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Satisfaction and Trust Mediating the Customer Relationship Management Tactics and Customer Loyalty Relationship: The Tertiary Students' Perspective

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Abstract: **Competition and turbulence in the marketing environment has forced firms to think strategically. Forming alliances with key stakeholders like customers has become very important. Customer relationship building that leads to customer loyalty and customer retention has come to the fore in recent times. Understanding how customer satisfaction and trust leads to loyalty after good customer relationship is the main purpose of the study. Results from the study showed that customer satisfaction and trust mediate the relationship between customer relationship tactics and customer loyalty to a certain extent but not fully. Companies are therefore encouraged to be particular about the quality, price, the image of the brand and the value offered by the product.**

Keywords: **customer relationship tactics, customer satisfaction, customer trust and customer loyalty.**

1. INTRODUCTION

As the competitive environment becomes more turbulent, the most important issue firms are faced with is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit (Tseng, 2007). To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps (Product, Price, Promotion and Place) of marketing strategy, which are no longer enough to be implemented for achieving competitive advantage. Therefore, relationship marketing has become an alternative means for organisations to build strong ongoing associations with their customers. As part of marketing strategy, relationship marketing seeks to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996). Peng and Wang (2006) posit that relationship marketing is concerned with building customer loyalty by providing value to all parties involved in the relational exchange.

According to Stone, Woodcock and Machtynger (2000), buyers and sellers in the markets achieve mutual benefits through developing relationships, which are not simple that a customer is 100 percent loyal to a vendor. Even though relationships are built, there are often switching behaviors at different stages of the relationship. Organizations will therefore need to put in place certain tactics to curb the switching behaviors in customers. Tseng (2007), has described relationship tactics as the approaches to apply relationship marketing in practice. Effective customer-oriented relationship marketing tactics may help marketers to acquire customers, keep customers, and maximize customer profitability, and finally build up customer loyalty.

Quite a number of studies have been conducted on customer relationship marketing and relationship marketing effect on customer loyalty (Horri, Shirsavar&Movahed, 2013; Doaei, Razaei&Khajei, 2011; Peng& Wang, 2006) with all establishing a relationship. Most of the studies were done in the developing countries and even though relationships were established, the results were mixed. This current study tries to establish a relationship in relationship marketing tactics and customer loyalty mediated by customer satisfaction and customer trust. The general objective of the study is to find out if relationship marketing tactics influence customer loyalty and if they are mediated by customer satisfaction and customer trust. Specifically, the study assesses the relationship marketing tactics in practice in the telecommunication industry in Ghana and to find out if these relationship tactics influence customer loyalty.

2. LITERATURE REVIEW

The current era of change is accelerating and unpredictable. And companies, due to factors such as unclear boundaries between markets, market fragmentation, shortening product life cycles, rapidly changing customer buying patterns and more sophisticated customers are facing the most difficult competitive situation that has never existed (Worng and Shohal, 2002). One of the major concerns of every company using marketing tactics is to increase sales in a long term customer relationship. This tactics has proven to have an effect on customer behavior. The necessary relationship with all customers, not worth memorizing, some customers are not in agreement with the trends of the company, has since change customer needs and behavior. Therefore, companies need to assess regularly to consider investment on their customers and to end the failed relationships.

Several theories underpin relationship marketing and buyer seller partnerships. Some of these theories include the social exchange theory, resource based theory and the commitment trust theory. Social exchange theory proposes that social behavior is the result of an exchange process. The purpose of this exchange is to maximize benefits and minimize costs. According to this theory, people weigh the potential benefits and risks of social relationships. The resource based theory on the other hand focuses on firms using their unique resources to achieve competitive advantage (Hunt, 2000). Firms use their experience and skills to anticipate the needs of customers and serve them better thereby building a long term relationship with the customers. Similarly, the commitment theory postulates that, since one-third of strategic alliances (relationships) are outright failures (Sherman, 1992), it is imperative for organizations to understand relationship marketing from the perspective of whatever distinguishes productive, effective, relational exchanges from those that are unproductive and ineffective, that is, whatever produces relationship marketing success instead of failure.

Marketers have employed various ways of implementing relationship marketing tactics which is expected to influence customer retention and loyalty. Bansal, Taylor and James (2005) advocated that relationship marketing tactics can be effected through service quality, price perception, value offered, alternative attractiveness etc. Tseng (2007) also opined that the best tactics are direct mail, tangible rewards, interpersonal communication, preferential treatment and membership. Relationship tactics like service quality, reputation (brand), price perception and value offers were used by Peng and Wang (2006). The current study however, adopted the relationship tactics as used by Peng and Wang (2006) and Bansal, Taylor and James (2006).

Several studies have found relationships to exist between relationship marketing tactics and customer loyalty and the mediating effect of customer satisfaction and customer trust. Ismail et al (2006), Aydin and Özer (2005) and Parasuraman et al (1988) all found a direct influence of service quality on customer satisfaction and trust. Studies by Kim et al (2008), Cheng et al (2008) and Peng and wang (2005) resulted in a positive influence of price perception on customer satisfaction and trust. Works by Grönroos (2000) and O'Loughlin et al (2004) showed that customers are drawn to brands that they feel part of, that is, brands that gives them satisfaction and the ones they can trust. Wilson and Jantrania (1995) posit that companies which concern themselves with customer's value form customer's point of view, and thoroughly understand customer's value chain are able to satisfy customers and win their trust. Based on the above empirical literature the following hypotheses guided the current study.

1. High service quality significantly influences customer satisfaction and trust.
2. Fair price perceived by customers significantly influences customer satisfaction and trust.
3. Positive brand image significantly influences customer satisfaction and trust.

4. Good value offer significantly influences customer satisfaction and trust.

5. Service quality, price, brand image and value offer are all positively related to switching cost.

On the part of customer trust and loyalty being related, Liu et al (2008) and Morgan and Hunt (1994) agree that customers with trusts in service provider's capabilities would be willing to commit to a service relationship for meeting their expectations. Mouri (2005) posit that customers' expectations regarding costs and benefits of a relationship mainly depend on past experience, and satisfying experience will increase the motivation and the likelihood that an individual customer will stay in the relationship. Empirical evidence suggests that high perceived costs of switching which is either monetary or non-monetary may affect their switching behavior (N'Goala, 2007). The following hypotheses thus were developed for the study.

6. Customer trust significantly influences customer loyalty

7. Customer satisfaction significantly influences customer loyalty

8. High switching costs perceived by customers significantly influences customer loyalty.

9. Customer trust, satisfaction and switching cost all mediate the relationship between service quality and customer loyalty.

10. Customer trust, satisfaction and switching cost all mediate the relationship between price and customer loyalty.

11. Customer trust, satisfaction and switching cost all mediate the relationship between brand image and customer loyalty.

12. Customer trust, satisfaction and switching cost all mediate the relationship between value offered and customer loyalty.

3. METHODOLOGY

The study is purely quantitative based because mostly hypotheses were developed and tested. The descriptive research design was employed in addition mainly because it encompasses a cross-sectional design in relation to which data are collected mainly by questionnaire or structured interview. The inferential study design was also used as it consists of correlation and regression which helps in ascertaining relationships and strength of relationships as well as influences between variables.

The study was conducted in Cape Coast Polytechnic in the Cape Coast Metropolis, the colonial capital of Ghana which is also seen as the citadel of education in the country. The target population consisted of students (customers) using mobile services from the telecom service providers in Ghana. Almost all 4080 students of the polytechnic use mobile phones connected to one of the service providers. A sample of 351 customers was used for the study. This was done using the simple random sampling technique. Primary data was collected using the questionnaire and mainly designed to obtain information from students (telecommunication service customers).

The questionnaire was made up of 40 items grouped into two main parts. The first part collected data on demographic characteristics of the customers. The second part of the questionnaire, on the other hand, collected data on customer relationship tactics and loyalty and was subdivided into four parts (I, II, III, and IV) containing 38 items. The first part (I) collected data on customer relationship tactics and was made up of eighteen (18) items, the second part (II) collected data on customer trust and was made up of five (5) items, the third part (III) collected data on customer satisfaction and contained nine (9) items, and the last part (IV) collected data on customer loyalty and was made up of six (6) items. Customer relationship tactics, customer trust, customer satisfaction and customer loyalty were measured with a five point likert-type scale, with the end points being: Strongly Agree and Strongly Disagree. Most of the measures for the items in customer relationship tactics, satisfaction, trust and customer loyalty were based on Peng and Wang (2006).

Reliability test was carried out in order to check the robustness of the variables. A cut of 0.7 was set for the Chronbach's alpha. All the items loaded alpha values (table 1) greater than the cut of point showing that the instrument was reliable.

Table 1: Reliability test results

Items	Alpha value
Service quality	0.808
Price	0.819
Brand image	0.709
Value offered	0.804
Trust	0.709
Satisfaction	0.828
Loyalty	0.889

4. RESULTS AND DISCUSSIONS

The path analysis was employed using the maximum likelihood estimation method to test the hypotheses. The main purpose of this is to assess the extent to which the hypothesized model adequately describes sample data. The study followed guidelines set out by Byrne (1998) to determine the adequacy of the hypothesized model. Diamantopoulos and Siguaw (2000) posit that model can be modified if the hypothesized model does not fit data well. With this in mind AMOS 22 software was used to aid in making the process easy. Analysis showed that the hypothesized model fit the data well as indicated by the fit indices of χ^2 (3.840, n=345), $p>0.05$, $\chi^2/df = 3$, AGFI=0.967, TLI=0.995, CFI=1.000, RMSEA=0.029.

Table 2: Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Satisfaction	<---	BrandImage	.118	.048	2.459	.014	
Satisfaction	<---	Price	.215	.051	4.229	***	
Satisfaction	<---	ServeQual	.371	.054	6.830	***	
Satisfaction	<---	ValueOffered	.284	.052	5.421	***	
Trust	<---	BrandImage	.012	.041	.298	.765	
Switchcost	<---	ServeQual	.113	.060	1.870	.062	
Switchcost	<---	Price	.167	.057	2.946	.003	
Switchcost	<---	ValueOffered	.153	.058	2.622	.009	
Trust	<---	Satisfaction	.458	.046	10.049	***	
Switchcost	<---	BrandImage	.207	.053	3.874	***	
Trust	<---	Price	.077	.044	1.750	.080	
Trust	<---	ServeQual	.216	.049	4.410	***	
Trust	<---	ValueOffered	.162	.046	3.515	***	
CustomerLoyalty	<---	Satisfaction	.279	.065	4.306	***	
CustomerLoyalty	<---	Trust	.216	.068	3.189	.001	
CustomerLoyalty	<---	Switchcost	.178	.050	3.528	***	
CustomerLoyalty	<---	Price	.280	.056	4.987	***	
CustomerLoyalty	<---	ValueOffered	.114	.058	1.943	.052	
CustomerLoyalty	<---	ServeQual	.064	.063	1.024	.306	

In all twelve hypotheses were tested. The results showed that there was a significantly positive ($\beta=0.200$, $p<0.05$) relationship between service quality and trust, a positive ($\beta=0.081$, $p>0.05$) relationship between price and trust, a positive ($\beta=0.012$, $p>0.05$) relationship between brand image and trust and a significantly positive ($\beta=0.161$, $p<0.05$) relationship between value offered and trust. These findings are consistent with what Cheng et al (2008) and Peng and Wang (2006). The results also indicated that there was a significantly positive ($\beta=0.326$, $p<0.05$) relationship between service quality and satisfaction, a significantly positive ($\beta=0.213$) relationship between price and satisfaction, a significantly positive (β=0.110, p<0.05) relationship between brand image and satisfaction and a significantly positive (β=0.267, p<0.05) relationship between value offered and satisfaction. These findings support those of Mouri (2005). More so, it was evident from the results that switching cost depended on service quality (β=0.114, p>0.05), price (β=0.190, p<0.05), brand image (β=0.222, p<0.05) and value offered (β=0.166, p<0.05).

With respect to hypotheses five, six, seven and eight. The results showed that trust (β=0.183, p<0.05), satisfaction (β=0.249, p<0.05) and switching cost (β=0.138, p<0.05) all had significantly positive relationships with customer loyalty. The findings are no different from Liu et al (2008) findings. However, the mediation of trust, satisfaction and switching cost between service quality, price, brand image and value offered and customer loyalty were not concrete but partial. Service quality (β=0.050, p>0.05), price (0.248, p<0.05), and value offered (0.095, p>0.05) all influenced customer loyalty positively without the mediation of trust, satisfaction and customer loyalty.

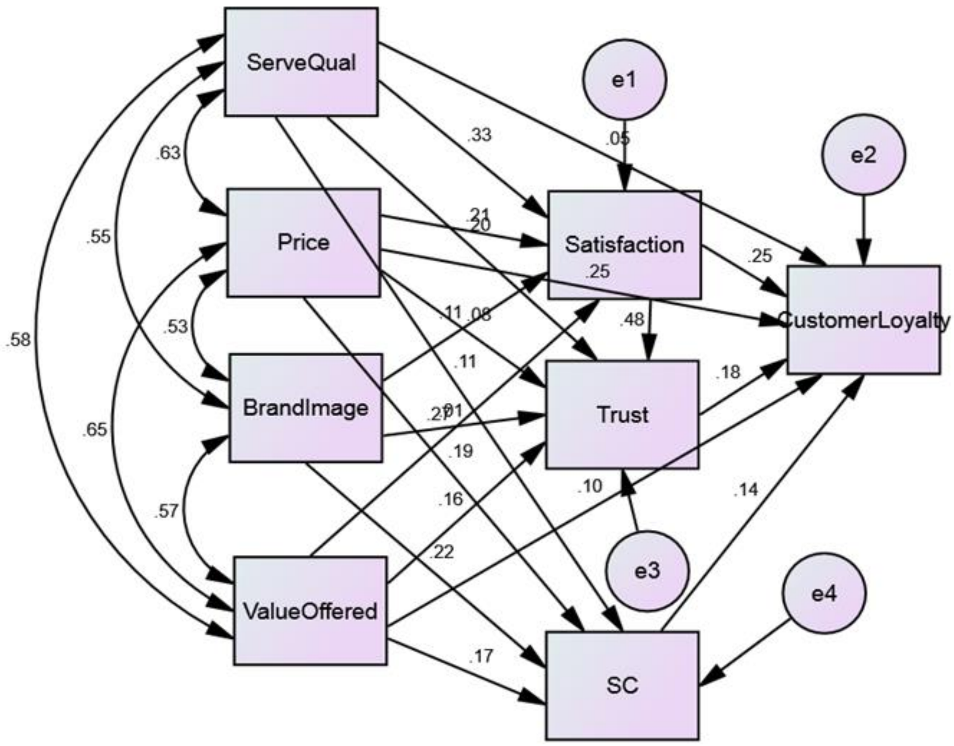

Figure 1: Final path of hypothesized relationship

5. CONCLUSION

From the findings it could be deduced that the relationship tactics, namely, service quality, price, brand image and value offered if well manipulated by the telecommunication companies would influence consumers in the tertiary institutions to become loyal to the companies. Even though the study results showed that the relationship tactics and customer loyalty were mediated by customer trust and satisfaction, the mediation was only partial. This means that in as much as customers would remain loyal to a particular telecommunication firm, it would not depend mainly on trust and satisfaction but also on how well the telecommunication companies strategically price the service, portray the brand, present quality service and give customers good value for money. Telecommunication companies should set competitive prices for their services in order to win customers' loyalty and remain in the competition. There is also the need to provide quality services free of interruptions and hindrances. This if done well would help the companies retain their customers through loyalty. Good image of the company would translate to the brand and long term relationship with customers. It is therefore imperative that telecommunication companies pay much attention to the image of their brand. Finally, it is very important that customers obtain more in terms of the services being received as compared to the cost incurred in getting the services. This goes a long way to ensure that customers remain loyal to the company.

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