Relationship Strategies are imperative for customer satisfaction, trust and loyalty: An empirical study on Indian Telecommunication Sector

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ABSTRACT

Now day's customers buying decisions are not based simply on the quality of the product but with the relationship they have with the company. The continuing changes in the behavior of customers will increasingly necessitate lengthy and involved relationships between buyers and sellers. One method for doing this is called CRM (Customers Relationship Management). CRM strategies are basically focusing on the relationship between buyers and sellers, and responsible for creating the benefits for both parties and resulting in a long lasting and valuable partnership. This study is directed to understand the importance of relationship strategies in the Telecommunication sector. The objective of this research is to identify the effect of relationship strategies on customer trust, loyalty and customer satisfaction among telecom customers. This is of considerable interest to both practitioners and academics in the field of relationship management. The type of research used for this study is descriptive and exploratory research design. Convenience sampling method was chosen to collect the data and the sample size was 100. The data was analyzed by using chi-square and the hypotheses were tested using correlation. The study revealed that there is a significant relationship between Relationship Strategies, customer satisfaction and customer loyalty. But amongst all the three variables customer satisfaction is highly positively co-related with the Relationship Strategies.

Keywords: Relationship Marketing, Relationship Marketing Strategies, Customer Satisfaction, Customer Loyalty, Customer Trust, Indian Telecom Sector.

1. INTRODUCTION

"Humanizing customer relationships and increasing loyalty aren't merely about managing interaction with customers better, but about serving them in a necessarily improved way."

As our economy becomes more service and technology oriented, the dynamics of the sales process will vary. Every day companies needs to constantly perform in order to keep their customers satisfied. Customers don't buy products or services. They buy good feelings and solutions to problems. Most customer needs are emotional rather than logical. The more you know your customers, the better you become at anticipating their needs. These enduring natures of services and the growing intricacy of technology will increasingly demand lengthy and involved relationships between buyers and sellers. Thus, the seller's focus will need to shift from simply landing sales to ensuring buyer satisfaction after the purchase. One method for doing this is called CRM (Customer Relationship Management). It focuses on creating benefits for both the parties and resulting in a long lasting and valuable partnership.

Now day products and services become more homogeneous, and markets become mature because of growing competition. So it is becoming harder for companies in both manufacturing and service industries to differentiate themselves from other organizations.

Then the organizations realize that not only the prices, but the aspects such as delivery, image and brand associations, and the link with customers become increasingly important. Now they are more prone to attempt to maintain their market share by focusing on retaining the current customers. This can only be possible with the help of RM strategies. These strategies are based on the idea that happier a customer is with a relationship, the greater the likelihood that they will stay with an organization. The rationale behind these strategies is to ensure the acquisition and retention of most profitable customers using the most effective method. This paper should be viewed as another attempt to integrate concepts from the service quality/satisfaction area with concepts from the relationship marketing area. But the specific emphasis in this paper is to be given on the Telecommunication sector. Most of the studies on Telecom sector deal with an analysis of financial aspects such as profitability, productivity and financial performance without much concentration on the customer retention, loyalty, etc., which has now changed in the recent years. Today the companies have realized the importance of relationships, customer retention and loyalty. With a dearth of literature on marketing of Telecom services in NCR, it is hoped that the present study makes a humble contribution in this area. This study emphasizes on the most important factors like Relationship Strategies, Customer Satisfaction, trust and loyalty. The objectives of the present study are to understand the concept of CRM in The Indian Telecommunication Sector (with special reference to NCR) and to study the association of relationship strategies with customer satisfaction, trust and loyalty.

1.2 Literature Review

In 1980's Relationship marketing emerged as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature (Berry, 1983; Dwyer et al., 1987; Grönroos, 1994; Gummesson, 1994; Sheth and Parvatiyar, 2000). It aims at increasing customer profitability while providing better services for customers. Several studies have empirically demonstrated a positive association between RM strategies and business performance (e.g. Naidu et al., 1999; Palmatier and Gopalakrishna, 2005). Relationship Marketing strategies are used as an instrument to learn customers moods and behaviors, so that the relationship building would be possible. The new model asserts that intelligent marketers should view existing customers as a tremendous growth opportunity (Cindy Claycomb\ and Charles L. Martin 2002). In fact, repeat interaction between customers and service providers offered wide opportunity for relationship marketing to exist (Wong and Sohal, 2002). Berry (1983, p. 25) defined relationship marketing as "attracting, maintaining and – in multi-service organizations – enhancing customer relationships". Morgan and Hunt (1994) propose that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.

For academicians it is a paradigm shift in marketing philosophy urging the importance of long term relationship and retaining existing customers over getting new customers; since a bird in hand is better than the two in a bush. For practitioners RM is a competitive advantage (Day, 2000), a tool to reduce the customer churn (Schneider and Bowen, 1999), a tool to overcome service failures (Crosby and Stephens, 1987), an opportunity for marketing additional products and services to a more receptive customer base (Priluck, 2003). Some scholars state that developing relationships has now become the focal point for marketing attention replacing earlier preoccupations with service and product development (Christopher, Payne and Ballantyne, 1991). Webster (1992) argued that the relationship marketing paradigm promises to redefine marketing practice and the role of marketing in the firm.

1.2.1 Relationship Marketing in Service Industry

RM strategies in service industry play a very critical role in enhancing retention especially in ICT industry. Authors like Berry, 1983 noticed that

"Solidifying relationship and transforming them as loyal customers, serving customers as clients too should be a part of marketing". Don Peppers and Martha Rogers discuss the transition from managing products to managing customers, and differentiate customers rather than just products. This transition allows companies to build up economies of scope rather than economies of scale. To retain their customer base and satisfy customer requirements service organizations must engage in the following process:

- Identify potential customers.

- Determine their needs and lifetime value to the company.

- Interact with customers and gather data on their requirements and behavior patterns.

- Customization of products and services.

Those companies which implement these practices are capable enough to counter balance new customers and opportunities with current and existing customers to maximize profit. Presently many companies in market are trying to redirect or allocate large amounts of resources toward customer retention. This was due to the growth of service marketing with an emphasis on quality, increased recognition of potential benefits for companies and the customer, and technological advances.

In past decade substantial research has been committed to the quality of services and the measurement of service quality. Likewise, in marketing practice also service quality received a crucial importance. In recent years, the relationship between service quality and customer satisfaction has received a lot of attention. Perceived service quality has been conceptualized as the comparison of service expectations with actual performance. The predominant view is that quality influences satisfaction. "Quality is the logical predecessor to satisfaction" (Iacobucci et al., 1996). Satisfaction has been defined as a consumer's evaluative judgment related to the pleasurable level of consumption-related fulfillment (Oliver, 1996). Similarly, Cronin and Taylor (1992) find empirical support that

"service quality is a precursor of consumer satisfaction". This research focuses on the effect of relationship strategies on the level of customer satisfaction, loyalty (Assael 1987, defines loyalty as commitment toward a certain brand) and customer trust (Trust exists when one party has confidence in the reliability and integrity of the exchange partner (Morgan and Hunt, 1994). To end up this literature review it is observed that, organizations are meant to generate value to all share holders.

1.3 Objective

The problem definition of the study is to examine whether the application of relationship strategies influences the level of customer satisfaction, loyalty and trust. The following objectives formulated for the study are:

1. To identify which element of Relationship Marketing (Customer satisfaction, trust and loyalty) influences the most by the application of Relationship Marketing Strategies.

2. To check the level of application and quality of relationship marketing strategies in the telecommunication sector.

3. To identify whether there is a relationship between customer satisfaction, trust, and loyalty.

1.4 Hypothesis

To execute the research the following hypotheses were formulated:

(A) H01: There is no significant relationship between Relationship Strategies and Customer satisfaction

H1: There is a significant relationship between Relationship strategies and Customer satisfaction

(B) H02: There is no significant relationship between Relationship strategies and Customer trust

H12: There is significant relationship between Relationship Strategies and Customer trust

(C) H03: There is no significant relationship between Relationship Strategies and Customer loyalty

H13: There is significant relationship between Relationship Strategies and Customer Loyalty

1.5 Methodology

In the early stages of the research, there was a lack of sufficient understanding of the problem of RM strategies. An exploratory study was conducted to clarify concepts and techniques of RM among service organizations. Experience surveys were also held to tap the knowledge and experience of companies in NCR which are familiar with the concepts of RM. Structured undisguised questionnaire were used to collect data and to be framed on the five-point Likert scale. Total 100 questionnaires were distributed to customers in NCR. The questions were presented exactly the same wording and the same order when collecting data. Convenience sampling was used in this study where the researcher is interested in getting an inexpensive approximation of the truth. A population was made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher. Data was collected using the "Personal contact" after approaching the respondents personally and explaining in detail about the survey objectives and purpose of the study.

1.6 Analysis and Discussions

The data collected from the primary source has been tabulated and this forms the major basis for the research study. In the present research, simple descriptive analysis, correlation and chi-square were used. The data were analyzed using SPSS software 16.0 version. In the first phase chi-square was done to check the existence or non-existence of the relationship between the variables investigated. In the second phase correlation analysis was conducted to check the level of relationship among the variables investigated. Data analysis reveals that over 68% of the respondents are male compare to their female counterpart. In the same vein, 66% unveiled the fact that majority of respondents are from the age group of 25-30 years. Education makes a difference in articulation of opinions. The academic qualification shows that around 39% of the respondents are graduate, 32% are post graduate, 26% have professional qualification and rest 3% have passed

senior secondary.

Table- 1 (Chi-Square)

	Customer satisfaction	Customer Loyalty	Customer Trust
Chi-Square	8.4	16.3	33.7

Degree of freedom-4, The minimum expected cell frequency is 20. Chi-square is significant at 5% level of significance.

Chi-square was done to check the relationship between two categorical variables. The tabulated value of chi-square at 5% level of significance is 9.488, which shows that the calculated value is higher in case of customer loyalty, and customer trust. So the null hypothesis is rejected i.e H02 and H03 and the alternate one is accepted. According to the above interpreted results it is to be identified that the there is no significant relationship exist between relationship strategies and customers satisfaction. While all other variables like customer trust and loyalty are having a significant relationship between the two. And these variables are also significantly related with the relationship marketing strategies.

Table-2 (Correlation Analysis)

	Relationship Strategies	Customer Satisfaction	Customer Loyalty	Customer Trust
Relationship Strategies	-	.735**	.595**	.333**
Customer Satisfaction	.735**	-	.324**	.439**
Customer Loyalty	.595**	.324**	-	.325**
Customer Trust	.333	.439**	.325**	-

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

In the second phase of the findings, correlation was calculated to check the association between the variables investigated. Correlation coefficient is computed among the four variables. The results of the correlation analysis are presented in Table 2. From the results, the dependent variable (relationship marketing) and three independent variables (customer satisfaction, customer trust and customer loyalty) are significantly positively correlated. Customer satisfaction is defined as a

result of customer's evaluation to the consumption experience with the services. The R-value recorded for correlation value in customer satisfaction is 0.735, which means that it is 73.5%. This shows there is a positive relationship between customer satisfaction and relationship marketing strategies. Thus, correlation of 73.5.0% shows a very strong relationship between the two variables.

The R-value recorded for correlation value in customer trust is 0.333, which means that it is 33.3%. This shows there is a positive relationship between customer trust and relationship marketing but the relationship is not very strong.

The R-value recorded for correlation value in customer loyalty is 0.595, which means that it is 59.5%. This shows there is a positive relationship between customer loyalty and relationship marketing strategies. Thus, it shows that moderate positive relationship between these two variables exists.

In addition, researchers have to find out customers' perception towards the main element in relationship marketing strategies preferred by customers in terms of effective Telecom service transactions that deliver long-term value and benefits to them.

Results of Pearson Correlation Coefficient shows all the above mentioned independent variables were positively significant with dependent variable. Thus, it can be concluded that there is a positive relationship between all these three variables and relationship marketing. Customer satisfaction scored the highest percentage (73.5%), which means satisfaction is the contributing factor for customers to repeat transactions. The second factor that influences customers to continuously use the service is customer loyalty (59.5%). The last factor that influences customers' decision to make transaction is customer trust (33.3%).

1.7 Conclusion

From the research conducted it has been observed that relationship marketing strategies are very important for customer satisfaction, trust and loyalty. It is the key to business success, specifically in service industry. Nowadays, companies are putting more emphasis on customer care and long-term relationship than on anything else. It takes a lifetime to build and maintain a strong, reliable, trustworthy relationship but needs only moments to shatter everything down. It is a fragile bondage with the customers with whom marketers usually don't have any blood relation yet it is the crucial most things for the survival and growth of businesses. To conclude, beyond doubts RM is a paradigm in marketing literature, even though it is a new but old concept. But the conceptual bases of RM are not yet completely developed even after two decades of existence. The future survival and its status depend on development of a solid theoretical frame work based on empirical research. This places great emphasis on improving the customer service of personnel in order to ensure that the objectives of the CRM strategy are attained. Finally, to conclude it all, future research is still needed to justify and strengthen the outcomes of this research. There may have been research similar to this topic but the situations in all the researches may be different, including this research. A slight change in the research context could bring about changes in findings. Therefore, future researchers are welcomed to conduct a similar research as this in the same context.

This research depicted that highly satisfied customers tend to demonstrate a high likelihood of repurchase and higher tolerance to price increases by providers or price decreases by competitors. As a result, telecom service providers will be able to enhance their relationship marketing strategies effectively by focusing and prioritizing on important elements that significantly improve their business performance particularly by retaining loyal customers and attracting future customers.

1.8 Suggestions for further research

In addition to the suggestions put forth in the discussion above, there is a general need for more research on RM strategies and their actual effects on customer relationship strength. However, more effort should also be given to studying customers' desire, or lack of it, for maintaining close customer relationships with service providers. It is also

necessary to know what modern customers expect from their service providers. Relationship building strategies aim at increasing customers' commitment to the service provider and, thereby, increasing their share-of-wallet through cross-selling activities. In addition, more in-depth studies are needed to understand differences between service provider and customer views of relationships.

It is imperative to develop an overall approach to manage customers. There is a need to link back to the overall corporate and marketing strategy of the company. There is a need for detailed data identification, collection, analysis and interpretation of customer information to enable the detailed strategy to be implemented with confidence in the service sector. If RM is to be implemented successfully in the service Sector then there is the necessity of developing the processes, media, systems and organizational infrastructure to support relationship marketing.

Former customers are the best source for future sales, even in businesses where customers make purchases only every few years. After all, satisfied customers talk to others, so they're an important referral source. Remember, "word of mouth" advertising doesn't just happen; it has to be nurtured. Even if they don't need your product or service again immediately, satisfied customers talk to others, so they're vital for getting referrals. If you want to build word-of-mouth business, it's your former (and current) customers whose mouth the words are going to come from.

1.9 Reference

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