The Antecedents of Relationship Marketing and Customer Loyalty: A Conceptual Framework to Determine Outcomes

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Abstract. Existing streams of literature are integrated to propose a conceptual framework that highlights the antecedents of relationship marketing on customer loyalty and its outcomes. The framework aims to provide insights into the underpinnings of relationship marketing. The proposed framework establishes a starting point for empirical investigation of the antecedents of relationship marketing and outcomes of customer loyalty in emerging nations.

Keywords: relationship marketing, customer loyalty, customer retention

1. Introduction

The concept of relationship marketing emerged within the broad areas of service marketing and industrial marketing (Christopher et al., 1991; Lindgreen et al., 2004). In an era of increasing competition, firms have resorted to using   relationship marketing as a strategy to attract, maintain and enhance customer relationships and build loyalty (Berry,1983) Relationship marketing aims to establish, maintain, and enhance relationships with customers, so that the objectives of the parties are met (Grönroos, 1994).

In a precise manner, loyalty can be defined as a customer's intention or predisposition to purchase from the same organization again (Edvardsson *et al.*, 2000), that result from the conviction that the value received from one seller is greater than the value available from other alternatives (Hallowell, 1996). Developing customer loyalty has been an objective traditionally aimed at by managers, as this enables greater future purchase intention (Andreassen, 1999). Customer loyalty is considered to be a key factor in order to achieve company success and sustainability over time (Flavián *et al.*, 2006; Keating *et al.*, 2003). Other benefits pointed out in favor of customer loyalty also that it leads to higher intensity in positive word of mouth communication (Hallowell, 1996), lower price sensibility (Lynch and Ariely, 2000) and more stable and bigger incomes (Knox and Denison, 2000).

Although a number of studies have examined the relationship between relationship marketing and customer loyalty, recent studies has pointed out that there is heterogeneity in the literature with regard to relationship marketing definitions, identified components, and therefore highlight the need for further research in this area (Myhal et al, 2008). Further most of these studies have been in the context of developed nations. Given that there are fundamental differences in the industry dynamics, market structures, and customer needs between developed and developing countries of the world, the larger aim of this study is to develop a conceptual framework and after testing the framework further empirically examine the impact various dimensions of relationship marketing on customer loyalty and the outcomes in the cultural context of Saudi Arabia, as there could be no universal solutions for prescribing relationship exchanges (Palmer, 1997).

2. Review of Literature and Development of Conceptual Framework

With increasing competiveness of industries and globalization, there is a growing interest in the subject of relationship marketing (for a comprehensive review of literature on relationship marketing research, see

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Das, 2009). The focus of relationship marketing is on building long-term arrangement in which both, the seller and the buyer participate in interest in providing a more satisfying exchange.

Relationship marketing is about retaining customers by establishing, maintaining and enhancing relationships with customers and other parties (Sohail and Malikakkal, 2011). Extant research has shown that a firm's level of relationship marketing activities is positively correlated to its performance (Buchanan and Gillies, 1990; Sharma and Sheth, 1997), as well as the level of strategic competitive advantage that is achieved in the market place (Kraljic, 1983; Ganesan, 1994; Sharma and Sheth, 1997; Germain and Droge, 1997).

The concept of relationship marketing has been looked at from different perspectives. It is viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships (Berry, 1983). Developing further, relationship marketing was defined as a defined the term as a strategy by which the interactions, relationships and networks become fundamental issue (Gummesson, 1993). With the rapid growth of the internet and mobile platforms, relationship marketing is containing to evolve and grow as technology opens more collaborative and social communication channels. The overall goals are to nurture and retain existing customers, reduce the costs of marketing and build mutually satisfying relationships.

2.1. Antecedents of Relationship Marketing

Extant literature has identified underpinnings of relationship marketing. We review literature on these elements.

Trust

Trust typically refers to situations that are being characterized by the following aspects: One party who is willing to rely on the actions of another party and the situation is directed to the future (Markova & Gillespie, 2007). Trust has been defined in numerous ways in the relationship marketing literature. It is the willingness to rely on an exchange partner in whom another has confidence (Hadjikhani and Thilenius, 2005; Moorman et al. 1992). another study defines trust as having the confidence that the other party will not exploit one's vulnerabilities (Hart and Johnson, 1999). Schurr and Ozanne, (1985) emphasize on elements of reliability and intention of the party to fulfill his/her obligations. According to Rotter (1971) trust is a generalized expectancy held by an individual or group that the word, promise, verbal, or written statement of another individual or group could be relied upon.

From the above definitions, we conclude that considerable importance is give on the element of confidence in defining trust. Just as we would expect the partner to perform actions that would result in positive outcomes, there is an element of confidence that they would not take unexpected action which would cause negative outcomes (Anderson and Narus 1990). Further, empirical findings also indicate that high trust levels are a good predictor of partner success (Schumacher, 2006).

Commitment

Commitment can be defined as the sacrifices made by the seller and buyer to maintain a relationship. Moorman et al. (1992) define commitment as an enduring desire to maintain a valued relationship Berry and Parasuraman (1991) indicated that commitment is central in relationship marketing theory. Mutual commitment is very essential to build a long term relationship. Another strong definition of commitment emphasizes on the willingness to rely on an exchange partner on whom another has confidence (Hadjikhani and Thilenius, 2005). Wilson (1995) observed that commitment was found to be the e most common dependent variable used in buyer-seller relationships (Wilson, 1995). Mowday et al., (1982) observed that commitment is higher among buyers who believe they receive more value from a relationship. Commitment is another important determinant of customer loyalty.

Communication

Communication is a process by which formal and informal sharing of meaningful and timely information between seller and buyers (Anderson and Narus, 1990). Relationship conflict can be reduced by using proper communication system (Moore, 1998). Communication, which enables information exchange, is important element of relationship marketing. Communication in relationship marketing refers to keeping in touch with customers, providing timely and trustworthy information, and communicating proactively if a delivery problem occurs (Ndubisi, 2007). Empirical evidence asserts that communication is a determinant of relationship marketing. The more breadth and depth that exists in communication patterns, the stronger is the partnership is likely to be (Lambert, et al, 1996).

Conflict Handling

Conflict handling refers to a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems and discuss solutions openly when problems rise (Dwyer et al, 1987). The manner in which a conflict is handled by the seller can have either constructive or destructive outcomes (Song et al, 2006). The contingency perspective of conflict handling (Rahim, 2000) reasons that sellers must determine the right conflict management approach, after analyzing a particular situation (Van de Vliert et al, 1999). In general, the conflict management strategies aim to minimize negative outcomes and maximize positive consequences. This ability of the seller to handle conflict well is an important determinant of customer loyalty. Thus, we postulate that s a significant positive relationship between customer loyalty and (a) trust, (b) commitment, (c) communication and (d) conflict handling.
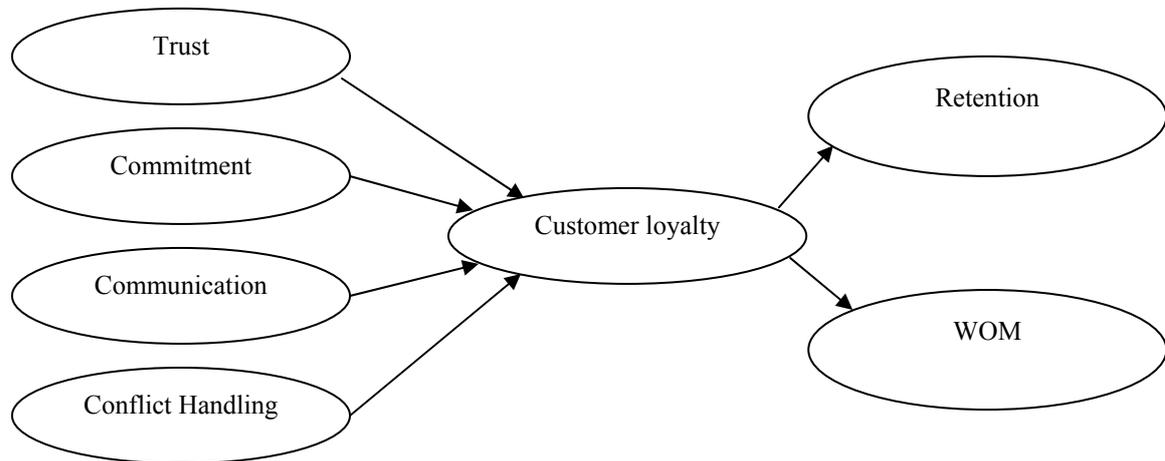

Fig. 1: A Conceptual Framework

Outcomes of Customer Loyalty

Research on customer retention has been receiving increasing attention from researchers (Thomas 2001; Reibstein 2002; Jones et al. 2000; Lewis 2004). For this study, we propose two outcomes.

Customer Retention

Customer retention refers to actions that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Customer retention (CR) is concerned with maintaining the business relationship established between a supplier and a customer (Gerpott et al, 2001). A growing body of literature suggests that customer loyalty has positive impact on client retention (Sin *et al.* 2002; Rosenberg and Czepiel 1984; Reichheld and Sasser 1990),

Word of mouth (WOM)

Word-of-mouth communications (WOM) have been studied in two ways, as an *input* into consumer decision-making (Bloch, Sherrell, and Ridgway, 1986; Feick and Price, 1987) and outcome of the purchase process (Holmes and Lett, 1977) As an outcome of the purchase process, marketing buzz is a term used in word-of-mouth marketing—the interaction of consumers and users of a product or service serve to amplify the original marketing message (Thomas Jr, 2006). Positive WOM communication is a direct outcome of customer loyalty (Srinivasan et al. (2002). Other studies have also concluded in their respective studies that customers are more likely to engage in positive word of mouth (Hagel and Armstrong (1997) and Dick and Basu (1994),

3. Research Implications

The proposed framework establishes a starting point for empirical investigation of the antecedents of relationship marketing and outcomes of customer loyalty. This paper develops a framework and is part of a larger study which seeks to empirically examine the proposed relationships. Empirical verification could focus on one or more links at a time. Furthermore, extensive longitudinal study could test the framework over periods of time. Measurement scales are available in the literature for all the constructs in this framework, which could be adapted to suit settings in developing nations. The model could be tested as a

whole or in parts by employing appropriate statistical procedures to verify the validity of the proposed framework.

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