

## The Effect of Relationship Marketing on the Sales Performance of Firms in Imo State

Okwara C. C.<sup>1\*</sup> and Iwuoha Ben C.<sup>2</sup>

<sup>1</sup> & <sup>2</sup>Department of Marketing Imo State Polytechnic Umuagwo, Owerri

\*Email: [ccokwara77@gmail.com](mailto:ccokwara77@gmail.com)

**Abstract:** *The purpose of this paper is to investigate on the effect of relationship marketing on the sales performance of firms , in a bid to achieve this, the researcher made use of a descriptive survey design. Out of the total population of 80 respondents, 50 respondents were chosen as the sample size. The study found out that relationship marketing aims to build stable customer relationship, and bridge customer exit by building barriers to customer switching . The research thus concludes that firms should apply relationship marketing and not just being transactional . The study, however, recommends that to cope with competition in the market, relationship marketers should endeavour to ensure customers reach the climax of relationship ladder to achieve stable and strong customer relationship and improve sales.*

**Key words:** Relationship Marketing, Sales Performance

© 2019. Okwara and Iwuoha. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License (<http://creativecommons.org/licenses/by-nc/4.0/>), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

### INTRODUCTION

Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a focus on sales transactions.

Relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that goes beyond demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), Personal Relationship, social media and application development.

Relationship marketing refers to an arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach tries to transcend the post purchase-exchange process with a customer to make richer contact by providing a more

personalised purchase, and uses the experience to create stronger ties. Relationship marketing is different from other marketing techniques as it mainly focuses on long term relationship with customers.

From a social anthropological perspective, relationship marketing theory and practice can be interpreted as commodity exchange that instrumentalise features of gift exchange. It seems that marketers — consciously or intuitively — are recognizing the power contained in 'pre-modern' forms of exchange and have begun to use it. This perspective on marketing opens up fertile ground for future research, where marketing theory and practice can benefit from in-depth research of the principles governing gift exchange.

According to Liam Alvey, relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing desire for the product or service.

The practice of relationship marketing has been facilitated by several generations of customer relationship management software that allow tracking and analyzing of each customer's preferences, activities, tastes, likes, dislikes, and complaints. For example, an automobile manufacturer maintaining a database of when and how repeat customers buy their products, the options they choose, the way they finance the purchase etc., is in a powerful position to develop one-to-one marketing offers and product benefits.

In web applications, the consumer shopping profile can be built as the person shops on the website. This information is then used to compute what can be his or her likely preferences in other categories. These predicted offerings can then be shown to the customer through cross-sell, email recommendation and other channels.

Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for each recipient through a technique called "variable data printing". Marketers can personalize documents by any information contained in their databases, including name, address, demographics, purchase history, and dozens (or even hundreds) of other variables. The result is a printed piece that (ideally) reflects the individual needs and preferences of each recipient, increasing the relevance of the piece and increasing the response rate.

## **STATEMENT OF THE PROBLEM**

Relationship marketing relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system. With particular relevance to customer satisfaction, the relative price and quality of goods and services produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies. Still many marketers has not ascertain the relevance of marketing relationship as they resort to making their profits through transaction and not minding creating a stable customer relationship. Hence, the essence of this study to investigate on the effect of relationship marketing on sales performance of firms.

## **OBJECTIVES OF THE STUDY**

The study aim to examine the effect of relationship marketing on sales performance of firms, other sub objectives includes;

- to find the factors associated with customer retention

- to know the relationship ladder of customers loyalty
- to ascertain the consideration on customer retention

### **JUSTIFICATION OF THE STUDY**

The study will be of great benefit to entrepreneurs, organizations, marketers on the relevance of applying relationship marketing in day-to-day marketing practices as it will enable them to build a strong stable customer relationship and hence enhance the growth of their firm.

### **LITERATURE REVIEW**

A principle of relationship marketing is the retention of customers through varying means to ensure repeated trade from preexisting customers by satisfying requirements above those of competing companies through a mutually beneficial relationship. This technique is counterbalancing new customers and opportunities with current and existing customers as a means of maximizing profit and counteracting the "leaky bucket theory of business" in which new customers gained in older direct marketing oriented businesses were at the expense of or coincided with the loss of older customers. This process of "churning" is less economically viable than retaining all or the majority of customers using both direct and relationship management as lead generation via new customers requires more investment.

Many companies in competing markets will redirect or allocate large amounts of resources or attention towards customer retention as in markets with increasing competition, it may cost 5 times more to attract new customers than it would to retain current customers, as direct or "offensive" marketing requires much more extensive resources to cause defection from competitors. However, it is suggested that because of the extensive classic marketing theories center on means of attracting customers and creating transactions rather than maintaining them, the majority usage of direct marketing used in the past is now gradually being used more alongside relationship marketing as its importance becomes more recognizable.

It is claimed by Reichheld and Sasser(1990) that a 5% improvement in customer retention can cause an increase in profitability of between 25 and 85 percent (in terms of net present value) depending on the industry. However, Carrol and Reichheld (1992) dispute these calculations, claiming they result from faulty cross-sectional analysis. Research by John Fleming and Jim Asplund (2012) indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times the norm.

### **FACTORS ASSOCIATED WITH CUSTOMER RETENTION**

According to Buchanan and Gilles (1990) the increased profitability associated with customer retention efforts occurs because of several factors that occur once a relationship has been established with a customer.

- **Cost of Acquisition:** The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
- **Accountant Maintenance:** Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- **Long-Term Customers:** Long-term customers tend to be less inclined to switch, and also tend to be few prices sensitive. This can result in stable unit sales volume and increases in dollar-sales volume. Long-term customers may initiate free word of mouth promotions and referrals. Long-term customers are more likely to purchase ancillary products and

high margin supplemental products. Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share.

- Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.
- Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle.

### **RELATIONSHIP LADDER OF CUSTOMER LOYALTY**

Relationship marketers speak of the "relationship ladder of customer loyalty". It groups types of customers according to their level of loyalty. The ladder's first rung consists of "prospects", that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of "customer", "client", "supporter", "advocate", and "partner". The relationship marketer's objective is to "help" customers get as high up the ladder as possible. This usually involves providing more personalized service and providing service quality that exceeds expectations at each step.

### **CONSIDERATION ON CUSTOMER RETENTION**

Customer retention efforts involve considerations such as the following:

1. Customer valuation – Gordon (1999) describes how to value customers and categorize them according to their financial and strategic value so that companies can decide where to invest for deeper relationships and which relationships need to be served differently or even terminated.
2. Customer retention measurement – Dawkins and Reichheld (1990) calculated a company's "customer retention rate". This is simply the percentage of customers at the beginning of the year that are still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio can be used to make comparisons between products, between market segments, and over time.
3. Determine reasons for defection – Look for the root causes, not mere symptoms. This involves probing for details when talking to former customers. Other techniques include the analysis of customers' complaints and competitive benchmarking (see competitor analysis).
4. Develop and implement a corrective plan – This could involve actions to improve employee practices, using benchmarking to determine best corrective practices, visible endorsement of top management, adjustments to the company's reward and recognition systems, and the use of "recovery teams" to eliminate the causes of defections.

A technique to calculate the value to a firm of a sustained customer relationship has been developed. This calculation is typically called customer lifetime value.

Retention strategies may also include building barriers to customer switching. This can be done by product bundling (combining several products or services into one "package" and offering them at a single price), cross-selling (selling related products to current customers), cross promotions (giving discounts or other promotional incentives to purchasers of related

products), loyalty programs (giving incentives for frequent purchases), increasing switching costs (adding termination costs, such as mortgage termination fees), and integrating computer systems of multiple organizations (primarily in industrial marketing).

Many relationship marketers use a team-based approach. The rationale is that the more points of contact between the organization and customer, the stronger will be the bond, and the more secure the relationship.

### **EFFECT OF RELATIONSHIP MARKETING ON SALES PERFORMANCE OF FIRMS**

**1. Increasing Opportunities** – Without marketing support, sales cannot move consideration rates. The company’s unaided product awareness rate was 62 percent compared to 88 percent for the market-share leader. The consideration rate was even worse at 46 percent compared to 86 percent for the leading competitor. Thus can increase the number of opportunities.

The organization had a strong sales culture. Therefore, to demonstrate the need to increase marketing activity, and not just sales coverage, there is need to include “relationship with the sales team” as a key consideration drive, along with typical drivers such as price, brand and service.

**2. Sales Coverage** – Increased relationship marketing activity can create the perception of greater sales coverage and improve a buyer’s perception of sales coverage.

**3. Sales Enablement** – Relationship Marketing can identify shifts in buying behavior and enable the sales force with the right value proposition at the right time to win

### **METHODOLOGY**

As this study is aimed at examining the effect of relationship marketing on the sales performance of firms in achieving this, the research made use of descriptive survey research design.

The entire population of the respondents who were marketers are 80, thus, the study made use of purposive sampling technique to determine the sample size of 50 respondents. According to Crossman (2012) “a purposive sampling is very useful for situations where you need to reach the targeted sample quickly and the sampling is not proportional in nature”.

The researcher used the questionnaire as the instrument for collecting data considering the nature and predisposition of the respondents. The researcher was convinced that the questionnaire is of good standard and adequate to provide the data needed for the research. This is in line with Ndagi (1999) who noted that questionnaire is the most suitable and easiest instrument administered in collecting data. It helps to keep the respondent’s mind fixed to the subject and facilitate the process of research generalization. In analyzing the data collated, descriptive statistics will be used. Tables will be used to present the data collected. The answer to each research question will be generated through frequency.

### **DATA ANALYSIS**

**Table1: What are the effect of relationship marketing on sales performance?**

<b>Options</b>	<b>Response</b>	<b>Percentage (%)</b>
Increasing opportunities	30	70
Sales coverage	15	20
Sales enablement	5	10
Total	50	100

**Source: Field Survey, 2017.**

From table one above, the total number of 30 respondents representing 70% of the sample size, said relationship marketing increasing opportunities, 15 respondents representing 20% said it improves sales coverage while 5 respondents representing 10% said it leads to sales enablement.

**Table 2: What are the factors associated with customer retention?**

Options	Response	Percentage (%)
Cost of acquisition	30	70
Accountant maintenance	15	20
Long-term customers	5	10
Total	50	100

**Source: Field Survey, 2017**

Based on the analysis, 30 respondents representing 70% agreed that cost of acquisition is one of the factors associated with customer retention, 15 respondent representing 20% said accountant maintenance, while 5 respondents representing 10% said it is in keeping long-term customers, who are less inclined to switch, and also tend to be few prices sensitive etc., less likely to switch to competitors and less expensive.

**Table 3: What is the relationship ladder of customer loyalty?**

Options	Response	Percentage (%)
Prospect	20	35
Customer	10	25
Client	8	15
Supporter	2	5
Advocate	5	10
Partner	5	10
Total	50	100

**Source: Field Survey, 2017**

The research findings showed that 50 respondents representing 100% said that the relationship ladder of customer loyalty entails the "prospects", "customer", "client", "supporter", "advocate", and "partner".

**Table 4: What are the various consideration on customer retention?**

Options	Response	Percentage (%)
Customer valuation	20	50
Building barriers to customer switching	15	25
Determine reasons for defection	7	15
Develop and implement a corrective plan	8	10
Total	50	100

**Source: Field Survey, 2017**

Based on findings, 20 respondents representing 50% said it is in building customer valuation, 15 respondents representing 25% said is in building barriers to customer switching, 7 respondents representing 15 said it is in determining reasons for defection, while 8 respondents representing 10% said it is in developing and implementing a corrective plan.

## **DISCUSSION OF FINDING**

From table one above, it is found that increasing opportunities, sales coverage and sales enablement are the various effects of relationship marketing on sales performance of firms.

Based on the analysis in table two, it was found that factors associated with customer retention are cost of acquisition, accountant maintenance, long-term customers, who are less inclined to switch, and also tend to be few prices sensitive etc., less likely to switch to competitors and less expensive.

The research findings showed in table three that the relationship ladder of customer loyalty entails the "prospects", "customer", "client", "supporter", "advocate", and "partner". And it is found that to enable them reach as high as possible the ladder of relationship, relationship marketers ought to provide them with more personalized service and quality service that exceeds expectations at each step.

Finally in table four of the findings, it is seen that the various consideration on customer retention are customer valuation, building barriers to customer switching, determine reasons for defection, and develop and implement a corrective plan.

## **CONCLUSIONS**

The above analysis has shown that relationship marketing is not just transacting with customers and letting go but aims to bridge customers' exit and bring about a long term retention causing an increase or improvement in sales.

Also putting in consideration the various factors mentioned above and having the objective of making customers reach the climax of relationship ladder also will help in improving sales performance of firm.

## **RECOMMENDATIONS**

The study thus recommends that

- Firms should imbibed relationship marketing as a strategy for retaining customer rather than being only transactional.
- Firms should not only apply relationship marketing but forge ahead to ensure that customer reach the highest ladder of relationship to ensure stability
- Firms should utilize the various consideration on customer retention like building barriers to customer switching, to ensure stable customer relationship

## **REFERENCES**

- Bussell, H., & Forbes, D. (2006). Developing relationship marketing in the voluntary sector. *Journal of Nonprofit & Public Sector Marketing*, 15(1-2), 151-174.
- Buchanan, R. and Gilles, C. (1990) "Value managed relationship: The key to customer retention and profitability", *European Management Journal*, vol 8, no 4, 1990
- Christopher M., Payne, A. and Ballantyne, D. (1991). *Relationship Marketing*. Butterworth-Heinemann, Oxford. p. 264. [ISBN 0-7506-4839-2](#)
- Carrol, P. and Reichheld, F. (1992) "The fallacy of customer retention", *Journal of Retail Banking*, vol. 13, no 4, 1992
- Gillett, A. G. (2015). Remark or: Relationship Marketing Orientation On Local Government Performance. *Journal of Services Research*, 15(1), 97..
- Gale, B.T., Chapman., R.W. (1994) *Managing Customer Value: Creating Quality and Service That Customers Can See* New York: Free Press

- Gordon. I (1999). Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever. John Wiley and Sons Publishers. p. 336. [ISBN 0-471-64173-1](#).
- Kotler P., Armstrong G., Saunders J. and Wong. V (1999). "Principles of Marketing" 2nd ed. Prentice Hall Europe.
- Reichheld, F. and Sasser, W. (1990) "Zero defects: quality comes to services", Harvard Business Review, Sept–Oct, 1990, pp 105–111