

**CUSTOMER RELATIONSHIP MARKETING AND CUSTOMER RETENTION IN THE
FOOD AND BEVERAGES INDUSTRY IN SOUTHWESTERN NIGERIA**

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This study ascertained the extent of adoption of customer relationship marketing strategy in the food and beverages industry; investigated the challenges faced by the food and beverages industry in adopting customer relationship marketing practices; examined how customer relationship marketing drivers enhance customer retention in the food and beverages industry and investigated the influence of customer relationship marketing on customer retention. These were with the view to providing information on how customer relationship marketing enhances customer retention.

Primary data was employed for this study. The study population was 18,071 which were the staff of eight purposively selected companies in the food and beverages industry in Southwestern Nigeria having their headquarters in Lagos, Ogun and Osun States. The three states were selected because they either have food or beverages companies' headquarters located in them. The sample size was derived using Taro Yamane formula, while proportionate stratification method was employed in obtaining the sample from the selected companies. The middle and lower class managers were purposively selected as the respondents for this study because they are set of staff who have close relationship with the customers. Questionnaire was used to gather pertinent information from the respondents. The data collected were analysed using frequency distribution, percentage, mean, graphs, ranking factor analysis, ordered probit and logit.

The results showed that 78.01% respondents expressed their view that relationship marketing was practiced by the food and beverages industry and that the level of adoption of relationship marketing by the food and beverages industry was high (58.06%). Furthermore, the results revealed that the challenges faced by the food and beverages industry in adopting CRM were difficulty in establishing direct contact with customers, misunderstanding of customers'

needs, creation of customer database, employees not being customer-centric, inadequate resources, lack of technological support and inadequate training among the staff. However, lack of technological support was ranked as the most challenge faced by the industry while inadequate training among the staff being the least. More so, using ordered probit regression, the results revealed that trust ($t = 2.37$, $\text{coef.} = 0.771$ and $p < 0.05$) and customer satisfaction ($t = 2.67$, $\text{coef.} = 0.852$ and $p < 0.05$) were identified as the major relationship marketing drivers influencing customer retention. However, the pairwise correlation matrix revealed that there is a positive relationship between trust, commitment, customer satisfaction, communication and customer retention. Hence, indicating that these drivers influence customer retention. The results further revealed that firms that adopt customer relationship marketing were 1.4 times more likely to improve significantly ($t = 0.99$, $\beta = 1.412$ and $p < 0.01$) their ability to retain customers than those that adopt only transactional marketing; however, firms that adopted the two (i.e. both relational and transactional) were likely to be two times ($t = 0.99$, $\beta = 2.460$ and $p < 0.01$) better in their ability to retain customers.

The study concluded that customer relationship marketing significantly influenced customers' retention in the food and beverage industry.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The business environment is not static; things are changing every time as we are in a global village. The need and means of maintaining closer ties with customers are heralded by the constant growth of competition, dynamism and complex nature in doing business. Many companies spent a tremendous amount of money on programmes targeted at acquiring customers with little attention to retaining. Companies that could not actively keep their customers are losing them to competitors.

Gronross (1994); Roberts, Varke and Brodie (2003), Winklhofer, Palmer and Brodie (2007) reported that for many years, the objectives of marketing had been on acquiring customers instead of retaining them. Andreason (1995) argued that since minor variations in the rate of retention significantly influence the future revenue, hence customer retention is critical. Ro-King (2005) stated that customer retention is germane to most companies; this is because the cost of maintaining and retaining current customers is lower than the cost of acquiring new ones. This is further stressed by Kotler (2006), who insisted that the cost of obtaining new customers is five times greater than the cost a company spent in satisfying and retaining existing ones. He further stressed that the customers' profit rate increases over a life period of retained customers.

The world of business today can only accommodate business owners that know what it takes to attract, acquire and retain customers. Drucker (1975) asserted that the sole aim of a business is 'to create customer', more also, Arens (2006) opined that the overriding goal of a market-driven firm is to create happy and loyal customers. He further stressed that the backbone and the brain behind the sustainability of any business is loyal customers, therefore, companies

that really want to continue in the world of business know the significance of establishing and maintaining vibrant relationship with customers to guarantee long-term profitability and the sustainability of core revenue, hence, relationship marketing has been heralded as an effective strategy useable in attracting, maintaining and enhancing customer relationship. Jorgensen (2001) pointed out that the critical success of a business or any firm is dependent on relationship building. Izquierdo, Glian and Gutierrez (2005) stated that since relationship marketing strategies include all activities geared towards establishing, developing and maintaining of exchange relationships, hence these activities are made up of; Attraction – that is the ability to create relationship, Loyalty – which implies development of relationships and Interactions – which has to do with maintaining genuine relationships. Jobber (2010) opined that the core ingredient to successful organizational marketing is managing relationships. Relationship marketing is concerned with shifting of activities from attraction to activities concerned with retaining of current customers.

Relationship marketing involves building and enhancing long-term customer relationship that encompasses directing attention to various programmes that must be implemented over a period of time and in a consistent way. The view of relationship marketing emphasizes that in order for the organization to maximize relational value, such organization should coordinate their approach to relationships with other ‘markets’, which include the suppliers, the employees of the organization and also the customers (Christopher, 2002). Relationship marketing is said to be more than a ‘make-over’ for conventional marketing; it is in effect a new model on how the organization as a whole competes in the marketplace (Christopher, Payne & Ballantyne, 2002). Relationship marketing does not stop at the customer service point or at a relationship manager, but rather, it involves every level and point in an organization. Berry (1983) concluded that

relationship marketing is attracting maintaining and enhancing customer relationship, strengthening the relationship, converting unresponsive customers into loyal ones and serving customers as clients.

Bergeron, Roy and Fallu (2008) asserted that effective relationship marketing implementation by company results in marketing cost reduction, customer satisfaction enhancement, gaining customer loyalty and increasing the retention rate of customer. Christopher, Payne and Ballantyne (1991) asserted that relationship marketing focuses on the dual concept; these are, obtaining customers and keeping customers. Gerpott, Rams and Schinder (2001) pointed out that the sustenance of the relationship of a business among the customers and the firm is dependent on the relationship between the two parties. Economic survival and progress of any service organization in the world of business today is dependent on building a long-term relationship with customers (Berry, 1995; Heskett, Jones, Loveman, Sasse, & Schlensinger, 1994). Hence, Lin and Wu (2011) asserted that an essential issue in researches on relationship marketing was the effects of relationships and quality on customer's retention.

Masoomah, Reza and Kanbizi (2015) asserted that due to the acceleration in the global economic integration process, organizations today have moved from the production and sales oriented marketing to customer-oriented marketing, they further stated that a critical factor to enhancing organization's competitive ability is through customer relationship. Firms and customers derive many benefits through the improvement and emphasis on the building of customer relationship, through customer relationship building, quality sources of marketing intelligence for better planning of marketing strategy are gained by firms (Al-Hersh, Aburoub & Saaty, 2014).

The goal of customer relationship marketing involves building a customer-oriented firm that will maximize value for customers and long-term organizational profitability through the attainment of benefits that are mutual and strong customer relationships (Chen & Popovich, 2003; Zablah, Bellenger & Johnson, 2004; Shah, Rust, Parasuraman, Staelin & Day, 2006). With a customer relationship marketing (CRM) approach, customers receive customized and