

APPLYING RELATIONSHIP MARKETING PRINCIPLES BASED ON CUSTOMER SATISFACTION RESEARCH IN A DIRECT MARKETING COMPANY IN ROMANIA

Ioan Fotea

Emanuel University of Oradea
Nufarului 87 St., Oradea, Romania
ioan.fotea@emanuel.ro

Silvia Fotea

Emanuel University of Oradea
Nufarului 87 St., Oradea, Romania
silvia.fotea@emanuel.ro

Emanuel Poli

Emanuel University of Oradea
Nufarului 87 St., Oradea, Romania
emanuel.poli@emanuel.ro

-Abstract-

The present paper focuses on presenting how customer satisfaction research can enable companies to build long-term relationships with their customers. Relationship marketing approach is of paramount importance to companies that want to thrive in this highly competitive environment. Scholars affirm that maintaining and building a relationship (Hollensen, 2010) with your already existing customers is a better focus than the one time deal approach. The paper proceeds in the following manner: first, the theoretical foundations of relationship marketing and customer satisfaction research are reviewed; second, there are analyzed the possibilities of implementing the principles in a direct marketing company; third, the research team presents a case study consisting of an empirical research with 392 respondents on measuring customer satisfaction of a Romanian direct marketing company with the aim of identifying the specific elements that help build satisfying and long-term relationships.

Keywords: *relationship, direct marketing, customer satisfaction research*

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1. INTRODUCTION

1.1. The Role of Relationship Marketing in Organizations

In today's competitive business environment, companies can no longer survive with a transactional attitude towards customers. They need to focus their marketing lenses to a more relational dimension, which is considered to be the most suitable approach for satisfying and maintaining customers (Hollensen, 2010). Unlike transactional marketing, the relational approach focuses on the customers and long-term relationship with them. In the relationship approach of marketing, the relationship with the customer is given the status of a "capital asset" within the company, which consequently means an allocation and prioritization of resources and investments directed towards this area (Hennig-Thurau and Hansen, 2000).

The main goal of relationship marketing is to build mutually satisfactory long-term relationships with key constituents in order to gain and maintain their business (Gummesson, 2008). But this approach influences not just the company-client relationship, but also company-employee, company-marketing partner and company-financial community relationships. This holistic dimension empowers the company through long-term relationships with all its key stakeholders.

The purpose of relationship marketing within a company is to identify and understand customers as much as possible and to build a unique company asset, which is a marketing network (Kotler and Keller, 2009).

Relationship marketing also involves (Pop, 2006):

- monitoring customer satisfaction
- taking action towards reduction of risk and uncertainty perceived by the client
- implementing actions aiming at customer loyalty and long-term relationships
- satisfaction of customers on both short and long-term.

1.2. The key principles of relationship marketing

The key principles of relationship marketing have been illustrated during its conceptual development mainly through a comparison with transactional marketing. Individualization of service, information about customer, investment in customer, interactivity with the customer, integration of customer, intention and selectivity have also been identified as relationship marketing key principles. (Diller, 2000).

Relationship marketing distinguishes itself through the emphasis on retention of profitable customers, which implies maximizing the lifetime value of a customer (Payne, 2005). Relationship marketing itself matures slowly towards a holistic approach.

2. THE ROLE OF MARKETING RESEARCH IN THE RELATIONSHIP ERA

2.1. Customer satisfaction research – foundation for a relationship approach

The increasing manifestation of relationship marketing is possible only through a good foundation for decision-making. In building this proper foundation the quality of information, which represents the input in the decision making process, is of paramount importance. Marketing research is the tool that fosters the building of long-term relationships with customers, based on measures of satisfaction, preferences, wants and needs. Marketing research offers relationship marketing the possibility to provide customized services and products by collecting information from company-customer interaction and building it into information databases that are afterwards mined for valuable insight into the consumer's real behavior.

Marketing research and more specifically customer satisfaction research is not merely a tool that measures the attitudes of customers but can be used by relationship marketers as a tool to manage the relationships with the customers (Gengler and Leszczyc, 1997) with win-win results.

In the new marketing paradigm, marketing research analyzes not only the behavioral aspects of customers, but has expanded its focus in order to grasp also the cognitive, affective, conative, situational and social norms that represent the attitudinal factors that determine customer intervention (Dick and Basu, 1994). This expansion in the focus of marketing research enables it to be a useful tool in process of building long-term relationships with the customer.

The greatest value that current marketing research brings is not in recording the behavior of customer - this function has been taken over by database technology which can very accurately record and store all data generated by every company-customer interaction - but rather the unveiling of customer attitudes which are the true generators of behavior.

2.2. Combining research and database information for high customer insight

In the new relationship environment coupled with the new technology available, marketing research works in two directions, which used together can bring

valuable benefit to the company. The two directions consist of discovering and comparing the same set of data from two different sources: behavioral and circumstantial data from marketing research and behavioral and circumstantial data from marketing research from existing databases. This approach provides extremely valuable customer insight that can positively support the CRM program (Cuthbertson and Messenger, 2004).

In the new relationship context of marketing, the relevant areas to be researched in order to enhance the development of relationship marketing are: supply chain management, interaction theory, database marketing and service marketing (Eiriz and Wilson, 2006). The same authors suggest that future research in the field of relationship marketing should focus on the rationale, processes and structures that form and are involved in the concept of relationship marketing.

3. DIRECT MARKETING AND CATALOG COMPANIES– KEY CHARACTERISTICS

3.1. Direct marketing

Direct marketing is a database-driven interactive process of directly communicating with target customers or prospects using any medium to obtain a measurable response or transaction via one or multiple channels (Spiller and Baier, 2010). The channels used by direct marketing are direct mail, catalogs, web sites, telemarketing, interactive TV, mobile devices and others. Direct marketing seeks a measurable response through the use of a direct-order marketing (Rapp and Collins, 1990). The benefits provided by direct marketing reflects both on customers and marketers. The customers benefit from the convenience, ease and speed of ordering that direct marketing offers while direct marketers use the opportunity of buying mailing lists, customize and personalize messages, build relationships, reach the most interested prospects that are made possible through the use of direct marketing (Kotler and Keller, 2009). The core emphasis of direct marketing industry falls on relational marketing, as opposed to transactional marketing approaches in traditional channels of distribution (Etgar, 1976).

The use of mass marketing and niches had determined a high level of confusion and rejection among consumers in the economic evolution of the society. The new approach brought by direct marketing brings an answer both to the confusion and uncertainty. Direct marketing solves the confusion by going directly to the customer and removes the uncertainty and rejection by gaining the trust of the consumer through creation of relationships, long-term business relationships (Thomas, Lewison and Hauser, 2008).

In today's business environment which is fostered by technological advancements direct marketing companies are offered the opportunity to implement a multichannel business model. Direct marketing in the case of mail-order companies takes place without the traditional intermediaries, through the use of telemarketing, mail catalogs but also web platforms that provide higher efficiencies due to inventory management, existing payment processing and also friendly end-user interfaces (Turban, King and Lang, 2009).

3.2. Direct marketing companies and telemarketing

Direct marketing companies are sales organizations that use various channels for undertaking direct activities in order to reach the customer directly and to avoid conventional channels of distribution (Vaduva et al, 2010a). Through the use of direct marketing, clients receive merchandise catalogs, specialty consumers catalogs or business catalogs, in print or electronical which allow them to make their buyings from home using the phone, mail or the Internet (Kotler and Keller, 2009). The new technological context allows companies to combine catalogs with web sites for a more effective way of selling their products.

Another way that have become a major direct-marketing tool used by companies to communicate, market and sell to customers is telemarketing. The purpose of telemarketing activities is to attract prospects, to sell to existing customers, to provide services and to answer inquiries through the use of telephone and call centers. Telemarketing, as all the other direct marketing channels, have challenged the traditional means of advertising as well as the traditional department stores producing a restructuring of the conventional way these functioned, through the use of a targeted approach to customers (Rust and Oliver, 1994).

Despite its reputation of a major tool in direct marketing, telemarketing has also proved to be sometimes too intrusive, characteristic that led to establishment of different national restrictions in terms of freedom of calling. Also, this tool has been successfully applied in sales organizations while in management has faced real difficulties (Marshall and Vredenburg, 1988).

In the relationship and direct context of today's business catalog companies that use telemarketing to approach, sell and maintain customers enjoy success only if they set as their goal to build strong long-term relationship with the customers (Vaduva et al, 2010b).

4. CASE STUDY: SATISFACTION RESEARCH AT DM COMPANY, ROMANIA

4.1. Overview of the company

The selected company for the applied research will be generic called by the name of DIRECT MARKETING COMPANY (further referred to as DM COMPANY), which is an organization based in Oradea, Romania, that sells various products through telemarketing, catalog and a web-store. DM COMPANY has its own call center for telemarketing and telesales.

4.2. Research methodology

The research objectives of the present paper were twofold. First, the research proposes to calculate a the values of customer satisfaction for the DM COMPANY and second, to test if these values differ for the clients that have made only one order or repeated orders during 2009. Thirdly, a satisfaction index is proposed to be calculated, once there will be future measurements of satisfaction.

The research has been done between the 8th and the 20th of February 2010 on existing customers of the DM COMPANY, which comprises a representative probabilistic systematic sample of the clients that in 2009 have ordered products. The confidence interval of 4.87% and confidence level of 95% resulted in a 392 clients that responded (a 43.56% response rate) via the telephone to the questions that sought to assess the customers' level of satisfaction and perceptions during the buying process. The first section of the questionnaire addressed the pre-purchase behavior followed by the interaction of employees and clients during the purchasing process (section 2). The third section assessed the satisfaction of clients on a post-purchase evaluation and was concluded with demographic data.

4.3. Satisfaction measurements

Considering the fact that we currently have only the data for the first year, we will proceed in calculating the satisfaction value. The values for satisfaction for both first time and repeat customers are depicted in Table 1.

Table-1: Levels of satisfaction

Indicator	Level
Overall satisfaction (based on the 352 customers that indicated their number of purchases, out of which 220 made only one purchase, the balance of 132 having made up to 11 purchases during 2009)	4.44
Satisfaction of first time clients	4.39
Satisfaction of repeated customers	4.49

Therefore we can observe that the overall satisfaction (on a scale of 1 to 5, where 5 is extremely satisfied) of repeat customers is higher (4.49) than that of the first time clients (4.39). This is a normal situation, considering the fact that most probably the first time customers that were not satisfied enough did not repeat any purchase from the DM COMPANY. This is consistent with our thesis that the relationship approach is beneficial to the company; it is not the intent of the present paper to calculate the financial benefits, but to indicate towards the satisfaction benefits of this approach.

A more detailed analysis of the satisfaction is to consider the all three stages of company-client encounter (Table 2).

Table-2: Levels of satisfaction – stage differences

Indicator	Level
Overall satisfaction	4.42
Satisfaction in pre-purchase stage	4.21
Satisfaction in purchase stage	4.69
Satisfaction in post-purchase stage	4.36

It is interesting to observe that the satisfaction raises in the purchase stage (4.69) and records a degradation in the post-purchase stage (4.36). This situation finds an explanation in the role of human interaction with the client (in the purchase stage) and the quality of the products the customers receive (in the post-purchase stage), knowing the fact that products that usually sell over the phone are not very high regarded overall.

4.4. The construction of the satisfaction indices

The index we propose to build is composed of the results from the three different sections of the questionnaire that focused on the pre-purchase, purchase and post-purchase satisfaction. Built in the index there will be some pure relational aspects. All elements have the same weight in the index.

Therefore, we have measured the satisfaction of current clients in the following areas that are depicted in Table 3.

Table-3: Elements of satisfaction and their relational characteristics

Element	Area	Scoring	Relational or not directly
Attractiveness of advertisement in the magazine	Pre-purchase	1-5	Not directly
Ease of follow the price and description of the products	Pre-purchase	1-5	Not directly
The assortment and variety of products offered	Pre-purchase	1-5	Not directly
Kindness and politeness of employees	Purchase	1-5	YES
Knowledge of the employees about the products	Purchase	1-5	Not directly
Ease and fastness of phone order	Purchase	1-5	YES
Evaluation of the purchasing experience as a whole	Purchase	1-5	YES
Evaluation of overall satisfaction brought by the product	Post-purchase	1-5	Not directly
Evaluation of price of products	Post-purchase	1-5	Not directly
Evaluation of delivery of the products	Post-purchase	1-5	YES
Evaluation of assistance in case of post-purchase questions	Post-purchase	1-5	YES
Evaluation of utility of the products	Post-purchase	1-5	Not directly
Evaluation of quality of the products	Post-purchase	1-5	Not directly
Evaluation of package of the products	Post-purchase	1-5	Not directly
Intention to repurchase	Post-purchase	1-5	YES
Intention to tell others	Post-purchase	1-5	YES

In order to prepare the satisfaction index, we need to realize that the sum values for the pre-purchase stage fall between 3 and 15, the purchase stage between 4 and 20 and post-purchase between 8 and 40, if no missing values are present. The ideal total sum value thus should fall in the 15 to 75 ranges. All elements are coded in the same direction, 1 being the lowest and 5 the highest appreciation. In order the value not to be influenced by the missing values (non-response), it will be calculated as a composite of the three sections averages for each respondent. Thus, the overall average results in the desired value. The range will be from 1 to 5, considering that the questionnaires that had more than 20% missing values were considered invalid and were rejected. The indices we propose to calculate are:

- *overall satisfaction index*, computed as the value for the current year divided by the overall value of satisfaction for the previous year
- *satisfaction index for new clients*, computed as the satisfaction value for new clients in the current year divided by the satisfaction value of the previous year

- *satisfaction index for repeated clients*, computed as the satisfaction value for repeated clients in the current year divided by the satisfaction value of the previous year.

Considering all this, it is necessary to repeat the research yearly in order to get the values that allow the calculations of the proposed indices. From year to year, the company should consider the suggestions that it receives from the clients and improve their system, train their employees, choose better quality products and probable more important than all to increase the quality of the relationship between the company and its clients. All this should reflect in an increase in the satisfaction index.

4.5. Conclusions, limitations and further research

It was not the intent of the paper to provide specific recommendations to the DM COMPANY. Therefore, it is our conclusion that through marketing research and measuring constructs, the DM Company can improve its relationship with its clients and can increase satisfaction and sales. One of the limitations of our paper is that the construct is not yet mature; more elements need to be considered. For future research, it is important that the measurements take place in the same period of the year, on a similar sample and with the same instrument.

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