

*Full Length Research Paper*

# **Relationship marketing orientation on customer loyalty of selected filling stations in Ibadan: the customers' perspective**

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**ABSTRACT:** The recent growth in petroleum service companies accounts for why many service providers concentrate energy on attracting and retaining loyal customers that will contribute long-term profit to their businesses. Relationship marketing is a strategy designed to promote customer loyalty. This study investigates the contribution of relationship marketing orientation to customer loyalty in some selected filling stations in Ibadan. The study employed a descriptive survey as its research design and the population comprising individuals who patronized the Bovas, Mobil, Conoil, and Total filling stations in Ibadan. A sample size of 400 customers was utilized which was selected through a simple random. Data generated through a self-developed questionnaire was analyzed using percentage distribution, correlation, and

multiple regression analysis at 0.05 significant level. The study found price perspective as the greatest predictor of customer loyalty, followed by communication, customer trust, and relationship commitment. The study concludes that customer trust, relationship commitment, communication, and price perception are predictors of customer loyalty. The study, therefore, recommends that companies should focus on and reinforce those attribute of relationship marketing which influence consumers' judgment on the dependability of the products and services offered by filling stations.

**Keywords:** Customer loyalty, customers' perspective, relationship marketing orientation

## **INTRODUCTION**

The oil service sector is recognized as one of the economic sectors which contribute to Nigeria's economic development (National Bureau of Statistics, 2017). This sector experiences tremendous changes in strategy due to the increasing number of players that are interested in the same target market. This increase expectedly leads to greater competition, which propels the oil service companies to be more strategic to attract and retain customers. As today's highly competitive business environment becomes more unstable in Nigeria, the major significant issue of concern that many filling stations face is no longer limited to providing excellent service or good quality products, but to keep loyal customers who will contribute long-term profit to their business. The term "loyalty" has turned out to be a highly

desirable marketing goal (Wijekoon and Dharmadasa, 2011). Loyal customers are constantly more profitable than acquiring new customers because marketing efforts directed towards a new customer will be much more than towards an existing customer leading to a higher cost and lowering of profits from a new sale. Loyal customers, therefore, are a competitive asset to any business organization (Rowley, 2005).

The current petroleum business environment in Nigeria can be described by increasingly soaked markets, caused by changes in price, the nature of competition, and an ever-growing imperative to accomplish a complete appreciation of customer needs. To contend in such a dynamic and interactive marketplace, petroleum service companies are required to look beyond the

traditional 4Ps of marketing strategy for achieving competitive advantage. For that reason, relationship marketing along with other marketing strategies has turned out to be unconventional means for organizations to build strong relations with their customers (Ojiaku et al., 2017). Activities to establish good relations oriented towards the interests of long-term business between oil service firms and customers have long been practiced by the petroleum filling stations who operate in Ibadan, although in limited circumstances.

Relationship marketing is a strategy designed to promote customer loyalty, interaction, and long-term engagement with customers by providing them with information directly suited to their needs, interests and by promoting open communication (Kibeh, 2013). Relationship marketing includes long-term activity cost-effectively between the organization and its customers for the mutual benefit of both parties (Loverlock and Wright, 2005). Alrubaiee and Al-Nazer (2010) maintain that successful relationship marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges. Usually, this approach results in increased word-of-mouth activity, repeat business, and a willingness on the customer's part to provide information to the organization (Peng and Wang, 2006; Alrubaiee and Al-Nazer, 2010). Studies have suggested various dimensions that influence relationship marketing success, the major dimensions consistently identified as important are customer trust, relationship commitment, communication, and price perception (Kibeh, 2013; Hakim and Hakim, 2017; Ojiaku et al., 2017). The extent to which these aforementioned dimensions relate or influence customer loyalty of petroleum service stations needs scholarly and professional attention. Therefore, this study examines the customers' perspective on relationship marketing orientation on customer loyalty among selected filling stations in Ibadan.

## LITERATURE REVIEW

### Concept of relationship marketing orientation

Relationship marketing orientation is a business philosophy that was developed out of the need for maintaining a pool of current customers who are committed to the organization. It involves strengthening relationships with current customers and retaining them rather than acquiring new ones. The adoption and implementation of this concept are referred to as relationship marketing orientation (RMO) (Wijekoon and Dharmadasa, 2011). Too et al. (2001) describe relationship marketing orientation as implementing relationship marketing principles, to develop and maintain marketing relationships with customers, in the spirit of being market-oriented. Relationship marketing is defined

in different ways, by various scholars. According to Kotler et al. (1999) 'relationship marketing is an effort to create, maintain, and enhance strong relationships with target customers and stakeholders. Hougaard and Bjerre (2009) describe relationship marketing as company behavior to establish, maintain, and developing competitive and profitable customer relationships to the benefit of both parties. For Abdolaziz and Mostafa (2016) 'relationship marketing is a business strategy to attract, maintain, and improve customer relations with technological development where companies pay to create beneficial relationships based on the optimization of the customer-perception value'. From the above definitions, relationship marketing is a process to identify, build, maintain, and strengthen a company's mutually beneficial relationships with its customers and other stakeholders so that the objectives of all the parties involved are met. It is therefore believed that marketing is increasingly moving away from individual transactions to building strong relationships with customers and other marketing networks. Since the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal.

### Customer loyalty

The word 'loyalty' is defined as a deeply held commitment to re-buy and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior (Kibeh, 2013). Loyalty occurs when the customer feels that the firm, its products, and services can best meet his/her relevant needs that competitors are virtually excluded from the consideration set (Shoemaker and Lewis, 1999). Customer loyalty is often discussed in literature from a behavioral, and attitudinal, or integrative approach (Kim et al., 2004; Ojiaku et al., 2017). It is also defined as the strength of the relationship between an individual's relative attitude and repeated patronage (Wijekoon and Dharmadasa, 2011). In general, customer loyalty increases profit and growth to the extent that increasing the percentage of loyal customers, depending upon the industry involved (Ndubisi and Chan, 2005). Loyal customers are typically willing to pay a higher price and demonstrate more understanding when something goes wrong. However, customers' loyalty can also be due to high switching barriers or a lack of real alternatives or lock-ins. In this study, customer loyalty is conceptualized as continuing intention and psychological attachment to the service provided by the selected filling stations in Ibadan.

### Theoretical framework

A theoretical foundation that explains the relationship

between dimensions of relationship marketing and customer loyalty was drawn from the social exchange theory. This theory, which was propounded by Homans (1958), attempts to explain the nature of the relationships between service quality, perceived value, satisfaction, and loyalty. The social exchange theory posits that all human relationships are formed by the use of cost-benefit analysis and comparisons of alternatives.

Homans (1958) suggests that when an individual perceives that the cost of a relationship outweighs the perceived benefits, then the person will most likely opt out of the relationship.

The theory further states that persons who give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. The social exchange relationships between two parties develop through a series of mutual exchanges that yield a pattern of reciprocal obligations to each party. Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that to do so will be rewarding. Individuals voluntarily sacrifice their self-benefits and contribute these benefits to other individuals with the expectation for more future gains.

Furthermore, Thibaut and Kelly (1959) offer that whether an individual retains a relationship with another one depends on the comparison of the current relationship, experience, and potential alternatives. The constant comparison of social and economic outcomes between series of interactions with current partners and available alternatives determines the degree of an individual's commitment to the current relationship. The theory is appropriate for this study because service encounters can be viewed as social exchanges with the interaction between the petroleum service provider and the customer being a crucial component of satisfaction and providing a strong reason for continuing a relationship.

### Conceptual model

Earlier studies indicated that various dimensions of relationship marketing implication customer loyalty. Considering this, quite a lot of models and frameworks of relationship marketing orientation factors have been studied. An overview of this study is presented in the conceptual framework which is given in (Figure 1). Trust is conceptualized in this study as a state that exists when one party has confidence in an exchange partner's reliability and integrity. Trust has been observed as the basis of a long-term relationship and a major determinant of relational commitment (Sirdeshmukh et al., 2002). Trust relates to the customer's confidence that the organization will reliably provide satisfactory service in a manner that is competent, honest, fair, responsible, helpful, and benevolent (Randall et al., 2011).

On the other hand, the call for customer contribution in the service delivery process makes the thought of commitment distinctively pertinent to services (Kelley and Davis 1994). According to Ojiaku et al. (2017), relationship commitment is at the core of all successful working relationships and it is a vital ingredient in successful long-term relationships. Commitment relates to the high level of perceived stakes held by partners in an exchange relationship necessitating the need to maintain such relationships. Furthermore, communication in relationship marketing relates to the value obtained by the customer, providing the right information, and trustworthy as well as information regarding the change in services offered and proactive communication when problems occur between companies and customers (Ndubisi, 2007). Communication is an interactive dialogue between the company and its competitors which includes the pre-sale, sale, consumption, and the phase after consumption. Therefore, it is necessary to create, maintain and expand relationships with customers through the availability of timely and accurate information, provide information if there is a new service, create and fulfill the services requested by the customer.

Price is the monetary cost for a customer to buy products or services. It is the critical determinant that influences customer buying decisions. Customers usually select their service providers by strongly relying on perceived price. How many consumers are willing to pay differs due to their different needs and wants. Thus, the price perceptions of the same service products may differ among individuals. Higher pricing perceived by consumers might negatively influence their purchase probabilities (Peng and Wang, 2006). Many researchers have pointed out that price perception influences customer satisfaction and trust (Peng and Wang, 2006; Cheng et al., 2008; Kim et al., 2008). Customers often switch mainly due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices (Peng and Wang, 2006).

Previous studies have suggested several elements of relationship marketing orientation as the antecedents of customer loyalty. These elements include relationship marketing factors such as trust, bonding, communication, shared value, empathy, and reciprocity (Sin et al 2005; Kucukkaancabas, Akyol and Atama, 2009; Kanti and Dixit, 2014).

Several studies in the past decade have indicated that relationship marketing has a positive impact on firms' business performance. For example, Smith (1991) studies direct marketing in the insurance sector and finds that relationship marketing helps maximize long-term profitability. -Using firms in China, Sin, and colleagues (2005) develop and validate a scale made up of six subscales—bonding, communication, shared value, empathy, reciprocity, and trust—and find that relationship marketing orientation yields a significant impact on the determination of the firms' performance.

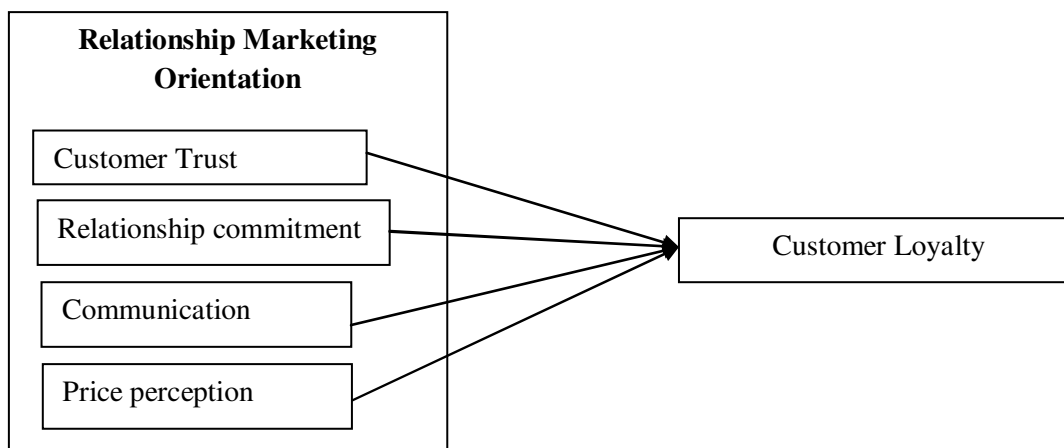


Figure 1: The conceptual framework of the study

## METHODOLOGY

The study employed a descriptive survey as its research design. The population of interest comprised individuals who obtain services from the four selected filling stations (Bovas, Mobile, Conoil, and Total) in the Ibadan metropolis. A simple random sampling technique was used to sample 100 customers from each selected filling station, making the total sample size of 400 customers selected from the selected filling stations. Data generated through a self-developed questionnaire was analyzed using percentage distribution, correlation, and multiple regression analysis at 0.05 significant level. The following model was applied;

### Regression model

$$Y = \beta_0 + \beta_1 CT + \beta_2 RC + \beta_3 Com + \beta_4 PP$$

Where;

Y= Customer Loyalty,

$\beta_0$ = Constant Term,

$\beta_1 - \beta_4$  = Coefficients,

CS=Customer trust,

RC=Relationship commitment,

Com= Communication,

PP = Price perception.

## RESULTS AND DISCUSSION

The study targeted 400 respondents; questionnaires were distributed to all targeted respondents. However, out of 400 questionnaires distributed only 326 respondents filled and returned to the questionnaires

(Table 1). This contributed to an 81.5% response rate. The findings which are contained in this section are based on (n=326, 81.5%) response rate. Mugenda and Mugenda (2003) states that a response rate of 50% and above is a good response rate for statistical reporting. The result revealed that more males (n=184, 56%) patronized filling stations in Ibadan than their female (n=142, 44%) counterparts. This implies that most of the responses in the study emanated from males. The result further shows that majority (n=136, 42%) of the respondents that participated in the study fall between the age bracket of 31 to 40years of age. Ages 31-40years are mature, active, and responsible members of society of the working class and thus they used vehicles as a modern way of moving from one place to another. However, those who patronize within that age group showed a much higher level of loyalty as compared to other age groups. Finally, out of the 326 valid responses, the result shows that most (n=190, 58%) of the customers had been patronizing the filling stations for a period of between 6-10years. This implies that the customers have been dealing with the filling stations for a long period.

The findings demonstrate that the customers perspective towards trust in the selected filling stations agree that the staff are friendly and approachable (mean=4.41), quite knowledgeable about their products (mean=4.34), consistent in providing quality service (mean=4.20), and respond to the customers in the constructive and caring manner (mean=4.18) (Table 2). The finding further revealed customers' perspective towards the relationship commitment of the selected filling station and the result shows that the staff of the selected filling stations are always willing to help the customers (mean=4.21), committed towards customers' needs and complaints (mean=4.18), and have an

**Table 1:** Demographic information of customers

Demographic Information		Frequency	Percentage
Gender	Male	184	56.0
	Female	142	44.0
	Total	<b>326</b>	<b>100.0</b>
Age	Below 20years	20	6.0
	21-30years	42	13.0
	31-40years	136	42.0
	41-50years	97	30.0
	51years above	31	10.0
	Total	326	100.0
Period of patronizing the filling station	Less than 1 year	34	10.0
	1-5years	80	25.0
	6-10years	190	58.0
	Over 10years	22	7.0
	Total	326	100.0

**Table 2:** Relationship marketing practices by the Selected Filling Stations (N=326)

Relationship Marketing Dimensions	Mean	Std. D	Average Mean
<b>Customer Trust</b>			
The staff are prepared to be asked questions of what is not being done right	3.86	0.36	4.16
The staff in the filling stations treat customers fairly.	3.98	0.24	
The staff respond to customers in constructive and caring manner	4.18*	0.26	
The filling station is consistent in providing quality product.	4.20*	0.15	
I trust the company and its staff	4.21*	0.13	
The petrol attendants are quite knowledgeable about their products.	4.34*	0.16	
The staffs are friendly and approachable	4.41*	0.178	
<b>Relationship Commitment</b>			
The staff of the filling station believes in betterment of their customers	3.75	0.14	3.99
The filling station makes adjustments to meet customers' needs	3.86	0.25	
Staff in this filling station strongly value customers and processes that create useful change	3.94	0.36	
Problem solving by the staff is excellent/adequate	4.01*	0.13	
The staff of this filling station have commitment towards customers' needs and complains	4.18*	0.12	
The staff are always willing to help the customers	4.21*	0.11	
<b>Communication</b>			
The customers show discontent towards the staff in the company through communication	3.74	0.16	3.97
The staff in the company frequently communicates to customers.	3.96	0.36	
The customers freely express opinions to the staff of the company.	4.02*	0.26	
When there is a change in the policy, or any other relevant issue, the staff in the company communicates to customers in time.	4.17*	0.21	
<b>Price Perception</b>			
The filling station took effective ways to help us know its pricing policies of products.	3.56	0.26	3.95
The pricing policies of products from the company are attractive to customers	3.87	0.128	
The pumping rate offered by the filling station is reasonable.	4.12*	0.36	
The filling station is offering flexible pricing for various products that meet customers' needs	4.28*	0.14	

excellent problem-solving skill (mean=4.01). Customers' perspective towards the communication of the selected filling stations shows that customers believe that staff of the selected filling stations communicate to them in time when there is a change in the policy or any other relevant issue (mean=4.17), therefore make it easy for them to freely express their opinion to the staff of the filling station (mean=4.02). The price perspective of customers shows that the filling station offers flexible pricing for various products which therefore meet customers' needs

(mean=4.28) and the pumping rate offered by those filling stations is reasonable (mean=4.12) as agreed by the customers. In Table 3, customer loyalty was regressed against the four variables of relationship marketing (Trust, commitment, communication, and price perception). The R-square of 0.625 is adjusted for potential errors to 0.615. This implies that the combination of customer trust, commitment, communication, and price perception predict 61.5% of the variance in customer loyalty. Therefore, the greatest predictor among the variable of

**Table 3:** Regression coefficient result of dimension of relationship marketing and customer loyalty (n=326).

Model	Un-standardized Coefficient		Standardized Coefficient	T	P
	B	Std. Error	Beta Contribution		
(Constant)	1.686	1.628		1.036	0.301
Customer trust	0.126	0.025	0.138	2.071	0.000
Relationship commitment	0.140	0.046	0.081	2.028	0.035
Communication	0.214	0.026	0.234	4.243	0.000
Price perspective	0.161	0.023	0.230	4.247	0.000

$R^2=0.625$

F-Statistic=22.308

Adj. R2=0.615

Sig. =0.000

relationship marketing to customer loyalty is price perspective ( $\beta = .2301$ ,  $t=4.247$ ,  $p <.05$ ), followed by communication ( $\beta = .234$ ,  $t=4.243$ ,  $p<.05$ ), customer trust ( $\beta = .138$ ,  $t=2.071$   $p<.05$ ) and relationship commitment ( $\beta = .081$ ,  $t=2.028$ ). The F.statistic value of 22.308 which is significant at 0.000 shows that relationship marketing variables are statistically significant predictors of customer loyalty. This indicates that all the dimensions of relationship marketing identified in this study are very important in determining customer loyalty. Customer trust, relationship commitment, communication, and price perception are relatively important in creating customer loyalty, therefore, petroleum service companies in Ibadan must focus their attention on building, developing, and sustaining long-term relationships with their customers.

### Conclusion and recommendations

This study examines the contributions of relationship marketing orientation to customer loyalty in some selected filling stations in Ibadan. In particular, the study examines the contributions of the study variables. All the relationships were strongly, moderately significant, and positively related. It is evident from the study that relationship marketing when given attention in the petroleum service firms, will lead to repeated purchases hence consumer loyalty.

The study concludes that the quality of petroleum products or services rendered in filling stations is subjectively perceived by customers during the interactions with staff or attendants and this has a significant influence on customers' evaluation of the company.

In addition, effective communication of pricing policies and flexible pricing for various products offered for sale play an immense role in customer loyalty. The study further established that customer trust, relationship commitment, communication, and price have a direct effect on customer loyalty. The implication of this finding is that customer's place a high premium on reliable filling station in Ibadan that possesses the right marketing strategies. The study, therefore, recommends that:

- (i) Petroleum service companies should focus on those attributes of trust which influence consumers' judgment on the trustworthiness of the product and services offered.
- (ii) Companies should commit to a relationship with their customers and provide a flexible price for the customer.
- (iii) Finally, effective communication between the petrol attendants or staff and the customers is very essential in influencing the trust that customers develop in the firm.

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