Relationship Marketing Vs. Internet Marketing; which one Contribute to Gain Higher Level of Consumer Loyalty

By Lim Wen Shien & Rashad Yazdanifard
HELP College of Arts and Technology, Malaysia

Abstract- Under intense and rapid change of marketplace, researchers have been studying the key factor for firms and organizations to survive in the market. Customer loyalty has been a key factor and a recently researched topic in maintaining the competitiveness of the organizations. This article is going to discuss about customer loyalty in relationship marketing and internet marketing. It also aims to discuss the better marketing strategy that can contribute in gaining higher level of customer loyalty. The methods of communication for both relationship marketing and internet marketing are also explained to identify which marketing strategy could achieve higher level of customer loyalty.

Keywords: relationship marketing; internet marketing; satisfaction; loyalty; communication.

GJMBR - E Classification: JEL Code: P46

Strictly as per the compliance and regulations of:

© 2014. Lim Wen Shien & Rashad Yazdanifard. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unported License http://creativecommons.org/licenses/by-nc/3.0/), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.
Relationship Marketing Vs. Internet Marketing; which one Contribute to Gain Higher Level of Consumer Loyalty

Lim Wen Shien & Rashad Yazdanifard

Abstract: Under intense and rapid change of marketplace, researchers have been studying the key factor for firms and organizations to survive in the market. Customer loyalty has been a key factor and a recently researched topic in maintaining the competitiveness of the organizations. This article is going to discuss about customer loyalty in relationship marketing and internet marketing. It also aims to discuss the better marketing strategy that can contribute in gaining higher level of customer loyalty. The methods of communication for both relationship marketing and internet marketing are also explained to identify which marketing strategy could achieve higher level of customer loyalty.

Keywords: relationship marketing; internet marketing; satisfaction; loyalty; communication.

I. Introduction

Recent body of literature review has been focusing on the different types of marketing orientation. Different marketing orientations have different functions and ways of operations run by the organizations. The business strategies used in the marketing orientations help to ensure the performances of the organizations. Thus, many business practitioners have been trying to apply new business strategy or adopt new business orientation in order to enhance the firms’ performances in the long run. Since the customers are an important contributor for business’s performances, the relationships between the firms and the customers become the emphasis of the business practitioners and the market itself (Sharifi & Esfidani, 2014).

A study found that, besides effective communications, effective relationships between the firms and the customers provide beneficial advantages to both the firms and the stakeholders (Tuli & Bharadwaj, 2009). Hence, this type of relationship between the firms and the customers become popular among the business practitioners and it has been advised to use in the perspective of marketing (Sharifi & Esfidani, 2014). This commonly used marketing orientation is known as relationship marketing. Kanagal (2009) also indicates that various types of strategies based on relationship have been developed in products, service markets, consumers and business-to-business sectors. The relationship marketing is considered as a long term approach in which its purpose is to build long-term relationships with the customers (Lancaster & Massingham, 2011). As the marketplace has becoming more competitive, Hunt, Arnett and Madhavaram (2006) have suggested that customer loyalty became an important aspect to ensure the sustainability of the firm. Furthermore, according to Singh and Sirdeshmukh (2000), customer loyalty also represents as “the marketplace currency of the twenty-first century”.

Another type of marketing orientation that has emerged since the advancement in technology is the internet marketing orientation. Regardless of any situations, people are often seen to carry their technology devices around with them. When they are alone or during their leisure time, people often use laptop or mobile phone in order for them to stay away from boredom. In addition, todays generations such as generation Y and X are more active in social networking sites and use online search engines to seek for information. According to Luo, Chen, Ching, and Liu (2011), online retail sales from the year 2007 to 2012 showed a slight increase in the US market from $175 billion to $335 billion. Their finding shows the competency of online retailing. There is a need to seek for key success factor in internet marketing in order to maintain the competency of the firm. Therefore, customer loyalty is essential because it will enhance the frequency and continuous visits from the customers and thus, increasing business revenues through online transactions (Luo et al., 2011).

II. Relationship Marketing Orientation

Relationship marketing was originally developed in the service and industrial marketing (Garbarino & Johnson, 1999). Relationship marketing is defined as “attracting, maintaining, and enhancing customer relationships” by Berry, a pioneer who introduced the definition of relationship marketing (Berry, 1983 as cited in Sharifi & Esfidani, 2014). It is a “customer-centric marketing” that put more emphasis on “understanding and satisfying the needs, wants, and resources of individual consumers” than the mass markets (Khan,
2014). The American Marketing Association (AMA) defines relationship marketing as “the kind of marketing that its goal is developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market” (Gilaninia, Almani, Pournaserani, & Mousavian, 2011).

Customers are the key factor during the planning process of the relationship marketing (Khan, 2014). Long-term relationships that result in emotional or social bonds such as loyalty, trust and commitment are the focus of this marketing orientation (Khan, 2014). Therefore, there is a need to retain customers by enhancing the effectiveness of communication between firms and customers, collecting customers’ data and improving the quality of customer services (Patsioura, Vlachopoulou, & Manthou, 2009). Many factors can contribute to the development of relationship marketing. These factors include the nature of competition, customers becoming more demanding and sophisticated, change of customer buying patterns, increase in fragmentation of the customer market, increase in the customers’ standards of quality, influence of technology, decreased reliability in traditional marketing, and inability to create sustainable advantages in competency of the firms (Khan, 2014). A study conducted by Stavros and Westberg in 2009 has suggested that relationship marketing has some important advantages by using customers as the main focus such as increasing customer retention, enhancing customer loyalty, decreasing marketing costs, and maximizing profits. Another study also reported consistent findings where successful and effective relationship marketing results in higher customer loyalty and reduction in cost (Gaurav, 2008).

### III. Satisfaction

In order to maintain and increase the customer loyalty, customer satisfaction plays a key role in relationship marketing and internet marketing. According to Alrubainee and Al-Nazer (2010), loyalty can be described as a process because customer satisfaction has an impact on perceived quality and this will result in loyalty and intention to a behavior. Therefore, satisfaction of customer is essential to investigate the influence of relationship marketing on customer loyalty. Customer satisfaction is defined as the feeling of pleasure or disappointment of the customers that resulted from the comparison of perceived performance of a particular product with the expectation of customer (Kotler, 2010). In addition, satisfaction can also be referred to the shopping experience of a given firm (Anderson & Srinivasan, 2003). In short, customer satisfaction indicates the level of good impressions of a customer toward the service providers (Pratminingsih et al., 2013). Therefore, customer’s perception about the goods and services provided should be clearly understood by the firms and service providers (Pratminingsih et al., 2013) with the aim to improve customer loyalty and bring profits to the business. In order to provide satisfaction, the firms or organizations should be able to deliver expectation of the customer and knowledge about their essential needs (Lindquist, 2006; Bland, 2004 as cited in Gee, Coates, & Nicholson, 2008).

### IV. Loyalty

Several recent studies conducted on relationship marketing have determined customer loyalty as effective elements of competitiveness, customer retention and also profitability in long-term (Kiyani, Niazi, Rizvi, & Khan, 2012; Nguyen & Liem, 2013). The purpose of any business is to produce new customers and maintain old customers (Maiyaki & Mokhtar, 2012). This goal is consistent with Grönroos (1995) who introduced the main objective of customer relationship marketing that emphasizes on “to get and keep customers”. Furthermore, relationship marketing is also defined as marketing activity that aims to increase customer loyalty by giving values to every involved party in the relational exchanges (Peng & Wang, 2006).

By adopting the relationship marketing, customers are viewed as important assets in any firms or organizations (Mohktar & Yusoff, 2010 as cited in Abubakar, Mokhtar, & Abdullahieef, 2013).

When customers’ satisfaction level is increased, their loyalty is also more likely to develop and improve. Findings have shown the positive direct relationships between customer satisfaction and customer loyalty. For examples, several research have found that satisfaction exerts positive influence on the customer loyalty (Deng, Lu, Kwok, & Zhang, 2010; Liu, Guo, & Lee, 2011; Chen, 2012). Flint, Blocker and Boutin (2011) also found similar finding in which reported customer satisfaction can produce customer loyalty. This is also consistent with Nam, Ekinci, and Whyatt’s study (2011) that aims to investigate the qualities that bring about customer satisfaction and brand loyalty. They found that customer satisfaction is essential in producing brand loyalty (Nam et al., 2011). Another two studies have also reported similar findings in which customer satisfaction affects customer loyalty positively (Deng et al., 2010; Liu et al., 2011).

On top of that, customer loyalty and firm performance and be improved through greater relational bonds by effective relationship marketing efforts (Sirdeshmukh, Singh, & Sabol, 2002). Some consistent findings indicated that loyal customer relationships have positive influences on the firms’ performances such as increased profitability (Sin, Tse, Yau, Chow, & Lee, 2005; Mishra & Li, 2008). Under the competitive environment, especially in the marketplace, firms or organizations should not maintain the strategies characterized by
bringing in new customers or developing new market (Alrubaiee & Al-Nazer, 2010). It was suggested that the most important factor to survive and stay competitive in the market is to maintain sustainable long-term relationships with the stakeholders and the customers (De madariaga & Valor, 2007). For instance, banking sector emphasizes more on relationship marketing because this sector is people-focused. Customer service is very important to maintain the reputation of a bank and its competitiveness in the market. A study that is done in the context of Malaysia bank found that the bank customers show their loyalty towards the bank that is “trustworthy, committed to service, reliable and efficient in communication between bank officers and customers and able to handle conflict well” (Ndubisi, 2007).

V. INTERNET MARKETING ORIENTATION

The advancement in technology has changed the way people communicate with each other. Face-to-face communication is not necessary anymore with the help of technology. Consequently, the way marketers conduct business has changed as well (Salehi, Mirzaei, Aghaei, & Abyari, 2012). Business started to use internet and other electronic media in marketing (Salehi et al., 2012). Internet marketing is referred as the conduct of marketing activities using the internet or web and information technologies (Krishnamurthy, 2006). Internet marketing is also a form of targeted marketing that helps various websites to increase the frequency of visits and attracts visitors to purchase products, good and services through internet (Salehi et al., 2012). From the customer’s perspective, there are many advantages that encourage them to go for online shopping. The convenience of online shopping is one of the major factors that affect the growing of this service. Customers can get internet globally and hence, they can purchase any goods and services at any places and any time (Pratminingsih, Lipuringtyas, & Rimenta, 2013). In addition, the goods can be delivered to the customer’s house (Alam & Yasin, 2010). The rapid development of internet marketing starts to raise concern among the network operators and the business practitioners on how to improve the customer loyalty in order to increase the online transactions and frequency of visits (Zhen & Jiang, 2012). The customer loyalty on the internet marketing is known as e-loyalty (Zhen & Jiang, 2012).

VI. E-SATISFACTION

As compared to customer satisfaction from relationship marketing, e-satisfaction in internet marketing is based on the customer internet experience. Findings reported that internet marketing provided higher customer satisfaction (Hernandez, Jimenez, & Martin, 2009; Poddar, Donthu, & Wei, 2009; Verhagen & Dolen, 2009; Yang, Wu, & Wang, 2008). Different variables are used to measure customer satisfaction, therefore, it depends on the contexts of the research or study in determining the method to measure customer satisfaction. For example, Omar (2009) reported that the variables that can be used to measure customer satisfaction are positive results of word-of-mouth, intention to repurchase and the behavior during purchase (as cited in Wong, 2014). E-satisfaction has been found to be a significant factor that affects e-loyalty, hence, it is the most used research factor with e-loyalty (Chen, Rodgers, & He, 2008; Taylor & Strutton, 2010). Valvi & West’s study (2013) has shown the positive relationship between e-satisfaction and e-loyalty.

a) Technology Acceptance Factors

Lin and Sun (2009) found that technology acceptance factors have positive relationship with e-satisfaction. Technology acceptance factors are the measure of willingness of customers to shop online. Therefore, website operators should consider the welfare of consumers and their conveniences during online in order to bring positive influence on their purchasing behavior. In order to enhance e-satisfaction, the website technologies should also be able to help the customer to save time and effort. Besides that, the accessibility of the website is essential as well. Customers should be able to understand the functions and technologies of the website and maximize the utilization of the websites. Consequently, this helps to improve the customers’ positive experiences of accessing the website. However, as customer’s satisfaction level is met, his or her expectation will increase and website operators have to increase their effort to meet customer’s higher demand and needs in order to satisfy the customers and maintain their e-loyalty.

b) Website Service Quality

On the other hand, the website quality also affects e-satisfaction of customers directly (Shih, 2004). Good website service quality can increase e-satisfaction. Many studies have found the positive relationships between web service quality and customer loyalty in relation to customer satisfaction (Goode & Harris, 2007; Caruana & Ewing, 2010). Thus, recognizing, identifying and demonstrating good understanding about their targeted customers are crucial for the website operators (Hung, Liang, & Chang, 2005). On top of that, in order to ensure the high website service quality, privacy concern has to be emphasized as well. The firms can adopt some policies such as information policies, guarantee policies and reputation policies (Spremann, 1988 as cited in Lin & Sun, 2009) with the intention to provide effective transactions (Lin & Sun, 2009) and to ensure the privacy of the customer is guaranteed. As a result, this will improve customer trust.
on the quality of the service provided by the website and thus, improving the e-satisfaction (Lin & Sun, 2009).

VII. E-Loyalty

Customer satisfaction is an antecedent of customer loyalty in relationship marketing. The e-satisfaction has positive influence on the e-loyalty as well. According to Anderson and Srinivasan (2003), e-loyalty is viewed as the favorable attitude of a customer toward electronic businesses that causes the customer to repeat his or her buying behavior. Hence, they stated that e-satisfaction affects e-loyalty (Anderson & Srinivasan, 2003). However, the relationship of e-satisfaction and e-loyalty can be moderated by consumer level factors such as convenience motivation and size of purchase and firms’ business level factors such as trust and perceived value (Anderson & Srinivasan, 2003). This is consistent with the study which reported e-satisfaction is a precursor to e-loyalty and it is an important prerequisite of e-loyalty (Valvi & West, 2013). However, Valvi and West (2013) also suggested that e-satisfaction can also act as a dependant variable. It is dependent on antecedents such as “psychological factors, perceived value, inertia, convenience motivation, and computer knowledge”. These factors have to be considered before determining the relationship of e-satisfaction and e-loyalty (Valvi & West, 2013).

Although e-satisfaction is found to be positively influence e-loyalty, some studies found that cultural differences may affect the satisfaction-loyalty link. Some customers may not be loyal to service provider easily. Research found that satisfaction-loyalty link under the online retailing setting is stronger in collectivism cultures (Jin, Park, & Kim, 2008). They concluded that the reputation of a firm will increase customer satisfaction and thus, result in customer loyalty and this effect is reported to be stronger in collectivism culture such as Korea. This is because the customers from collectivism cultures value firm’s reputation in creating satisfaction and loyalty. Therefore, the firm reputation is very essential because online customers form expectations based on their offline knowledge. In addition, customers rely on firm reputations and the customer loyalty can be increased through their satisfaction on the firm reputations. Hence, firm reputation is essential to establish e-loyalty.

VIII. Discussion

Customer loyalty is an important key factor that influences the sustainability of firms and organizations. Therefore, studies have shown that relationship marketing and internet marketing have various methods to improve and enhance the customer loyalty in their businesses. Relationship marketing focuses more on the information about the customers in order to have better understanding of their targeted customers. This helps the service providers to have sufficient information to achieve customer satisfaction and hence, increase customer loyalty. In addition, firms and organizations build emotional bonds within the customers by having good relationships with them. Most of the studies found that customer satisfaction have both direct and indirect positive influence on customer loyalty. On the other hand, internet marketing also emphasizes the importance of customer loyalty. However, as compared to quality of services and relationships with the customers that are highlighted in relationship marketing, internet marketing places emphasis on the accessibility of the website technologies and the quality of design of the website. When online customers are able to access the websites smoothly and become familiar with the functions in the websites, the frequency of their visits to the particular website is very likely to increase. Good website design quality has positive influence on e-loyalty as well.

As observed, relationship marketing and internet marketing do have their various ways of operation to increase the customer loyalty. However, what makes relationship marketing and internet marketing different is communication. This is something that should be emphasized in comparing which marketing strategy contributes to gain higher customer loyalty. It is an essential aspect in successful relationship (Morgan & Hunt, 1994). In relationship marketing, it is important to build and create relationship with customers in order to enhance loyalty within themselves towards the firms or organizations. For example, salesmen will communicate with the customers to achieve the aim of building close relationships with customers, understanding the information of the customers well, and knowing the expectations of the customers. This helps them to build rapport and able develop long-term relationship with the customers due to better and clear understanding about the customers. In addition, salesmen can achieve the needs, requirements and expectations of the customers through communication. During the process, it builds emotional bond in the customer. Consequently, when the customers’ expectations and requirement are met, they feel satisfied and thus, increasing the customer loyalty. However, internet marketing may not be able to have effective communication with the online customers. This is due to the lack of direct contact and communication with the website operators. Unlike internet marketing, relationship marketing enables customers to have direct contact and communication with the salesmen (Valvi & West, 2013). Hence, this makes the online customers to have difficulty to trust the online environment (Valvi & West, 2013). Some online businesses may be false and customers could be cheated in the abstract online world. This shows that lack of direct communication such as face-to-face communication in internet marketing can lead to the
lower level of e-loyalty than customer loyalty which is built through relationship marketing. Another issue that concerns the online customers is privacy. Internet cannot guarantee the safety of personal information of customers.

IX. Conclusion

In conclusion, relationship marketing and internet marketing enhance customer loyalty differently. However, relationship marketing may contribute to gain higher level of customer loyalty because the firms or organizations will be able to target the group of customer and put in effort to build long-term relationship. Another issue that arises is that customer expectation and e-satisfaction on websites. Different factors contribute to influence e-satisfaction and e-loyalty. Due to lack of indirect communication, e-loyalty can be easily influenced because customers can always switch to another website to purchase services or goods. More research on e-loyalty have to be done in the future to improve the quality of services provided online.

References Références Referencias


This page is intentionally left blank