and Web. In this study Web and e-mail questionnaires methods been chosen. This survey chose on-line questionnaire to collect data about people’s attitude of customer loyalty and other relationship marketing tactics.

Analysis

A descriptive analysis is performed and the results are tabulated below:

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>3.4785</td>
<td>.60812</td>
<td>.057</td>
</tr>
<tr>
<td>Price Perception</td>
<td>3.6535</td>
<td>.69102</td>
<td>-.149</td>
</tr>
<tr>
<td>Brand Image</td>
<td>3.5578</td>
<td>.77904</td>
<td>-.727</td>
</tr>
<tr>
<td>Value Offers</td>
<td>3.3540</td>
<td>.62676</td>
<td>.066</td>
</tr>
<tr>
<td>Trust</td>
<td>3.6574</td>
<td>.66051</td>
<td>-.486</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>3.5396</td>
<td>.60491</td>
<td>.135</td>
</tr>
<tr>
<td>New Switching Costs</td>
<td>3.7574</td>
<td>.69593</td>
<td>-.743</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>3.3845</td>
<td>.72409</td>
<td>-.57</td>
</tr>
</tbody>
</table>

Five of the eight constructs have scales mean that are within half of the scale of the center of scales (3) except for (Service Quality, Value and Customer Loyalty). The sample standard deviations of Brand Image (0.779) and Customer Loyalty (0.724) are relatively higher, while the others range from 0.605 to 0.696 (mean 0.665). Many of the constructs are negatively skew, the non-normality could be a sign of inter-correlations.

From the correlation matrix in Table 4.5, preliminary tests of the hypotheses were implicitly performed. Almost all the variables are positively correlated to each other at the 0.01 level except for the pair of Value Offers and Switching Cost. Meanwhile, the correlations between Switching Cost and other variables are weaker if we look at the scale of correlation more closely, ranging from (0.183 to 0.450), while the correlations between other pairs are at least 0.392 (Brand Image and Value Offers), ranging from 0.392 to 0.750. Pair-wise correlations provide a rough view of the relationships between these different factors. To investigate the structure of the hypotheses in a more sophisticated way, it is better to fit the corresponding (multivariate) linear models by accounting for the effects of other constructs.
### Table 2

**Pearson’s correlations between constructs**

<table>
<thead>
<tr>
<th></th>
<th>SQ</th>
<th>PR</th>
<th>BI</th>
<th>VA</th>
<th>TR</th>
<th>SA</th>
<th>New SC</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SQ</td>
<td>1</td>
<td>.507**</td>
<td>.594**</td>
<td>.444**</td>
<td>.616**</td>
<td>.682**</td>
<td>.301**</td>
<td>.628**</td>
</tr>
<tr>
<td>PR</td>
<td>.507**</td>
<td>1</td>
<td>.551**</td>
<td>.456**</td>
<td>.601**</td>
<td>.600**</td>
<td>.346**</td>
<td>.585**</td>
</tr>
<tr>
<td>BI</td>
<td>.594**</td>
<td>.551**</td>
<td>1</td>
<td>.392**</td>
<td>.742**</td>
<td>.602**</td>
<td>.344**</td>
<td>.730**</td>
</tr>
<tr>
<td>VA</td>
<td>.444**</td>
<td>.456**</td>
<td>.392**</td>
<td>1</td>
<td>.438**</td>
<td>.467**</td>
<td>.183</td>
<td>.501**</td>
</tr>
<tr>
<td>TR</td>
<td>.616**</td>
<td>.601**</td>
<td>.742**</td>
<td>.438**</td>
<td>1</td>
<td>.600**</td>
<td>.450**</td>
<td>.701**</td>
</tr>
<tr>
<td>SA</td>
<td>.682**</td>
<td>.600**</td>
<td>.602**</td>
<td>.467**</td>
<td>.600**</td>
<td>1</td>
<td>.314**</td>
<td>.375**</td>
</tr>
<tr>
<td>NewSC</td>
<td>.301**</td>
<td>.346**</td>
<td>.344**</td>
<td>.183**</td>
<td>.450**</td>
<td>.314**</td>
<td>1</td>
<td>.314**</td>
</tr>
<tr>
<td>CL</td>
<td>.628**</td>
<td>.585**</td>
<td>.736</td>
<td>.501**</td>
<td>.701**</td>
<td>.750**</td>
<td>.375</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: ** Correlation is significant at the 0.01 level (2-tailed).

SQ = Service Quality; PR = Price Perception; BI = Brand Image; VA = Value Offers;
TR = Trust; SA = Satisfaction; New SC = New Switching Costs; CL = Customer Loyalty.

### Table 3

**Parameter estimates for Service Quality, Brand Image, Price Perception, Value Offers to Switching Cost, Satisfaction, and Trust**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Parameter B</th>
<th>Parameter B</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>.515</td>
<td>.275</td>
<td>1.874</td>
<td>.064</td>
</tr>
<tr>
<td>Intercept.</td>
<td>.397</td>
<td>.087</td>
<td>.568</td>
<td>.000</td>
</tr>
<tr>
<td>Service Quality .</td>
<td>.216</td>
<td>.074</td>
<td>2.910</td>
<td>.004</td>
</tr>
<tr>
<td>Price perception</td>
<td>.146</td>
<td>.069</td>
<td>2.129</td>
<td>.036</td>
</tr>
<tr>
<td>Brand Image</td>
<td>.100</td>
<td>.075</td>
<td>1.338</td>
<td>.184</td>
</tr>
<tr>
<td>Value Offers</td>
<td>.506</td>
<td>.281</td>
<td>1.800</td>
<td>.074</td>
</tr>
<tr>
<td>Trust Intercept</td>
<td>2.120</td>
<td>.448</td>
<td>4.733</td>
<td>.000</td>
</tr>
</tbody>
</table>

The statistics of multivariate tests provide the information that the regression of switching cost, none of the independent variables have coefficients significantly different than 0 (significance levels ranging from 0.086 to 0.424). Meanwhile, given the independent variables, in the model, only a small amount of sum of squares (Type III) are explained for SC: 7.73 versus 21.29 and 27.61(in Table 4.8), which also support the model in Figure 1.1 that switching cost is not affected by the service quality, brand image, price and values.
Table: 4

Parameter Estimates: Dependent Variable: Customer Loyalty

<table>
<thead>
<tr>
<th>Parameter</th>
<th>B</th>
<th>Std.Error</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-.459</td>
<td>.305</td>
<td>-1.503</td>
<td>.136</td>
</tr>
<tr>
<td>New Switching Costs</td>
<td>0.47</td>
<td>.069</td>
<td>.690</td>
<td>.492</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.612</td>
<td>.088</td>
<td>6.916</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>.410</td>
<td>.086</td>
<td>4.763</td>
<td>.000</td>
</tr>
</tbody>
</table>

Previous tests show all the result of our hypotheses, then in order to test the hypothesized model’s integrality, given that hypotheses assume that satisfaction and trust are the intermediate of the relationships between customer loyalty and the other four factors, it fit a linear regression with Customer Loyalty as dependent variables, Satisfaction, Trust and Price Perception, Service Quality, Brand Image, Value Offers as independent variables. Switching Cost is left out since based on the observations of previous tests its correlation with Customer Loyalty decreases drastically, with the presence of other variables. From Table 4.15, it can be seen that given the information of Satisfaction and Trust, there is still but only one construct Brand Image that is useful (with parameter 0.283 at 0.001 significance) in explain the variance of Customer Loyalty. Brand Image even to some extent ‘cancel’ out the effect of Trust which becomes insignificant. Nevertheless, the small parameters of other three constructs (0.22 -0.126) suggests that Satisfaction, Trust do screen out the effects of those constructs as intermediate effects.

From the estimated Table it shows that for the regression of Switching Cost, none of the independent variables have coefficients significantly different than 0 (significance levels ranging from (0.086 to 0.424). Meanwhile, in Table 4.8 (Switching Cost: 7.73 versus 21.29 and 27.61) also support the model (in figure 1.1 ) that switching cost is not affected by the service quality, brand image, price perception and value offers.

In the hypotheses, service quality, price, brand image and value affect customer loyalty indirectly via the customer’s satisfaction and trust for the mobile service. Through our study, it is clear that service quality, price and brand image all have positive effects on satisfaction and trust. More important, satisfaction and trust seem to be uncorrelated from each other given the information about service quality, price and brand image. The positive correlations between service quality (trust) and loyalty are also supported by the data. In addition, the residual correlation structure and Barlette’s test suggest that Service Quality, Price Perception and Brand Image completely almost completely explain the possible correlations between Satisfaction and Trust.

However, value does not provide much useful information as it is framed in the objective. It is pointed out that Value Offers (significance 0.286) is not significantly affecting the dependent variables, given Service Quality, Price Perception and Brand Image. From Analysis , we can look more closely on the effects of independent variables separately on dependent variables. At 5% significance level, for Satisfaction, the parameters of Service Quality, Price Perception, Brand Image are all different from 0 and the same for Trust. Ravald and Grönroos (1996) claimed that value is an important element of relationship marketing, and one of the most successful relationship marketing strategies is the ability to provide superior value to customers. Customer selects a service operator which can supply value offers to them. Looking back the empirical data about the hypotheses H4a and H4b of value offers, the parameters for value offers are not significant (Sig. 0.344 and 0.184).
Actually, it not means value offers are not important for customer satisfaction and trust, even customer loyalty. The results of this empirical data are due to customers’ assessment about the value offers of a operator depends on their harvest. However, the language that the operators used. Some of the students who complete this questionnaire are international students, so that many of them cannot obtain the information about the value offers.

Practical Implications:

The findings of this research also provide important evidence for managers who take charge of relationship marketing tactics. It is helpful for marketers understand the effectiveness of relationship marketing tactics from consumer’s perspective.

Although many relationship tactics have potential for developing customer trust, satisfaction and loyalty, some tactics are more sensitive than others. Marketers should put their efforts into implementing more effective relationship marketing tactics, in order to enhance customer perceived trust, satisfaction and loyalty. In this case, value-adding tactic are less effective than service quality, price tactic and brand image tactic for building customer trust and satisfaction. This implied that the consumer might be not satisfied with or not sensitive to some value-adding promotional activities. Therefore, the mobile service providers should consider to improving the way of interaction with consumers. For example, offering more attractive reward, using English rather than Swedish language in promotion activities to communicate with more foreigners.

It is also essential for service providers to realize importance of relationship quality and customers loyalty for practical business. A higher quality of a relationship might lead to a higher level of customer loyalty, which makes vendors profit more.

Conclusion

Retaining customers in the service industry has become a major objective of relationship marketing. Relationship marketing tactics are considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties. Although relationship marketing tactics has been widely implemented by service providers, customers still tend to switch to competitor.

Therefore, this study was conducted to exam the impact of relationship marketing tactics (service quality, price perception, value offered and brand image) on relationship quality (trust and satisfaction), and in turn effect the customer loyalty.

The four Relationship marketing tactics are positively related to relationship quality. Among the tactics, value offered tactic show lowest relationship with customer trust and satisfaction. This implied that the value-adding activities implemented by the service providers, such as reward refund, are not effectively perceived by students group.

Relationship quality (trust and satisfaction) are positively related to loyalty. This result also provide empirical evidence supporting previous theories that higher level of trust and satisfaction perceived by customers, the higher level of customer loyalty achieved by service providers.

Switching cost however does not show much correlation with customer loyalty, as well as customer trust and satisfaction. Different from other previous evidence in other industries, - switching costs in this study is proved to be less important in affecting customer loyalty in Sweden mobile telecom industries, due to the fact that the comparatively low switching cost perceived by consumers is not taken into account when customers making decision of consumption.
Brand image tactic especially turns out to directly lead to customer loyalty, regardless of the influence of mediated factors as trust and satisfaction. It reveals that brand image tend to also be an independent variable influenced by other factors.

References