

Impact of Relationship Marketing & Service Recovery on Customer loyalty

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ABSTRACT

The purpose of the research is to find out the link between relationship marketing, service recovery, consumer loyalty in corporate sector. A conceptual model has been developed to narrate their relationship showing customer loyalty as dependent variable while service recovery and relationship marketing as independent variable. A questionnaire having liker scale is developed to investigate the relationship. Results show that positive link between all variables. This Research has certain limitations as Service recovery is process- approach that unable to assess actual complaint resolved or not And This aspect show many new directions .To achieve a complete view, a more comprehensive qualitative research deem necessary to look for the same issues. This study has creation Practical implications by adopting proper approaches for managing complaints to retain customer loyalty.

KEYWORDS: Relationship marketing, Complaints, service recovery, Customer loyalty, Service

1. INTRODUCTION

Service recovery can be explained from two aspects; outcome aspect (Duffy et al 2006) and process aspect. The outcome aspect unveils what the customer is provided with as a result of service recovery and process aspect clarifies how service is recovered. According to Bunker and Bradley (2007) and Duffy et al (2006), outcome dimension is important when the actual service is provided but on the other hand process dimension plays vital role in recovery of service.

A well organized service recovery system must be flavored with efficient interaction between service provider and the dissatisfied customer. If the customer, whose expectations are not met, is interacted in a civilized manner and he is assured about the timely resolution of his problem, his dissatisfaction can surely be transformed into satisfaction. An efficient recovery system must be able to detect the deficiencies and it must have the capacity to resolve the problems and complaints.

If a dissatisfied customer is not given proper attention and his complaint is not dealt properly then he must be annoyed extensively because an attempt to recover service can change the frame of mind of a dissatisfied customer. But on the other hand, if the customer is not provided with solution to his problem, this will add to his level of dissatisfaction and resultantly negative word of mouth Relationship Marketing will be originated by that customer (Spreng et al 1995).

Less cost is required to serve a Loyal customers. The return of these customers are more than other customers. Another benefit of the loyal customer is that they attract new customers through word-of-mouth (Reintarz and Kumar, 2002). A famous saying is that a happy customer increases 10% of firm's clientage due to his positive word of mouth Relationship Marketing whereas an annoyed customer reduces the clientage to a greater proportion. So an immediate and effective recovery system must be incorporated in major operational plans of a firm. McCollogh et al (2000) suggested that problem resolution enhances the probability of repurchase and develops the customer loyalty.

Retaining the loyal customers is a financial benefit for organizations, competitively attracting new customers is more expensive. but Understanding the ways how or why loyalty develops in customers remains is one of the complex management issues of the day. The role of loyalty in the brand equity process and has been noted that loyalty leads to many marketing advantages such as reduced cost of marketing, new customers, and greater trade. In competitive markets, to build loyalty in consumers is the key factor to gain market share. developing highly sustainable competitive advantage is very important for the companies, While the importance of customer loyalty is

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highly recognized factor in the marketing literature for at least three decades. the conceptual and empirical validity of a loyalty model for services context has not been addressed. (Luarn and Lin, 2003).

Customer satisfaction and loyalty are directly proportional but they are different from each other. Morrisson and Huppertz (2010) describe this distinction in their studies. Trust is a factor that influences the loyalty of customer. If the customer does not show willingness to trust the firm, it is nearly impossible to win his loyalty. According to Rod and Ashill trust is of utmost importance in B to C relation because customers show loyalty fir the businesses which posses integrity in their perception. On the other hand, in B to B relationship trust is not that much important as businesses deal on the basis of performance.

This research will investigate

- 1) What is service recovery?
- 2) Is relationship marketing effect customer loyalty?
- 3) Does service recovery impact client's loyalty?

2. LITERATURE REVIEW

Currently, existing literature shows immense and dedicated work in regard of service recovery. The said subject is modeled theoretically as well as assessed pragmatically. For example, Morrissons and Hupperts (2010) worked on the status of customer loyalty; external equity and contentment with recovery of service. Contrariwise Johnston (1998) and Davidow(2003) brought up to front several aspects of service recovery. In addition to these, Bhandari et al (2007) put forward multi-dimensional approach for service recovery evaluation and recommended that the managers should give proper attention to service recovery. The managers should also comprehend what customers expect from recovery of some service. Some other authors modeled the preconditions (Seawright et al, 2008; Swanson and Kelley, 2001) and results (Andreassen, 1999; Levesque and McDugall, 2000; Bougie et al, 2003) of service recovery from both aspects; theoretical as well as statistical.

These studies review service recovery from varying aspects which include how service recovery is responded in organization (Davidow 2003); how satisfaction after service recovery and collective satisfaction are correlated (McCollough et al ,2000); the reasons of no complaints from some specific group of people (Stephens and Gwinner 1998); how competitors effect the steps taken to recover the services by a firm(Estelami, 2000); how anger intervenes between dissatisfaction from the service and customer pre-supposition to behave (Bougie et al, 2003); the role of fairness theory, equity theory and justice (de Ruyter and Wetzels 2000); how service recovery discernments of justice are associated (Saxbyet et al 2000, Blodgett et al, 2001) and how relationship factors influence the customer satisfaction after thee service recovery (Hess et al, 2003).

Simonyan (2003) urge that The traditional approach used to study customer loyalty does not support the presence of loyalty. only focused area is generating profits. on the other hand, a variety of arguments are given to look deeper into the phenomenon of consumer loyalty for the organizations. the nature of customers, types of products, structure of the market, situational and other factors have to contribute to the way loyalty is perceived yet. Companies, who wish to build a sustainable competitive advantage in market , must realize that the companies need to deal with a multidimensional construct, rather than a simple behavioural actions, and should keep in mind when designing their loyalty programs.

All the articles on the subject matter have consensus over the fact that efforts made to service recovery must satisfy the customer (Tax et al, 1998). If it is not so, the firm will have to face dangers like reduced sales volume, negative word of mouth Relationship Marketing and defects (Andreassen, 1999; McCollough et al,2000, Tronvoll 2010).

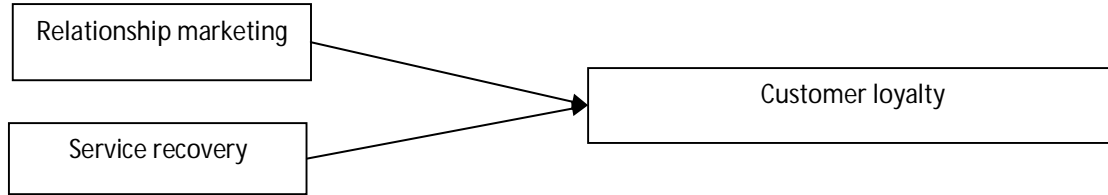
In opinion of Sheth et al (2000) service recovery means to resolve the problem due to which the customer was dissatisfied. Many researchers say that the firms usually ignore the service recovery. Operational staff must consider service recovery as their preferential duty (Miller et al 2000; Prjoge 2006; Roth amdMenor, 2003). Customer dissatisfaction must be dealt in an orderly way so as the dissatisfied customers are brought back to the state of being satisfied

3. THEORETICAL FRAMEWORK

The theoretical framework shows that Companies aims at understanding and satisfying consumer needs (Johnston and Michel, 2008). They want to Building long-term relationships with customers that leads to reducing defection rates. Building long-term relationships with customers leads to reducing costs and leads to and increasing revenues (Spreng et al 1995). Considerable evidence indicates that recovering effectively from service failures Employees are always willing to handle returns and exchanges. There is an element of personal interaction term

relationships with customers. Customers are willing to engage in relationship building activities (Ravesteyn and Batenburg, 2010; Reijers, 2006).

Companies make customers feel safe and wanted in handling their complaints (Weun et al., 2004). Employees Provide accurate information in service recovery. they are courteous in handling customer's queries (Bhandari et al. 2007). The Company shows sincere interest in solving customer/service problems. The employees give prompt service in the service recovery process (McCollough et al ,2000).



(figure 1: Theoretical Framework)

3.1 Hypothesis

The study is based on the following hypothesis

Table 3.1 of Hypothesis

H1	Relationship marketing & service recovery has positive impact on customer loyalty
H2	Relationship marketing & service recovery has no relation with customer loyalty

4. METHODOLOGY OF THE STUDY

4.1 Data Source

The research was Survey Research. the basic purpose of the study was to evaluate the customer loyalty due to relationship marketing or the service recovery. For this purpose response was required from the consumer about relationship marketing and loyalty to any company, so survey research was conducted.

Data was collected from the both primary and secondary sources. For primary sources, interviews and questionnaire and secondary data was collected from the existing sources like banks websites and prior studies.

4.2 Sampling Plan

For the purpose of survey, a questionnaire was designed. Total population count for the study was 10,000 and among them, a sample of 86 was selected. The selection of the sample was on random basis.

4.3 Data Analysis Method:

For data collected from questionnaire is analyzed through using the SPSS software. To test the significance of the hypothesis, T-Test was used. The variance was calculated through f – test ANOVA. For descriptive statistics correlation and regression is used.

4.4 Model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Y=customer loyalty

β_0 = constant

β_1 = Value of independent variable

X_1 = Relationship Marketing

β_2 = Value of independent variable

X_2 = Service Recovery

5. FINDING AND DISCUSSION

5.1 Reliability of Data

The reliability of data is measured through Cronbach's alpha. If value of Cronbach is more then 0.70, the data supposed to be reliable for the measurement of variable. The value of cronbach's alphas was measured with the help of software SPSS 16.00. The value of reliability of our data 0.807.basic reason of this high score is, the data is questionnaire was revised thrice. The reliability of data shows that result measured are reliable and supposed to be true.

Reliability Statistics	
Cronbach's Alpha	N of Items
.807	11

(Table 5.1: reliability test)

5.2 Descriptive Analysis

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Year of experience	86	.00	5.00	1.0233	.85374	1.116	.260	3.936	.514
Monthly Income	86	.00	2.00	1.0930	.58667	-.014	.260	-.065	.514
Qualification	86	.00	2.00	1.5116	.56868	-.636	.260	-.597	.514
Valid N (listwise)	86								

(Table 5.2 Descriptive statistics)

In table of descriptive statistics sample space mean values and the values of standard deviation of demographic variables have been shown. Mean value provides the idea about the central tendency of the values of a variable. Number of observations of each variable is 86. Standard deviation and the extreme values (minimum in comparison to maximum value) give the idea about the dispersion of the values of a variable from its mean value. The Minimum value is 0 for qualification while Maximum value is 5 for years of experience and 2 for monthly income. From the table of descriptive statistics there were maximum people of the experience more than 9 years. Participants (male and female) of the research were almost equal in number on the bases of gender category.

5.3 Regression Analysis

Coefficients ^a						
Model	Unstandardized Coefficients			T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.043	.633	1.647	.103	
	Mktr	.606	.176	3.443	.001	
	recover	.160	.139	1.146	.255	

a. Dependent Variable: loyalty

(Table 5.3: Coefficient and t – test)

By evaluating the data of the questionnaire, the measured regression line is as under

$$Y = 1.403 + 0.606X_1 + 0.160X_2 + 0.176$$

$$\text{Customer Loyalty} = 1.403 + 0.606 (\text{relationship marketing}) + 0.160 (\text{service recovery}) + 0.176$$

This analysis shows that relationship marketing taken as β_1 showed higher influence and has high portion in equation on the other hand β_2 service recovery showed a lower score of 0.160 with a standard error of 0.176. higher value of constant 1.403 also evaluates that there are many other factor which have more effects on the customer loyalty equation.

5.4 Correlation Analysis

The table of correlation shows the co-variation or association between all variables. The relation is shown in the form of correlation matrix. Taking at significance level 0.01 the relationship between relationship marketing and customer loyalty scored 0.415. Service recovery at the same level of significance showed the 0.262. this analysis shows that the relationship marketing has higher co – variation and service recovery has lower at 0.262. the analysis showed that relationship marketing effects customer loyalty with higher score means it attracts the more customer and becomes the cause to remain longer with the company.

Correlations				
		mktr	recover	loyalty
Mktr	Pearson Correlation	1	.378**	.415**
	Sig. (2-tailed)		.000	.000
	N	86	86	86
Recover	Pearson Correlation	.378**	1	.262*
	Sig. (2-tailed)	.000		.015
	N	86	86	86
Loyalty	Pearson Correlation	.415**	.262*	1
	Sig. (2-tailed)	.000	.015	
	N	86	86	86

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

*. Correlation is significant at the 0.05 level (2-tailed).

(Table 5.4: correlation matrix)

The overall model summary shows that overall r square of independent set of variables is 0.185 while the higher value of durbin – Watson at 1.715. this summary also include the value of constants. The standard error was scored at 0.58146. the overall impact of independent variables relationship marketing and service recovery is higher on customer loyalty.

Model Summary ^b						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.430 ^a	.185	.165		.58146	1.715
a. Predictors: (Constant), recover, mktr						
b. Dependent Variable: loyalty						

(Table 5.5: Model Summary)

5.5 Analysis of Variance

The overall F – value of all variables is 9.417. the score of this test showed that there is a less variance in the sample. The values and responses are less varies in all the respondent group.

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.368	2	3.184	9.417	.000 ^a
	Residual	28.062	83	.338		
	Total	34.430	85			
a. Predictors: (Constant), recover, mktr						
b. Dependent Variable: loyalty						

(Table 5.6: Analysis of Variance)

The findings indicate that Relationship marketing & service recovery has positive impact on customer loyalty

6. Conclusion

Relationship marketing has a significant bond with customer loyalty. it forms a good impression on the client , even in case of service issue, the customer remain patient and come in service recovery procedure because he is loyal with brand or company. The companies should ensure proper relationship marketing strategies with clients and if something wrong happens then immediately go for recovery so that client loyalty remain stagnant(Bhandari et al. 2007). Ifs any client complain then it will act as a stimulus for action to recover the situation positively. Andreessen (2000) suggested that Relationship Marketing has a positive effect on service recovery that ultimately effect the customer loyalty. Successfully recovered customer promote the company to others and it ultimately enhance the worth of firm. companies are always interested to get information from unsatisfied clients. Dissatisfied cliens often communicate company's representative regarding wrong service. Positive service recovery can boost image of company regarding quality of the service and the firm, enhance customer satisfaction, and build customer loyalty. However, the level of success may depend on the type of service speed of response. In the case where grievance is responded BRISKLY, customers always appraise this which shows complaints are being tackled as per clients demands and they will intimate others about the successful recovery. Some unsatisfied clients do not complain to staff rather complain to friends and others, and this reflects that the service recovery process is not successful and may lead to disloyalty. In such type of case company can do nothing because customer did not told company about their grievance and they went annoyed.

The effects of relationship marketing and service recovery on customer satisfaction and loyalty in organizations were investigated in this research. The importance of Relationship Marketing and service recovery is vital as it positively impacts customer loyalty. Company should formulate proper strategies to handle annoyed clients and resolve their grievance through service recovery steps. In case of failure in services than an immediate actions should be taken to avoid any future mishap (Johnston and Michel, 2008).

7. Limitations and Future Research

In this study focus was on relationship marketing, service recovery and customer loyalty due to vast nature of research there is many sights open for new research and enhancements especially regarding service gaps, bottlenecks should be investigated more thoroughly. (Ravesteyn and Batenburg, 2010; Reijers, 2006) that business and service recovery in particular is process-oriented, and does not assess whether the reported problem


that led to the actual complaint has actually been resolved. This aspect of the study opens a number of directions for future research with the goal of increasing the still limited understanding of relationship marketing and service recovery issues organizations. Service recovery evaluation and post-recovery relationship (Weun *et al.*, 2004) limitation of this research is the adoption of quantitative approach and did not consider qualitative aspects. Future studies may use multiple triangulation approach for thorough investigation of relationship marketing, service recovery and their impact on customer loyalty.

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Annexure 1 Survey Questionnaire

Name of Respondent _____				
Years of Experience	<i>a) 1-3 Years</i>	<i>b) 4-6 Years</i>	<i>c) 7-9 Years</i>	<i>d) more than 9 Years</i>
Monthly Income	<i>a) 10,000-25,000</i>		<i>b) 25,001-40,000</i>	
			<i>c) 40,001 and more</i>	
Qualification	<i>a) Intermediate</i>		<i>b) Bachelor's</i>	
			<i>c) Master</i>	
Name of company: _____			City: _____	

Statements given below are followed by numbers. Where number indicates different responses in given table.
 mark one of them according to your opinion and knowledge.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

RELATIONSHIP MARKETING

	1	2	3	4	5
1. Company X aims at understanding and satisfying consumer needs.					
2. Building long-term relationships with customers leads to reducing defection rates					
3. Building long-term relationships with customers leads to reducing costs					
4. Building long-term relationships with customer's leads to and increasing revenues.					
5. Considerable evidence indicates that recovering effectively from service failures					
6. Employees are always willing to handle returns					
7. Employees are always willing to handle exchanges.					
8. There is an element of personal interaction term relationships with customers					
9. Customers are willing to engage in relationship building activities.					
10. The Company X aims to attract customers.					
11. The Company X aims to interact with customers.					

SERVICE RECOVERY

12. Company X makes customers feel safe and wanted in handling their complaints.					
13. Employees Provide accurate information in service recovery.					
14. Employees are courteous in handling customer's queries.					
15. The Company shows sincere interest in solving customer/service problems.					
16. The employees give prompt service in the service recovery process.					

CUSTOMER LOYALTY

17. I feel committed to Company X in making purchases.					
18. I will make future purchase from Company X.					
19. Company X keeps their promises made to their customers.					