

## **The Effect of Relationship on Customer Loyalty (Case Study: Dairy Company Kale)**

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**Abstract:** This study aimed to investigate the effect of relationship marketing on customer loyalty in kaleh dairy products company using a survey method. The population of the research enterprise kaleh customers in Mazandaran province (one of the provinces of Iran) that according to the formula of unlimited kokaran only 270 members were selected and questionnaires were distributed among them. The SPSS software was used for data analysis. The results show that there is a significant positive relationship between trust, obligation, communication, conflict management and competence of Kaleh by loyalty of customers. Furthermore, the correlation coefficients of variables are denoted as 0.328, 0.480, 0.380, 0.442 and 0.534, respectively which indicates a strong positive relationship between independent variables and the dependent variable.

**Key words:** Relationship based marketing, loyalty, customers, Kaleh company, conflict management

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### **INTRODUCTION**

Today, companies with superior performance in various industries are moving towards retaining customers and attracting their loyalty because in the era of market maturity and intense competition pressure and increasing the cost of attracting new customers, companies increasingly realize that customers are their most precious asset. Customer retention and loyalty attraction issue is a crucial issue to continue business. The banking industry is no exception among them. So banks also must follow various strategies to improve their customer's loyalty (Samiee and Walters, 2003).

There are growing variations and modifications in competitive environment. Particularly, variations in products and services, especially in companies producing dairy products, have a strong influence on the competitive structure in a way that managers of these companies should seek to understand the demands and needs of the customer more than ever to prevent the customer's propensity for tending to competitors. The main goal of this issue is associated to satisfying customers demand and holding long time commercial relationship between customers and companies. Applying this approach, we can identify and improve the value-generating activities that are important from the perspective of customers and attract more customers and build loyal to the organization and the benefits from customer loyalty and positive word of mouth advertising effects (Gronroos, 2000).

**Statement of the problem:** Companies and organizations have found that in the employment market and along with competition of firms and most importantly among the customers and buyers, achieving business reputation and credibility is extremely difficult while losing them are very easy. In this way such organizations will be successful that provide furtherly satisfaction of their customers. There are several studies that evaluating relationship between customer satisfaction and word of mouth communication, loyalty repeat purchases and increase profit organizations. Because organizations depend on their customers and they should understand their needs make efforts to meet their customers' demands and surpass their expectations. Moving in this direction will be more beneficial so that can provide satisfaction in the customer and may convert a transient buyers (who uses only one type of product or service)-to become loyal and permanent customers.

The competitive environment is increasingly coupled with variations. The variations in the products and services, especially in companies producing dairy products, enclose importance, complexity and a high speed features. These changes will have a strong influence on their competitive structure so that to satisfy customers and to maintain or increase market share, tending to new strategies and solutions is inevitable. The broadest definition of the type of marketing strategy is relationship marketing approach that focused on the relationship between an industry, customers and shareholders. Relationship marketing is one of the symbols of the growing competition in order to gaining

more market shares. This approach seeks to build long-term relationships and interaction with customers relying on information technology and by applying appropriate and effective connection with is intended to retain more customers and losing fewer customers. Relationship marketing includes both defensive and offensive strategies. Although, aggressive marketing will attract new customers which involve attracting potential customers or promote and attract customers belonging to competitors in contrast, defensive marketing will defend market share and protect valuable customer pays. On the other hand, defensive strategies are intended to retain existing customers and arrange additional business with them.

Relationship marketing is a new approach in the dairy products industry so that in this are the main objective is to create long-term close relations in order to fully understanding the customers and providing their satisfaction; hence, many companies are considered implementation of this approach and its foundation for generations of its loyal customers. Therefore, the researchers aimed to investigate the effect of relationship marketing on customer loyalty at kaleh dairy products has considered five independent variables and one dependent variable in order to confirm or refute the hypotheses used.

### **Theoretical foundations**

**Relationship marketing:** The main basis of the world view of relationship marketing is associated with an exclusive concept firstly proposed by Leonard Beri in 1983 as a strategy to attract, retain and improve customer relationships and expanded by other experts. Marketing perspective relationship is owned to efforts by Christopher, Payne and Ballantine which they had significant efforts in expanding the realm of theoretical principles. Haker, declared seven basic concept of relationship marketing by studying the existence definitions as follows.

Create relationship, development, preservation, interaction, long-term, the essential content and outcome. Based on this concepts, the definition of Grouwnrose is the most comprehensive definitions that claims relationship marketing is the process of identifying, creating, maintaining, strengthening and if necessary terminating relationships with customers and other beneficiaries in a mutual benefit in which all groups targets will be provided.

**Customer relationship and its importance:** Building a relationship with the customer unlike tactical selling is essentially a strategic activity and could become a key partnership for the organization. It is important to build a relationship with the customer for the organization because retaining existing customers is easier and cheaper

than finding new customers. Developing customer relationships is a significant competitive advantage that marketing managers have realized. More companies are implementing relationship marketing programs to increase customer loyalty into products and services. Studies have shown that the value or benefits that customers gain encompass important role in determining loyalty and long-term relationships with the company. Businesses can create customer relationships by establishing one or more dependency such as financial, social or the structure dependence. In fact, the customer will acquires better understanding of the economic value of saving, time and energy of this relationship and it less likely that the next change in the purchase transaction.

Kalwani and Narayandas (1995) and also Ellram in discussing the relationship between buyer and supplier are convinced that companies that attempt to build a relationship with its suppliers will achieve advantages of lower prices or lower costs for items requested influencing the quality of products produced by the supplier, ensure the availability of components required and the impact on the schedule of delivery of supplier goods.

**Development of relationship marketing:** It is noteworthy that from 1980-1990 theory of relationship marketing was presented and since 1990 this concept is expanded. Several factors affect the growth and development of relationship marketing. The first is technology and telecommunications. Such technology reduces the need for intermediaries and allows producers to use databases and direct marketing and have special close relationship with buyers. The second factor is service which has had an impact in reducing the need for intermediary's. Despite the intangible nature of services and the need for customer reliance, the close relationship between the service supplier and the customer is important. The third factor is a comprehensive quality administrative. Its implementation requires a close working relationship with our customers.

**The necessity of relationship marketing:** Following the rapid increase in the number of producers and competition in the production of goods and services, trading marketing style changed and marketing of products was established based on long-term relationships with customers. Therefore, such effective factors required for the implementation of relationship marketing are divided in three main categories.

**Change competition:** Changing industry and competitive conditions such as entry of new competitors to the globalization of trade, reveals the necessity of relationship marketing.

**Change customer:** Changing customer in the following cases will demonstrated relationship marketing: enhancing the knowledge and experience of our customers, changing tastes and interests of customers, change buy.

**Change the environment:** This is including changes in laws and regulations, changes in technology and in economic conditions.

**The purpose of relationship marketing:** The main target of relationship marketing is satisfying demands of our customer's along with improved performance and effectiveness of using the marketing mix and renew relationships with customers who are loyal to the company that means the efficiency and effectiveness of the product, price, distribution and promotion (marketing mix) in which will achieve company to its goals closer and closer in relationship marketing. Relations features in relationship marketing include: empathy, trust, commitment, a long-term view of partnership in relations and mutual benefits.

**Empathy:** The ability to understand the feelings of others and observing situations from the perspective of others.

**Trust:** It is defined as the perception of reputation, credit rating and the opposite side support. This concept is associated to this fact that other side will take action to its talks and commitments. The trust and confidence will establish and maintain a long-term relationship.

**Commitment:** Is defined as a desire to develop long lasting relationships, self-interest to maintain relationships and reliance to the stability of relationships. commitment reflects positive values of relations and leads to greater relationship (in terms of social norms) and relations benefits will enhanced.

**A long-term viewpoint and cooperative relations of mutual benefits:** Long-term relationships may create interactions between people in distribution channels. The benefits of long-term relations for vendors are gaining interest from customer perspective and ideas and experiences and improve the planning capacity.

Benefits for customers will enclose reducing concerns and the risk of long-term relationships with suppliers, solving the problems of supplier incompatibility with specific requirements of the customer. In addition, the opportunistic behavior of communications and information exchange through significant effect on the confidence will impacts on participation rate. The trust factor has a direct and significant impact on the commitment to relationships (Shammout, 2007).

### **Relationship marketing variables**

**Trust:** In most studies, the reliance has always been a crucial determinative element in long-term relationship between buyer-seller. Trust issue is the most important debate that taking into account in the business. Trust is an essential and an integral part of the social relations in which with the increasing importance of relationship marketing and customer relationship management the importance of trust issue will be increased. Relationship marketing means: generate, develop and maintain profitable customer interactions, Marketing success depends on the trust relationship because it plays an important role in the development of trade relations. In fact, most value and importance of trust in marketing is depended on creating and managing bilateral relationships. In this investigation, e-Services with high security, engage in charity and appropriate behavior reflects the confidence of their employees.

The tendency to establish long-term relationships will be derived based on trust rate those two sides allocated to each other. In fact mandatory element required for the tendency to hold continuity of relationships is trust. As previously noted the emphasis in particular trade and investment ties to presence situations but trust would focus on the future. In the shadow of reliance, the parties will be believed which even in the absence of foreseeable future their share from benefits will keep and maintain fairly (Habibi, 1385).

**Commitment:** Commitment in a relationship is a basic prerequisite for marketing communications and is also seen as a crucial indicator of relationships quality of commitment in relationship is defined as tendency of everyone to tolerate the partners in order to maintain a valuable relationship and is not formed unless one party believes that relationship is important and ensures maximum effort to maintain or increase relationships. In terms of the relationship between commitment and loyalty, Dick and Yasuo pointed out that the potential consequences of the commitment may include word of mouth communication (one of the most important aspects of attitudinal loyalty). Commitment is a critical indicator of a long-term orientation in relationship Leading to social norms-larger relationship and smaller and less opportunistic tendencies and finally yield to increasing interest of relationship.

**Communication:** The key point of business growth relies on a successful relationship with the customer. This involves identifying and tracking demands, behaviors and customer life cycles and also requires the use of this information in order to create value for the customer. The most important trends which will creates value in contact

with the customer are speed of service delivery, self-service, integration, ease of use and customer satisfaction are global issues which usually begin slowly and lasts about five to ten years but with the increasing demands of organizations and consumers are released quickly and dispersed. In this study the following factors reveals the communication: bank introduced through advertisement tools, introducing company products and services through communal medium, introducing new products and services and attend in national and International exhibitions (Habibi, 1385).

**Management conflict:** Conflict is inevitable aspects of modern life. Conflict management training to improve, adapt and benefit from change and variations is a vital investment for individuals, families and organizations and enables us to be informed with new developments and encourage us to find appropriate solutions to deal with the threats and utilizing the opportunities. Walz on comprehensive definition declared that conflict is a process that one party (individual or group) comprehend his/her interests is confront with opposition or negative reactions of other side. When the conflict is increased in a relationship, it may induce reduction of mutual trust in each other and reduce the tendency to establish and maintain long-term relationship. Variables indicate conflict management includes: customer surveys, phone calls to clients in specific cases, flexibility in the rules and categorizing customers (Abbasi, 1381).

**Merit:** Human resources are the most valuable resource of organizations that by correct utilization of these and other components of the organization organizational objectives can be achieved. Recent research on human resource issues have come to the conclusion that what is hidden in the depth of attraction process and keep and nurture human resources is the selection based on merit (the same).

**Literature review:** Shojaee, in a study entitled (the impact of relationship marketing in customer satisfaction in the public and private banks in Ardabil city) is addressed analysis of data acquis from the questionnaires using parametric statistical analysis and F-tests and with the help of spss software. The results provides that the hypothesis declared as between each of the dimensions of reliability/quality of service/staff roles and management complaints with the consent of banks customers e are significant differences according to the type of the bank were rejected. Another finding of this study was that all

aspects of relationship marketing in the absence of moderator variables will affect the type of bank providing customer satisfaction.

Hayeripor is investigated the effects of different levels of relationship marketing (create, maintain, develop relations) in customer satisfaction of nooshin sweet muffins. The research hypothesis is as follows: there is a significant difference between different levels of relationship quality and customer satisfaction. Causal research method-comparative and statistical test, Analysis of sideway Variance (ANOVA) were used to test the hypotheses. The results indicate there is a significant difference between different levels of relationship quality and customer satisfaction.

Foroozandeh in 1388 claimed that Fidelity is converted to one of the most important variables in marketing in recent decades. This variable is one of the most important structures outlined in the customer relationship management (crm). This study shows that loyalty to a great extent is described by customer satisfaction, responding to customer complaints and communications. Moreover, the direct and indirect relationships between this variable and representations in ECSI model and expanded model is evaluated and tested.

Safai made efforts to identify and investigate the variables and key factors affecting customer loyalty in his study (1389). In fact, the purpose of the investigation was evaluation of factors influencing customer loyalty in the field of services. Furthermore, variable service quality, customer value, customer satisfaction and trust were selected for the formation of hypotheses. Data were collected through questionnaires of customer belonging to service firm of Mazandaran province and also student t-test and Pearson correlation coefficient were used to confirm assumptions and meaningful and positive relationship between service qualities, customer value, customer satisfaction with the service provided was observed.

A study entitled (The Effect of Relationship Marketing Strategy on Customer Loyalty) was conducted by Endveisi in the Malaysian banks in 2007. The effects of the four key factors of relationship marketing such as trust, commitment, relationship, handle customer complaints were evaluated on customer loyalty. According to the results, the researchers suggested that special attention must be given to the four key elements of relationship marketing. Before these investigations, a research was addressed in 2005 that analyzed relationship marketing and customer satisfaction. They believed that today's.

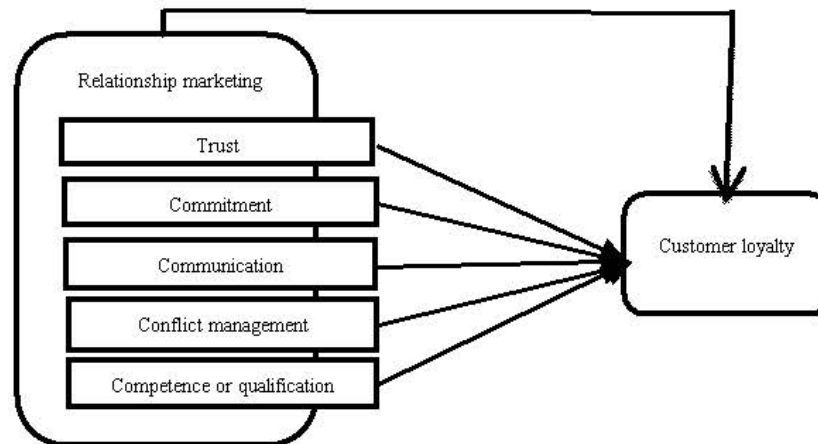


Fig. 1: The conceptual model. Relationship marketing aspects suggested by Ndubisi

new concept of communication is as dialogue and interaction between the company and its customers that may occurs before, during and after purchasing.

Hallowell was developed a research entitled triangular relationship between faithfulness and profitability and satisfaction to evaluate the relationship between customer satisfaction, loyalty and profitability in the banks. The result of this research revealed the sufficient relationship between customer satisfaction and loyalty as well as a significant positive relationship between customer loyalty.

A study handled by Morgan and Hunt (1994) as communication theory-trust in relationship marketing. In this study, they believed that the formation of trust in the relationship involves a level of confidence in the integrity of the other party promises by each of the parties. They also believed that necessity for the formation of relational exchanges is based emphasis on trust as a variable of relationship marketing. In a study conducted by Sweeney and Web, they suggested benefits of a relationship will be observable when the added value achieved beyond the initial product which leads to perceived consequences for the recipient. In fact, the relationship benefits are denoted as an rational incentive for loyalty.

#### Research hypotheses:

- There is a significant positive relationship between kaleh firm reliance and loyal customers
- There is a significant positive relationship between kaleh firm commitment and customer loyalty to provide customer satisfaction
- There is a significant positive relationship between the qualities of communication provided by kaleh firm with customer loyalty

- There is a significant positive relationship between capabilities in conflict management provided by kaleh firms with customer loyalty
- There is a significant positive relationship between competence and qualification provided by kaleh firms in supplying products and services with customer loyalty

**The conceptual model:** According to records of internal and external studies, research model is based on relationship marketing aspects suggested by Ndubisi (2007) as shown in Fig. 1. This model includes five independent variables: Trust, commitment, communication, conflict management, Competence or qualification and dependent variable related to loyalty.

#### MATERIALS AND METHODS

The method means that specify what investigative methods is appropriate to achieve subject, due to the purpose of research and administrative facilities (Ghazizadeh and Beigynia, 1389). According to the study, due to this fact that this research investigates relationship between the components of transformational leadership and social responsibility goes to the heart of the Intellectual Development of Children and Young Mazandaran province we can say that the goal of this research is applicable.

Since, gathering information from all the constituent members of a society is time consuming and is not cost-effective, the author is predominantly selected a community as sample of the main population (total). Therefore, in this study due to the large number of population the Kokaran formula was used and 270

questionnaires were distributed among customers. After a while that information was collected through a questionnaire, they were coded and entered into the computer. The methods of descriptive statistics (frequency table, mean, variance, percentages, graphs, etc) and the respondents' demographic (age, gender, education, etc) and inferential statistics (correlation, multiple regression, KHi 2 test to evaluate the hypothesis and the association between relationship marketing and customer loyalty of organization) is addressed using spss statistical software for data analysis.

**RESULTS AND DISCUSSION**

**Statistical analysis of research**

**The reliability or credibility test of questionnaire used:**

The designed questionnaire was distributed between individuals after its validity was confirmed and then after completing their responses, Cronbach's alpha test was used to verify the reliability of the questionnaire (Table 1).

**Analysis of research hypotheses:**

- First hypothesis: reliance making
  - The null hypothesis: there is no significant positive relationship between the reliance provided by kaleh firm with customer loyalty
  - The opposite hypothesis: there is a positive and significant relationship between the reliance provided by kaleh firm with customer loyalty

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

- Based on the significant level calculated is less than 0.05, we conclude that the null hypothesis is rejected and author assumption is accepted. In other words: there is a significant positive correlation between the reliance provided by kaleh firm with customer loyalty (Table 2)
  - The second hypothesis: commitment
  - The null hypothesis: there is no significant positive relationship between the commitments provided by kaleh firm with customer loyalty
  - The opposite hypothesis: there is a positive and significant relationship between the commitments provided by kaleh firm with customer loyalty

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

Table 1: Cronbach's alpha test

Alpha values	Variables
Trust	0.714
Commitment	0.689
Communication	0.746
Conflict management	0.821
Competence or qualification	0.734
Total dependence variable	0.879
Loyalty	0.830

Table 2: First hypothesis test of research

Test result	Meaningful level	Correlation coefficient	Dependence variable	Independence variable
Confirm	0/000	0/328	Loyalty	Commitment

Table 3: Second hypothesis test of research

Test result	Meaningful level	Correlation coefficient	Dependence variable	Independence variable
Confirm	0/000	0/480	loyalty	Commitment

- Based on the significant level calculated is less than 0.05, we conclude that the null hypothesis is rejected and researcher assumption is accepted. In other words: there is a significant positive correlation between the Commitment provided by kaleh firm with customer loyalty (Table 3)

- The third hypothesis: communications
- The null hypothesis: there is no significant positive relationship between the communications provided by kaleh firm with customer loyalty
- The opposite hypothesis: there is a positive and significant relationship between the communications provided by kaleh firm with customer loyalty

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

- Based on the significant level calculated is less than 0.05, we conclude that the null hypothesis is rejected and author assumption is accepted. In other words: there is a significant positive correlation between the communications provided by kaleh firm with customer loyalty (Table 4)
  - The fourth hypothesis: conflict management
  - The null hypothesis: there is no significant positive relationship between the conflict management provided by kaleh firm with customer loyalty
  - The opposite hypothesis: there is a positive and significant relationship between the conflict management provided by kaleh firm with customer loyalty

Table 4: Third hypothesis test of research

Test result	Meaningful level	Correlation coefficient	Dependence variable	Independence variable
Confirm	0/000	0/380	Loyalty	Commitment

Table 5: Fourth hypothesis test of research

Test result	Meaningful level	Correlation coefficient	Dependence variable	Independence variable
Confirm	0/000	0/442	Loyalty	Commitment

Table 6: Fifth hypothesis test of research

Test result	Meaningful level	Correlation coefficient	Dependence variable	Independence variable
Confirm	0/000	0/534	Loyalty	Commitment

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

Based on the significant level calculated is <0.05, we conclude that the null hypothesis is rejected and author assumption is accepted. In other words: there is a significant positive correlation between the conflict management provided by kaleh firm with customer loyalty (Table 5):

- Fifth hypothesis: competence
- The null hypothesis: there is no significant positive relationship between the competences provided by kaleh firm with customer loyalty
- The opposite hypothesis: there is a positive and significant relationship between the conflict competences by kaleh firm with customer loyalty

$$\begin{cases} H_0 : \rho = 0 \\ H_1 : \rho \neq 0 \end{cases}$$

Based on the significant level calculated is <0.05, we conclude that the null hypothesis is rejected and author assumption is accepted. In other words: there is a significant positive correlation between the competences provided by kaleh firm with customer loyalty (Table 6).

**CONCLUSION**

Indeed, Kaleh is the most advanced and respected brands in dairy products company in Iran and in the Middle East of Asia which established their marketing based on relationship marketing and have applied many efforts to get closer to the customers and meeting their

demand with best quality. According to analysis carried out as well as the significant level of research components that in all the variables was <0.05, researchers conclude the zero (null) hypothesis is rejected in all the variables and author hypotheses is accepted. In other words: there is a significant positive correlation between the trust, commitment, communication, conflict management and competence provided by firms with customer loyalty. Moreover, the correlation coefficient variables are determined as 0.328, 0.480, 0.380, 0.442 and 0.534, respectively which indicate a strong positive relationship between independent variables and the dependent variable.

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