Investigating the Effect of the Relationship Marketing Tactics on Customer’s Loyalty

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Abstract

The current study attempts to investigate the effect of the relationship marketing tactics on the customer's loyalty. The present study has applied objective, is descriptive in nature, and is a survey. To analyze the data SPSS 19 and LISREL 8/8 software were used. The target population was the staff of the State University of Ilam, which has a population of 4620 people. The number of sample is equal to 353 according to Krejcie-Morgan Table. (Cronbach’s alpha for the entire equation was .906). Considering the influence of independent variants (quality of service, price perception, brand perception, value proposition, consumers' trust, and customers' satisfaction) on customer loyalty, ten hypotheses were formed, all of which were approved by average to high confidence. The more the level of relationship marketing tactics, the more the quality of relations with customers, which ultimately leads to customer loyalty.

Key words

Relationship marketing tactics, service quality, customers’ loyalty, customers' trust, customer satisfaction

JEL Codes: M31

1. Introduction

Relationship marketing plays an important role in the telecommunications industry and has the power to create a customer-oriented relationship between the company and customers (Gronross, 2004). In fact, when the competitive market environment becomes turbulent, the seller’s major concern is not to maintain the quality of products and services, but to keep the company’s existing customers (Tseng, 2007). In these conditions, the marketers are forced to picture the company’s strategies beyond the traditional view (4p strategies), so the company can reach a stable competitive advantage. As an alternative, the relationship marketing can fill the communication gap with the customers. Relationship marketing as a part of marketing strategies seeks to attract and keep customers by providing quality services for them, and accordingly has turned into one of the secrets of success in the turbulent markets (Andaleeb, 1996). Relationship marketing with a focus on
creating customer loyalty as an ultimate aim seeks to give value to the parties of an exchange (Peng and Wang, 2006). On the other hand, similar to global market, the turbulent competitive environment can be seen in the telecommunications industry in Iran too. After a period of state’s monopoly of telecommunications industry, with privatization and the entry of new mobile operators in the country, the exclusive telecommunications market has moved towards a competitive market. Now there are six operators (The First Operator, Irancell, Taliya, two regional operators: Kish and Spadan, and Righ Tel) in mobile industry. Each of these operators tries to attract more customers. In this market, the marketers are after customers’ loyalty with different methods such as selling at a discount, selling over phone, online shopping, and advertising on television, the Internet, etc. to create customer loyalty, because it is clear that when customers are not satisfied with the services of the company, they turn to competitors. It seems that for service providers, the relationship marketing tactics are one of the best ways to build and maintain customer loyalty. The main challenge for mobile phone service providers is to make strong relationships (obtaining trust and satisfaction) with customers through relationship marketing tactics, to gain their loyalty gradually. The importance of relationship marketing in the success of these companies raises the question of how these types of marketing tactics are practiced. Accordingly, this research seeks to test the analytical model of relationship marketing (fig. 1) in practice. To achieve this, after reviewing the literature and relevant theories and methods of data collection, significant relationships between relationship marketing tactics, quality of relationships and loyalty of the customers were analyzed.

![Figure 1. Analytical model of the study](image-url)
This research aims to investigate the impact of relationship marketing tactics on loyalty of customers of First Operator (one of the operators in the mobile telecommunications industry). It is expected that the relationship marketing tactics (service quality, price perception, brand perception, and value proposition) and relationship quality (customers’ trust and satisfaction) have a positive effect on customer loyalty, and the proposed model can help analyze the loyalty of customers of First Operator Company.

2. Literature review

2.1. Relationship marketing

During the last decade of the 20th century, relationship marketing has been presented as the line of thinking of marketing strategic planning, industrial marketing, and consumer marketing (Tseng, 2007). According to Morgan and Hunt Theory (1994), relationship marketing includes all marketing activities done to create, develop, and maintain long-term and successful relationship with customers. Hougaard, Bjerre (2002, p. 40) argued that in relationship marketing three goals should be considered: management of starting the relationship, keeping and enhancing the existing relationships, and investigating the time of ending this relationship. Wulf et al. (2001) asserted that the difference in the duration of relationship of customers with a company and consequently the frequency of consumption, the experience of different products, and different levels of satisfaction and loyalty results from relationship marketing. Compared to traditional marketing, in relationship marketing establishing a relationship with customers in order to gain long-term and mutual benefit is more important. In fact, unlike the traditional marketing approach, the relationship marketing primarily intends to consider the customers as partners. Table 1 contains the differences between traditional marketing and relationship marketing.

Gooyner et al. consider the advantage of relationship marketing from the customers’ point of view to include: trust and confidence (reducing the anxiety and stress, trusting the provided goods and services, and trusting the provider of the product), social benefits (recognition by the employees, promoting friendship and camaraderie between customers and employees), special treatment (additional services, special prices, priority for customers) (Abdolvand and Ghaffari Ashtiani, 1388). The benefits of relationship marketing come from continuous support of loyal customers as a partner who are not sensitive to the price over time (Bowen and Shoemaker, 2003). Mutual reliance, cooperation and mutual commitment between supplier and customer is necessary in relationship marketing, hence the whole relationships is considered as the key to competitive advantage (Hougaard & Bjerre, 2002).
Table 1. Comparison of relationship marketing with traditional marketing

<table>
<thead>
<tr>
<th>Relationship marketing</th>
<th>Traditional Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Tendency to retain customers</td>
<td>• Tendency to only the sell</td>
</tr>
<tr>
<td>• Constant relationship with customers</td>
<td>• Random meeting with the customers</td>
</tr>
<tr>
<td>• Focusing on the value of customers</td>
<td>• Focusing on the properties of the product</td>
</tr>
<tr>
<td>• Long-term perspective</td>
<td>• Short-term perspective</td>
</tr>
<tr>
<td>• Great emphasis on providing services for customers</td>
<td>• Poor emphasis on providing services to customers</td>
</tr>
<tr>
<td>• Commitment to meet the customers</td>
<td>• Poor commitment to meet the customers</td>
</tr>
<tr>
<td>• Considering the customers’ expectations</td>
<td>• Less attention to customers’ expectations</td>
</tr>
<tr>
<td>• Qualitative attention from all the staff</td>
<td>• Qualitative attention from only the production staff</td>
</tr>
</tbody>
</table>

(Reference: Bowen and Shoemaker, 2003)

2.2. Relationship marketing tactics

Marketers use different tactics for attracting and creating customer loyalty. Based on the studies and research findings, some relationship marketing tactics are presented in Table 2.

Table 2. Effective marketing tactics on the quality of communication

<table>
<thead>
<tr>
<th>Tactics</th>
<th>Researchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Direct contact</td>
<td>Tseng (2007)</td>
</tr>
<tr>
<td>8. preferable treatments</td>
<td>Tseng (2007)</td>
</tr>
</tbody>
</table>

The current study chose some of the relationship marketing tactics including, quality of the service tactics, price perception, brand perception, and value proposition as the most important relationship marketing tactics in the service industry which are described below.
2.2.1. Quality of Services

Although many definitions are provided for services, the definition by Grönroos (1990) is accepted widely: service is a process including a collection of more or less intangible and common activities, which of course are not always necessary and happen as a result of the interactions between customers and the service staff, or resources, or physical resources, or service provider systems, which are presented as a solution to the customers’ problem (Grönroos, 2000, 46). Accordingly, when it comes to service, the relationship between the customer and the service provider is considered the basic of the marketing. The main issue for the service provider is to manage this relationship in a way that meets the need and desires of the customers, so it can make a long-term profit for the company. Many studies have shown that the quality of perceived service by customers directly affects their satisfaction (Parasuraman et al., 1988, Aydin and Özer, 2005). Possibly, customers will be satisfied if the quality of the services is more than they have expected. Customers’ trust is built when customers receive positive quality services from the company and believe that the company offers distinguished services compared to other companies. In the mobile operator industry, providing high quality services is an important indicator of evaluating the performance of service providers. Providing high quality services has been discussed as a clear way to create satisfaction, trust, and a competitive advantage, and also establishing a long term relationship with customers. Hypothesis 1 and 5 are based on this assumption.

2.2.2. Price perception

Price in the eyes of the customers is the money they pay to buy products or services. Customers often choose their service providers on the basis of price perception (Peng and Wang, 2006). Oliver (1997) suggests that customers judge the price according to the quality of services, and based on the principle of equality, this comparison leads to satisfaction or dissatisfaction. If a customer perceives a price to be fair, they seek to communicate with the service provider. Many researchers have pointed out that the perceived price has an influence on the satisfaction and trust of customers (Oliver, Peng and Wang, 2006; Cheng, et al. 2008; Kim et al., 2008), therefore to increase customer satisfaction, it is essential that the service companies actively manage the price perception of their customers. For example, by using attractive prices, offering mixed and proper prices, lowering the prices without reducing the quality, and so on. Hypotheses 2 and 6 are proposed based on this assumptions.
2.2.3. Brand perception

Branding is not limited to physical products, and can be discussed for services too. Brand perception is defined by Keller (3, 1993) as perceptions of a brand and commercial name as it is pictured in the customers' minds. Perception or mental image of the brand is shaped and etched in customers' minds which are the result of rational reaction or feeling (Dobni & Zinkhan, 1990). Relationship marketing in the service sector emphasizes on the importance of relationships between customers and the service providers and also the relationship between customer and brand (O'Loughlin, Szmigin & Turnbull, 2004). Developing a brand relationship with customers is based on a series of brand exposure experienced by customers (Grönroos, 2000). Identifying what the customer perceives during these experiences is essential to service companies. Additionally, customers probably gain brand perception through experiences such as hearing from other customers, the company's reputation in public, communications, marketing, etc. Creating a valuable brand perception for customers leads to more sells for service providers (that is source). Thus, a positive brand perception that meets the customers' expectations and creates greater benefits for the customer can be influential on the satisfaction and trust of customers. Accordingly, hypotheses 3 and 7 are presented.

2.2.4. The proposed value

After comparing the benefits of purchasing the goods and services, and the price which they have paid, customers judged the value of consuming (Zeithaml, 1988). Service companies with better proposals, which could lead to customers' satisfaction, offer more value, and by increasing the received sources and decreasing the value loss for customers keep their customers and persuade them to re-purchase. In a long-term relationship, the value proposition received by the customer depends on customers' expectations. When customer expectations are met, they feel security, credibility, and reliability, which all together will increase the trust and ultimately improve customer loyalty (Ravald & Gronroos, 1962). Hence, hypothesis 4 and 8 are proposed.

2.3. Relationship quality

Relationship quality (RQ) is a branch of relationship marketing (RM), and assessing the strength of relationship and the degree of customers' satisfaction and expectations is necessary in today's business world (Crosby, Evans, & Cools, 1990; Smith 1998). In developing long-term relationships, good relationship quality can increase customer reliability (Crosby et al., 1990; Lee & Hu, 2008), in other words, high relationship quality causes the interaction between service provider and
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customers and guarantees a long-term stable exchange in which both sides can gain similar benefits (Singh, 2008). The first attempt to measure the quality of communication was by Crosby et al. who examined the relationship quality from two aspects of trust and satisfaction. Morgan and Hunt (1994) proposed the theory of commitment-trust, and discussed that commitment and trust as two aspects to measure the quality of relationship. Chakrabarty, Whitney, and Green (2007) integrated different research and studies and proposed that the relationship quality is measured from different aspects of trust, commitment, culture, interdependence, and exposure. Though, there is no agreement on the components of relationship quality; in general satisfaction and trust are accepted as important factors for measuring the relationship quality. Service providers can gain customers’ satisfaction and trust and offer a long-term relationship with them to create stability and ultimately win their loyalty. Thus, the current paper investigates relationship quality with focusing on trust and satisfaction from the customers’ perspective.

2.3.1. Customers’ trust

Geyskens and Steenkamp (1995) define trust briefly as the extent to which a company believes in the trustworthiness of its trade partners. Doney and Cannon (1997) emphasized that trust is perceived to be credibility and benevolence. Based on these definitions, it is clear that trust is a human characteristic which is based on the assessment of personality traits (Cho, 2009), motives and behavior (Tian et al., 2008) of others. Sanzoo et al. (2003) consider trust a multidimensional concept that includes behavioral, emotional, and perceptional aspects (Samadi et al., 1388). When a service provider is actively working on communication, it is providing evidence for clients that the company can be trusted, cares about the customers’ interests, and is willing to make sacrifices to satisfying their needs (Liang & Wang, 2008). Investing in a long term relationship with customers helps to expand customers’ trust and improves the effective quality of a relationship to have a mutual interest (Anderson & Weitz, 1989). Customers who trust the service provider’s capability may wish to establish a relationship to achieve the expectations (Morgan & Hunt, 1994). Even when the external environment is changing, customers rely on the service providers to put the customers’ interest first (Liu et al., 2008). Building customers’ trust is essential in making a long-term relationships and increasing loyalty. Many researchers pointed out that building customers’ trust has an important role in gaining customers’ loyalty in a long-term relationship (Berry, 1995; Bowen & Shoemaker, 2003; Chu, 2009). Thus, hypothesis 9 is proposed.
2.3.2. Customer satisfaction

More attention has been paid to customer satisfaction in the theoretical body of literature and experimental research. Customers' satisfaction is an expected output of complementary marketing activities; providing services and satisfying products for customers' results in more success in the today's highly competitive business world. Fornel (1992) describes satisfaction as an overall assessment of purchasing process and consumption experience of product or target service compared to expectations before purchase. Oliver (1997, 1999) looks over satisfaction as a pleasurable activity the customers feel while they consume something. That is, the customer feels that consuming satisfies some of their needs, desires, and goals; and this complementary activity is enjoyable (Oliver, 1999, p. 34). The marketers measure customers' satisfaction with their perception of the products and services. Lee (2008) provides five perceived feeling in customers view, as follows:

1. Satisfaction: goods can be accepted or tolerable.
2. Content: products cause positive and enjoyable experience in people.
3. Diversity: product changes the negativity in people.
4. Newness: products make people feel excited and fresh.
5. Amazement: products suddenly make customer happy.

In addition, customer satisfaction depends on the life cycle of customer relationship. It is necessary to focus on the customers' goals and expectations in these stages (Spath & Fähnrich, 2007). Generally, gaining the customers' satisfactions improves the quality of relationship between customers and service providers. Thus, hypothesis 10 is proposed.

2.4. Customers' Loyalty

Building customer loyalty is the most important goal of relationship marketing activities. Oliver (1997, p. 392) defines customer loyalty as a "sincere commitment to a product or distinctive service that will lead to purchasing a brands or categories of the same brand repeatedly in the future, despite, situational factors and marketing efforts which have the potential to alter the behavior". Customers are the driving force of profitable growth and customer loyalty can lead to profitability (Hayes, 2008). Customer loyalty is the tendency and a positive attitude towards a brand which results in commitment to purchase in the future (Cho, 2009). Loyal customers are less likely to turn to competitors just because of the price, and they even buy more in comparison with disloyal customers (Bowen and Schumacher, 2003). Therefore, sellers must try to keep customers who are partners in long-term profit of commercial organizations (Tsneng, 2007). Efforts to persuade existing customers to
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increase their purchasing are a way to enhance the financial growth of a company (Hayes, 2008). Financial development of institutions depends on the company's ability to retain existing customers and to find new customers at a faster rate (ibid.). Therefore, capable managers have to understand that achieving growth is possible not only by attracting new customers, but also by keeping the current customers; because by encouraging the customers to purchase more, they can recommend the company to others (Kim et al., 2008). Generally, customer loyalty is divided to attitudinal and behavioral loyalty (Aydin & Özer, 2005). Attitudinal loyalty is described as measurement of customers' attitudes, purchase intentions, supplying priorities, and the desire to introduce; on the other hand behavioral loyalty is related to amount and frequency of purchase (ibid.). Evidence suggests that commitment to a stronger relationship causes to repeat purchase. Wulf et al. (2001) explain the concept of loyalty as a general measure of purchase frequency and the spent money in a retail in comparison with spent money in other retail sails that the sellers have bought from them. This study seeks to examine the effects of relationship marketing tactics listed above on relationship quality and customer loyalty through testing the hypotheses posed in the study. Thus, based on the review of the literature and the analytical model, research questions and hypotheses are proposed as follows.

3. Research questions

First question: is there a positive relationship between marketing tactics (service quality, price perception, brand perception, and value proposition) and relationship quality (trust and satisfaction)?

Second question: is there a positive relationship between the relationship quality (customers' trust and satisfaction) and customer loyalty?

3.1. Hypothesis of the study

Hypothesis 1: The quality of perceived service customers is positively related to customer satisfaction.

Hypothesis 2: Price perception by customers is positively related to customer satisfaction.

Hypothesis 3: Brand perception is positively related to customer satisfaction.

Hypothesis 4: The value proposition to customers is positively related to customer satisfaction.

Hypothesis 5: The service quality perceived by customers is positively related to customer trust.
Hypothesis 6: Price perception by customers is positively related to customer trust.

Hypothesis 7: Brand perception is positively related to customers’ trust.

Hypothesis 8: Value proposition to customers is positively related to customer trust.

Hypothesis 9: Customer satisfaction is positively related to customer loyalty.

Hypothesis 10: Customers’ trust is positively related to customer loyalty.

4. Methodology of research

The purpose of this research is applied, its nature is descriptive, and its methodology is survey. To analyze the data, SPSS 19 and LISREL 8/8 software are used. The target population was the State University of Ilam (because it includes people with different tastes who use different mobile operators), and has a population of over 4620 people. The sample size was determined using Krejcie-Morgan Table and was equal to 353, and using Cochran formula had a coefficient measurement error of .05 (confidence level of .95), the sample size was 355 people. To make sure that the results are more reliable, a sample of 400 was selected. The data collection was done by a questionnaire (five point Likert scale) which was distributed randomly among the population. The questionnaire was consisted of 35 items; 5 of which were to measure the service quality, 5 to measure the price perception, 5 to measure the brand perception, 5 to measure the value proposition, 5 to measure the customers’ trust, 5 to measure customer satisfaction, and 5 to measure customer loyalty. The face validity of the questionnaire was approved by experts (2 Associate Professors of Marketing Manager, 1 Assistant Professor of Business Administration).

Questionnaire’s reliability was checked through Cronbach’s alpha test by software SPSS 19, which is presented in the table below.

<table>
<thead>
<tr>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>.906</td>
</tr>
</tbody>
</table>

5. Data analysis by LISREL 8.8 software

Figure 2. Model of hypotheses in the standard estimation mode (Part I)

X1= service quality, X2 = price perception, X3 = brand perception, X4 = value proposition, Y2=customer satisfaction, Y1= consumer trust.
Figure 2. Meaningful model of sub – hypotheses (standard estimation)

Chi-square=145.6 , df=119 , p-value=0/0259 , RMSEA=0/0012
Figure 3. Meaningful model of sub hypothesis (meaningful coefficients)

Chi-square=145.6, df=119, p-value=0/0259, RMSEA=0/0012
Figure 4. Meaningful model of the main hypothesis (meaningful coefficients)

Chi-square = 64.9, df = 58, p-value = 0.0095, RMSEA = 0.0097

Figure 5. Meaningful model of the main hypothesis (standard estimation)

Chi-square = 64.9, df = 58, p-value = 0.0095, RMSEA = 0.0097
Table 4. The results of conceptual inter-variable model of conceptual model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>X²</th>
<th>Df</th>
<th>RMSEA</th>
<th>GFI</th>
<th>AGFI</th>
<th>Balance effect (standard mode)</th>
<th>T. Value</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part 1</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>96/0</td>
<td>96/0</td>
<td>0/58</td>
<td>6//42</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Part 2</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>94/0</td>
<td>92/0</td>
<td>0/62</td>
<td>7/52</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Part 3</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>95/0</td>
<td>92/0</td>
<td>0/73</td>
<td>4/48</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Part 4</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>95/0</td>
<td>92/0</td>
<td>0/64</td>
<td>5/82</td>
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</tr>
<tr>
<td>Part 5</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>97/0</td>
<td>95/0</td>
<td>0/64</td>
<td>4/32</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Part 6</td>
<td>145/2</td>
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<td>0/0012</td>
<td>96/0</td>
<td>96/0</td>
<td>0/63</td>
<td>5/58</td>
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<tr>
<td>Part 7</td>
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<td>119</td>
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<td>94/0</td>
<td>92/0</td>
<td>0/72</td>
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</tr>
<tr>
<td>Part 8</td>
<td>145/2</td>
<td>119</td>
<td>0/0012</td>
<td>95/0</td>
<td>92/0</td>
<td>0/54</td>
<td>6/98</td>
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<td>Part 9</td>
<td>64/9</td>
<td>58</td>
<td>0/0097</td>
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<td>0/71</td>
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</tr>
<tr>
<td>Part 10</td>
<td>64/9</td>
<td>58</td>
<td>0/0097</td>
<td>95/0</td>
<td>92/0</td>
<td>0/68</td>
<td>5/38</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

6. Discussion and Conclusions

All the hypotheses were confirmed in this study, and all independent variables either directly or indirectly had average or high effect on customer loyalty. The more the degree of relationship marketing tactics, the more the quality of relationship for customers, which ultimately leads to customer loyalty. With higher service quality, price perception, brand perception, and value proposition by telecom operators, higher rate of satisfaction and greater customer trust is gained, hence, the telecommunications service provider company needs to provide customers with prices reasonable with high value, so people feel a sense of peace and security and dignity for having such operators, and meet customers’ needs and demands in dialing and other facilities. On the other hand, the quality of these services and relationships should be on an acceptable level, and services that the companies provide for their customers should be understandable to the user, and present a value and advantage (the price that customers pay) proper with the costs. Moreover, building the customers’ trust and satisfaction results in customer loyalty to the mobile operators. This means customers do not change their mobile operator to other operators, and feel satisfied with their first operator and do not intend to buy other mobile operators lines, and suggest others to use their mobile operator. In other words, if for any reason they want to buy another mobile line, they choose the same operator. Marketers, advertisers, and mobile operator sellers should use ads, facilities, values, and tariffs, etc. to introduce their services, so the customers have enough information about the services. They should decrease the prices of each service as much as possible, and have different services with different prices for users with different ages and needs. And even with giving rewards and saying...
congratulations to their customer try to make them familiar with their operator (because when human brain is exposed to information about something, it unconsciously becomes more interested in it, and feels a sense of worth and dignity towards it). At the end, for further research, it is recommended to replicate this subject in different time and places and compare the results with the results of the present study, also, to study the effect of other variables, such as social, cultural, and economical resources or different styles and situations.

References


