



### Case Study

## THE EFFECTS OF RELATIONSHIP MARKETING ON CREATING CUSTOMER LOYALTY: A CASE STUDY OF 3PL SERVICE PROVIDERS IN IZMIR

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#### ABSTRACT

Increasing competition, changing customer expectations and technological advances have caused to alterations in business marketing practices. In the direction of these developments, businesses have adopted an understanding of relationship marketing that enables businesses to create loyalty and build long-term relationships with customers. Third party logistics service providers (3PL) try to understand their customers and create customer loyalty by adopting relationship marketing understanding. It is discovered the theory and the real life examples do not comply in the sense that 3PL's do not focus on retaining existing customers, analyze competitors and provide privileges to loyal customers.

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### 1 | INTRODUCTION

Increasing competition, changing customer expectations and technological advances have caused to alterations in business marketing practices. These changes have forced the customer orientation and forming long-term relationship between the business and their customers. In the direction of these developments, businesses have adopted an understanding of relationship marketing that enables businesses to create loyalty and build long-term relationships with customers. Third party logistics service providers (3PL) which possess three dyadic relations between buyer, seller and themselves, try to understand their customers and create customer loyalty by adopting relationship marketing understanding.

To our knowledge, the concepts of relationship marketing and loyalty are not discussed in detail in terms of B2B markets and especially 3PL service providers. Thus, the aim of this study is to examine relationship marketing and customer loyalty practices in terms of 3PL service providers.

### 2 | LITERATURE REVIEW

Relationship marketing understanding which focuses on customers and building long-term relationships with customers has begun to be adopted instead of traditional marketing approach which prioritizes earning profits and sales in recent years (Alabay, 2010).

The phrase "relationship marketing" appeared in the services marketing literature for the first time in 1983 paper by Berry and is defined relationship marketing as "attracting, maintaining and - in multi-service organizations - enhancing customer relationships" (Berry, 1995). Grönroos (1996) defined as "Relationship marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the partners involved are met. This is done by a mutual exchange and fulfillment of promises.

Relationship marketing provides long-term economic and social benefits mutually to customers and businesses that are the main parties of the relationship. These are;

The important benefits identified by Selvi (2007:48) that an organization will gain by adopting the concept

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of relationship marketing are easier customer satisfaction, ability to reach profitable customers, word-of-mouth advertising and gaining competitive advantage.

The benefits identified by Navarro et al. (2004) that customers can obtain from long-term relationships are an increase in confidence, the reduction of risk, economic advantages, the simplification of and an increase of efficiency in the decision process, social benefits and adaptability.

Loyalty is a primary goal of relationship marketing and sometimes even equated with the relationship marketing concept itself (Hennig-Thurau et al, 2002). Loyalty is regarded as an output of relationship marketing. This marketing understanding aims to make customers loyal by establishing long-term relationships with them and providing customer satisfaction. Oliver (1999) defined loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior."

Customer loyalty has become more substantial for businesses. The reason for this importance is that today's customers who desire loyalty are very difficult to acquire but it is very easy to forfeit (Bayuk and Küçük, 2007:286). Bansal and Gupta (2001) explain the importance of customer loyalty as "Building customer loyalty isn't a choice any longer with businesses: it's the only way of building sustainable competitive advantage. Building loyalty with key customers has become a core marketing objective shared by key players in all industries catering to business customers."

The marketing of industrial goods and services differ from the marketing of consumer goods because of the specific characteristics of B2B markets. This distinction also applies to relationship marketing. Relationship marketing in the marketing of industrial products and services is defined as "Relationship marketing is the long-term buyer-seller relationship form in order to create structural and social benefits between businesses" (Balta, 2006:13). In terms of B2B markets, the objectives of long-term relationship between buyers and sellers are as follows.

- To follow the developments in the sector in which they operate.
- To learn new information from each other about new markets, goods / services, technological developments and organizational processes.
- To reduce transaction costs and increase their efficiency in the distribution channel of buyer and seller.

- To check variables (presentation, demand, price, etc.) that can be controlled in the market, to estimate the possible changes in these variables and to minimize the uncertainties in the market.
- To increase the prestige of both buyer and seller by creating an image of an outstanding seller / buyer in the current market (Şahin, 2000).

In addition, the close and continuous relationship between buyer and seller creates an indirect pressure on existing and potential competitors and ensures that potential competitors are out of this market (Şahin, 2000).

The literature is not extensive on the concepts and applications of customer loyalty and relationship marketing in terms of 3PL service providers and B2B markets. The study presents, contrary to other studies in the literature that focus on these two concepts in consumer markets, 3PL service providers' approaches to relationship marketing and loyalty concepts.

### 3 | METHODOLOGY

For the purpose of this research, the in-depth interview method which is a qualitative method has been adopted instead of quantitative methods such as questionnaire. In-depth interviews were conducted with seven companies operating as third-party logistics service providers in Izmir by examining the increasingly important relationship marketing concept in marketing literature and practice. Data were obtained from three 3PL service providers firms interviewed face-to-face and four 3PL firm responded via e-mail. For the data analysis, all interview answers were carefully analyzed and systematically coded to explore the perceptions of companies regarding relationship marketing and loyalty. In this study, in-depth interviews were conducted with four companies operating as third-party logistics service providers in Izmir by examining the increasingly important relationship marketing concept in marketing literature and practice. Interviews were conducted with the sales managers of the four determined firms for half an hour.

Interview data were analyzed within the context of nine codes. These codes may be sorted as the aim of relationship marketing approach, customer orientation, acquiring loyal customers, offering privileges to loyal customers, customer data bank, using communication channels, examination of competitors and relationship marketing strategies.

### 4 | FINDINGS and DISCUSSION

In the literature, concepts of relationship marketing and loyalty are not discussed in terms of B2B markets and 3PL service providers. This study demonstrates the importance of these concepts for 3PL Service

providers and also indicates that relationship marketing approach is adopted by businesses to

create customer loyalty in B2B markets. The table of research findings is listed below.

FINDINGS	3PLs							
	A	B	C	D	E	F	G	
Aim of Relationship Marketing Approach	✓	✓	✓	✓	✓	✓	✓	
Customer Orientation	✓	✓	✓	✓	✓	✓	✓	
Acquiring Loyal Customers	✓	✓	✓	✓	✓	✓	✓	
Offering Privileges to Loyal Customers	✗	✗	✓	✓	✓	✓	✓	
Customer Data Bank	✓	✓	✓	✓	✗	✗	✓	
Using Communication Channels	✓	✓	✓	✓	✓	✓	✓	
Recovering Lost Customers	✓	✓	✓	✓	✓	✓	✓	
Examination of competitors	✓	✓	✗	✓	✗	✗	✓	
Relationship Marketing Strategies	Retaining Existing Customers	✓	✓	✓	✓	✓	✓	✓
	Acquiring New Customers	✓	✓	✓	✗	✗	✓	✓
	Others	✓	✗	✓	✗	✗	✗	✗

**Table 1.** The Summary of Study Findings

The findings regarding 3PL service providers participating in the study are as follows;

- They take into account customer needs and requests while they determine their services.
- They are customer-orientated.
- They attach importance to customer data and use active CRM programs to use this data.
- It is very important for these companies to communicate and to establish relationship with customers. They use all means of communication to do this.
- They have different purposes for relationship marketing. Although the strategies that are basically applied by businesses towards relationship marketing are common, they also show differences.

- These four companies make efforts to acquire loyal customers and recover lost customers.

The findings which obtained in the study and differ from theory;

- In theory, it is stated that businesses that adopt relationship marketing concept provide economic, social and psychological benefits & privileges to loyal customers. A and B stated that they don't give privileges to the customers and they behave equal to them.
- In theory, it is argued that the businesses adopting the relationship marketing

## 5 | IMPLICATIONS, LIMITATIONS and FUTURE

The study findings indicate that interviewed companies are not able to precisely implement relationship marketing. These interviewed companies remain incapable in terms of offering privileges to loyal customers, applied relationship marketing strategies and examining competitors all of which are suggested by the literature in order to successfully manage the business relationships. In addition, literature highlights the way for companies to create customer loyalty and competitive advantage by overcoming the aforementioned deficiencies through utilizing relationship marketing. They enhance long-term relationships with loyal customers and gain more customer satisfaction by providing privileges to loyal customers. Also they can realize in detail how they can differentiate and why they lost customers by giving importance to examining their competitors.

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approach should examine their competitors' attitudes and relationships with their customers. But it differs in practice. C indicates that they don't examine their competitors and don't consider them.

- In theory, relationship marketing focus on value enhancing of existing customers. In the practice, it is seen that the companies participating in the study mainly focus on the acquisition of new the customer and the retention of the existing customers and they also determine additional strategies.

The most significant finding of our research is the importance of customer visits in terms of relationship marketing as suggested in the literature. Businesses use customer visits to communicate with customers, to learn about their desires and needs, to recover lost customers and to create customer loyalty.

For further studies, it is proposed to search a wider sample in more detail by using quantitative methods rather than qualitative methods in order to be able to analyze the whole population. In contrast to this study which is discussed from the business perspective, the effects of relationship marketing in creating customer loyalty should be examined from a customer perspective.

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