CHAPTER -I

INTRODUCTION

Relationship marketing is emerging as the core marketing activity for businesses operating in competitive environments. It focuses on maintaining a continuous relationship with customers and building long term bonds. Over a period, a company learns more about the customer’s needs and wants and is therefore able to provide more personalised and relevant one-to-one service.

Relationship marketing, with its focus on customer relationships as opposed to one-time transactions, has been viewed as a paradigm shift that has reshaped the entire field of marketing. It is beneficial to both company and customers involved in such mutual relationships and consequently marketers’ started focussing on building customer relationships.

Marketers introduced the concept of trust and commitment towards one’s customers to supplement the concept of consumer satisfaction in attempting to explain the dynamics underpinning long-term relationships. On an average, businesses spend six times more to acquire customers than they do to keep them (Gruen, 1997). Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customer’s purchases.

Most marketers in present scenario focused on attracting customers from its target segments using the tools and techniques developed for mass marketing in the industrial era. This is proving to be highly ineffective in most competitive markets. Decreased growth rates, intensifying competition and technological developments made businesses look for ways to reduce cost and improve their effectiveness.

Relationship marketing appears to be an expensive alternative to firms practicing mass marketing due to the relatively high initial investments. Firms would adopt relationship marketing only if it has the potential to benefit them. When customers enter into a relationship with a firm, they are willingly foregoing other options and limiting their choice. Some of the personal motivations to do so result from greater efficiency in decision making, reduction in information processing.
achieving more cognitive consistency in decisions and reduction of perceived risks with future decisions.

1.1 The History of Marketing

Marketing as a concept has developed over the years in a sequence of stages namely: Barter Era, Production Era, Sales Era and Marketing Era.

(A) Barter Era

The origin of marketing can be traced to people’s earliest use of the exchange process and the Barter Era. People traded one resource for another became known as the barter system.

(B) Production Era

Production Era came about at a time when much of the western world experienced industrialisation. The general goal was to increase production to keep up with demand levels, where not much consideration was given to consumer needs.

(C) Sales Era

The next stage emerged when companies were able to expand their production capabilities to cope with consumer demand. Competition was again limited and firms developed new products. They still did not have to pay much consideration to consumer needs or demands. Advertising and selling emerged during this period, where their role was to make consumers desire the attributes of the products being manufactured. This was known as the Sales Era.

(D) Marketing Era

The Marketing Era began to dominate when supply began to exceed demand. Hence, there was a need to have market oriented approach. Marketing departments were being created and began to contribute to corporate decision making. Consumer analysis was conducted to determine how to best meet consumer demands with an attempt to meet the demands of end user (Evans and Berman, 1992 and Kotler, 2002).

The Marketing Era is still existent today. However since its beginning, over 40 years ago, there have been many changes in emphasis, which have captured the attention of researchers and practitioners alike. These shifts include industrial services,
total quality management, customer service, and relationship marketing. It is this emphasis on relationships which has created one of the most recent areas of excitement within the marketing industry (Evans and Laskin, 1994). It has generated a new wave of thought as to what marketing is and which way it is going at the millennium.

1.2 Relationship Marketing Definitions:

Berry (1983) from a service perspective defined “Relationship marketing is attracting, maintaining and multi service organizations enhancing customer relationship”.

Jackson (1985) from an industrial marketing perspective defined “Relationship Marketing as marketing concentrated towards strong, lasting relationship with Individual accounts”.

Berry and Parasuraman (1991) defined “Relationship marketing as attracting, developing and retaining customer relationships”.

Gronos (1995) from a network perspective defined “Relationship marketing as to identify and establish, maintain and enhance relationships with customer and other stakeholders, at profit so that the objectives of the partners interest are met and this is achieved by a mutual exchange as well as fulfilment of promises”.

Gilaninia, S., Almani, A.M., Pournaserani, A., and Mousavian, S.J. (2011), defined “Relationship Marketing is a kind of marketing that its goal is developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market”.

1.3 Need for development of Relationship Marketing

Globalisation has brought unprecedented changes in the economic, trade and industrial scenario throughout the world. The nature of competition has changed to a great extent that product distinctions are blurred. Good products alone are sufficient to differentiate an organisation’s product from its competitors. Once companies had reached the common standard they become the norm for the sector and attention is switched to differentiation through superior added value relationships. Markets are so segmented that “niche” becomes the king. The quick pace of developing technology
and increasing competition make it difficult to gain strategic competitive advantage through physical products alone. Moreover customers are more demanding. They not only expect high quality goods. They also expect high levels of service along with them. Companies are now competing by trying to develop genuine relationship with their customers to build up loyalty.

A development in information technology has a drastic effect in developing relationship marketing activities. Information technology enhances the practical value of relationship marketing by efficient performance. The key tasks are:-

- Tracking the buying pattern and overall relationships of existing customers, customizing services, promotions and pricing to customer’s specific requirements.
- Co-ordinating the delivery of multiple services to the same customer.
- Providing two way communication channels, company to customer, customer to company, minimizing the profitability of service errors and breakdowns.
- Augmenting core service offerings with valued extras and personalizing service encounters as appropriate.

Obviously the development of service industry has become an indicator of maturity of an economy. The tremendous growth and economic contributions of service sector have drawn increasing attention to the issues and problems of service sector. In the mid of 1990’s service sector competition had never been fewer. In most industries, providing quality service is no longer simply an option. This rapidly changing situation emphasizes the importance of services and services marketing.

The intangible nature of service industries had always posed a problem to traditional marketers whose BCG metric models had always proved to be an effectual fit. Pure service characteristics are often described as intangibility, inseparability, variability, perishability and inability to own the service coupled with importance of people and processors were providing challenges to the traditional marketing concepts. Above all, it was the potential advantage that the building of relationships might create where service differential was low that led to development in this area.
1.4. Theories of Relationship Marketing

1.4.1. Gummesson’s Challenge to Traditional Thinking:

Gummesson’s landmark paper in 1987 presented nine issues that challenged traditional marketing thinking. They are:

(a) ‘The many headed customer and the many headed seller’ acknowledged the complicated networks of relationships made up of individuals within both the selling organisation and the buying organisation interacting with one another.

(b) ‘The real customer does not always appear in the market place’ recognised that sometimes the permission or approval of an external party is required before a sale can take place.

(c) ‘The customer as co-producer’ reinforces the concept of a two-way, interactive relationship between customer and supplier and the part that the customer must play in order to effect a successful transaction.

(d) ‘Market mechanisms are controlled externally’ acknowledges the traditional marketing efforts can often be distorted or undone by existing webs of relationships such as friendships, nepotism, club memberships etc.

(e) ‘Market mechanisms are brought inside the company’ raises the issue of internal buyers and sellers within an organisation, where one department buys from another.

(f) ‘International dependency and the part time marketer’ the idea that everyone in the company not just sales and marketing personnel, plays a part in ensuring overall customer satisfaction.

(g) ‘Process management and the internal customer’ extends the idea of the customer focused organisation by suggesting that everyone inside the organisation should treat each other as suppliers or customers within an overall process that leads to ultimate customer satisfaction.

(h) ‘Internal marketing’ suggests that the organisation’s marketing efforts should be directed not only to the external market, but internally to employees too.
‘Relationship Quality’ reflects how the skilled handling of relationships between the buyer and the seller enhances the customer’s perception of quality.

These issues were not so much a model of relationship marketing as they were a challenge to traditional thinking. The overall implications were:

(i) Networks and external non-customer relationships must be taken into account in an organisation’s marketing strategy.

(ii) Internal relationships should also be managed in order to meet customers’ needs more closely.

(iii) The whole organisation has to be oriented towards the customer and

(iv) The nature and extent of relationships with customers should be understood and carefully managed.

1.4.2. Four Partnerships Approach to Relationship Marketing

Gummesson’s thinking was developed by others into a relationship marketing model consisting of four broad partnerships where exchange take place. (Fig 1.1).

Figure 1.1 Four broad partnerships of relationship marketing

Source: Adapted from Morgan and Hunt (1994) and Doyle (1995)
They are customer relationships, supplier partnerships, internal partnerships and external partnerships. Although on the surface not all of these partnerships appear to be relevant to traditional marketing. They form an important part of relationship marketing theory because they can impact directly upon an organisation’s customer orientation. In other words, these partnerships can and do affect the overall marketing effectiveness of the organisation. These theories therefore take a constellation relationship approach rather than a simple linear relationship between buyer and seller.

1.4.3. The Six Markets Model

In this model, the ‘customer market’ appears in the middle, reflecting the fact that this is the biggest and most important market with which the firm should concentrate on developing relationships. (Fig 1.2)
Internal and supplier markets are similar to the partnerships already noted in the models of Doyle and Morgan and Hunt. However, the six markets model introduces three different relationship markets. The ‘referral market’ recognizes that positive word-of-mouth can play in generating business for a firm. This would include recommendations from professionals. It makes sense to develop good relationships with people who can recommend the products. Referrals also come from existing satisfied customers who tell their friends and acquaintances about the firm.

The ‘Influence Markets’ is similar to some of the external partnerships highlighted in the Morgan and Hunt and Doyle models. Influence markets might include the media, consumer groups, the government and financiers who back the firm with capital. Effective management of relationships is vital with anyone who can influence the success or otherwise of the business.

Finally, ‘Recruitment Markets’ refer to the firm’s ability to attract and retain the right kind of employee. Organisations such as hospitals and universities will want to attract doctors and academicians who are at top of their field as this will enhances their ability to offer more to customers. Organisations that rely on good customer service must also attract employees who will treat their customers well.

1.4.4. Gummesson’s 30 Relationships

Gummesson (2002) refined his original theory and came back with less than 30 identifiable relationships which he termed the 30 Relationships (Fig 1.3).

Gummesson split his 30 Relationships into four overall categories.

1. Classic market relationships are those which form the basis of all marketing and supply in some form to all organisations (R1 R2 R3).
2. Special market relationships will apply to some organisations, but not to all. It can be seen that some of the relationships come straight from Gummesson’s original nine issues and relate particularly to industrial and services marketing (R4 to R17)
3. Mega relationships occur at a higher level and set the conditions in which market relationships can operate. These roughly equate to the external or influence markets described in other models of relationship marketing. (R18 to 23)
4. Nano relationships can be classed as internal relationships. (R24 to 30)
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<td>2. Supplier-customer-competitor</td>
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1.5. Growth of Relationship Marketing

In the present era of turbulent competition, the marketers are forced to be concerned with customer retention and loyalty. Several research studies have indicated retaining customers is less expensive and perhaps has more sustainable competitive advantage than acquiring new ones. The academic interest on the research area of relationship marketing is increasing. Four broad groups of researchers have emerged. They are associated with:

1.5.1. The Nordic School

It focuses on service marketing and service quality. The work of Professors Schandinavian, Christian Gronroos and Evert Gummesson is related to research on relationship marketing representing development of their work in services marketing and service quality.

1.5.2. The Cranfield School

It comprises of the Anglo - Australian school of relationship marketing. Relationship marketing is a broad topic and many researchers have studied relationship marketing from different perspectives. It includes works by a number of researchers whose works are now described as “Anglo Australian” school of relationship marketing.

1.5.3. The Industrial Marketing and Purchasing Group

It has its impact on the study of industrial markets and their work has received wide coverage especially in Europe.

1.5.4. The North American Researchers

They are active in both industrial and service markets within North America, the development of relationship marketing can be traced to the works of Theodore Levitt and Barabara Bund Jackson at the Harvard business school in industrial markets and Len Berry and his colleagues at the Texas A&M University in service markets. They have formed a centre for relationship marketing.
1.6 Levels of Relationship Marketing

Relationship Marketing can be practised on multiple levels, depending upon the type of bonds used to foster customer loyalty. Literature in relationship marketing distinguishes among types of linkages or bonds and their relative efforts. Besides that higher level of relationship marketing is practised, the greater its potential for sustained competitive advantage.

Level one relationship marketing relies primarily on pricing incentives to secure customer’s loyalty. Unfortunately, the potential for sustained competitive advantage from this approach is low because price is the most easily imitated elements of the marketing mix. Moreover, customers most in pricing incentives are particularly vulnerable to competitor promotions. Marketers seeking to establish the strongest possible relationships most typically are more than a price competitor.

Level two relationship marketers attempt to capitalize on the reality that many service encounters alone are social encounters. Social bonding involves personalization and customization of relationship. It consists of communication with customers regularly through multiple means, referring to customers by name during transactions, providing continuity of service through the same representative and augmenting the core service with educational or entertainment activities such as seminars or parties. Although social bonding normally cannot overcome a non-competitive difference, a social relationship also may prompt customers to be more tolerant of a service failure or to give the company an opportunity to respond to competitor entreaties.

Level three relationship marketing relies primarily on structural solutions to important customer problems. When relationship marketers can offer target customers value adding benefits that are difficult or expensive for customers to provide and that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing relationships. If the marketers also are using financial and social bonds, the foundation is even more difficult for competitors to penetrate. The solution to customer’s problem is designed into the service delivery system rather than depending upon the relationship building skills of the individual service providers.
1.7 Benefits of Relationship Marketing

There are number of relationship benefits available to the customer and the firm.

1.7.1. Benefits to Customer

(i) Confidence Benefits

Confidence benefits relate to experience that are beyond core service benefits. It is displayed consistently across all types of service relationship. It is the most important to the customers across all three categories of services. The sense of reduced anxiety, faith in the trust worthiness of the service provider, reduced perceptions of anxiety, risk and knowing what to except are the most critical benefits of service relationships. The content that consumers like to reduce choices, Long-term relationships may facilitate choice reduction through confidence benefits.

(ii) Social Benefits

Social benefits are the second most important benefit to consumers across service types. Social benefits are associated with personal recognition given to customers by employees, customer familiarity with employees and the development of friendship. The importance of the social aspect of the relationship between customers and service provider employees has been noted in the literature.

(iii) Special Treatment Benefits

The final category of relational benefits relates to customization of the service offering. Many service providers for their regular customers may tailor their services to meet customer specifications and requirements. In some cases, this may be perceived by customer as preferential treatment.

1.7.2. Benefits to the Organisation

There are more benefits in maintaining and developing a loyal customer bases. They can be linked directly to the concerns bottom line. It includes

(i) Increasing Purchases

Customers who get to know a firm and have satisfaction with the quality of its services related to that of its competitors will be tempted to give more business to the firm. As customers mature, they frequently require more of a particular service. Most
of research studies reported that across industries, customers tend to spend more each year with the particular relationship partner than the preceding period.

(ii) Lower Costs

There are many start up initial cost associated with attracting new customers. They include advertising and other promotion cost, operating cost of setting up accounts and time costs of getting to know the customers. These initial costs can be outweighing the revenue excepted from the new customers in the short term. Once learning about one another has taken place, the customer will have a fewer problems and questions and the service provider will incur fewer costs in serving the customer.

(iii) Free Advertising or Word of Mouth

When it is complex and difficult to evaluate the service of the service provider as in the case with many services, customers most often look to others for advice on which service provider to consider. Loyal customers who are satisfied with services of service provider are likely to provide a concern with a strong word of mouth. This form of advertising can be very effective than any paid mode of advertising. The company may use these customers and has the added benefit of reducing the cost of attracting new customers.

(iv) Employee Retention

An indirect benefit of customer retention is employee retention. It is easier for a concern to retain employees when it has a stable base of satisfied customers. People like to work for companies whose customers are happy and loyal. Since employees stay with the firm longer, service quality improves and cost of turnover is reduced by adding further to profits. The satisfied employees are more likely to provide superior levels of service. They stay longer with the company and have a greater sense of commitment to the company and its customers.

(v) Non-Economic Benefits

The non-economic benefits of relationship marketing include having a core group of customers who can provide a company with a market for testing and introducing new products or offers with reduced risk. In the light of such over whelming evidence for the benefits of forming customer relationships, one should not forget the fact that relationship strategy may not be beneficial in some situations.
The service organisations under certain conditions may need to pursue strategies other than a relational one. Hence, this can be applied only, when there is a kind of environment, which would facilitate cultivation of a successful relationship strategy.

1.8 Dimensions of Relationship Marketing

Few marketing authors have suggested behavioural dimensions of relationship marketing such as trust, bonding, communication, shared values, empathy, commitment, competence, reciprocity and others to help marketing practitioners who seek to implement the concept of relationship marketing. (Pressey and Mathews, 2000; Ndubisi and Wah 2005; and Sin et.al, 2005). For this research study, the major relationship marketing dimensions such as trust, commitment, empathy, communication, service quality, emotional element, customization and corporate social responsibility are taken. A brief outline of the dimensions is given below.

1.8.1 Trust

Trust has been defined in various ways in literature. Trust is “willingness to rely on an exchange partner in whom one has confidence” (Moorman et al. 1993). Morgan and Hunt (1994) felt trust exists “when one party has confidence in an exchange partner’s reliability and integrity”. According to Deutsch (1960) trust consists of two components: confidence in ability and intention. Every change that we face in marketing today makes the establishment of trust and the maintenance of trust more necessary and more valuable because for consumers the mounting complexities of choice will make the need for trust more urgent. It is a promising future for brands that live up to and deliver on these expectations.

The trust proposed here reflects two district components such as credibility and benevolence. Credibility, which is based on the extent to which the customer believes that the supplier has the required expertise to perform the job effectively and reliability benevolence, which is based on the extent to which the retailer believes that the vendor has intentions and motives beneficial to the retailer. When new conditions arise, a condition for which a commitment was not made credibility encompasses the consistency, stability and control over the pattern of behaviour exhibited. Benevolence focuses on the qualities, intentions and characteristics attributed to the partner.
Winning the customer confidence is vital in service organisation. Consequently a high level of trust worthiness will lead to a higher level of co-operation and lower level of risk.

1.8.2 Commitment


Commitment to a relationship refers to an enduring desire to maintain a valued relationship. Therefore, commitment exists only when the relationship is considered important. It consists of two dimensions such as attitudes towards interacting with each other and formation of bonds. The bonds may be legal, planning, knowledge, social, technical and structure in nature.

Commitment is an implicit or explicit plead of relational continuity between the parties to the relationship. It reflects the history of the business relationship. It also connects a future orientation as well. Commitment is a state of binding of the customer to the bank. High levels of commitment between a banker and customer places a high value on the alliance and believes in the importance of the alliance. Strong commitment to an alliance increases the customer’s willingness to apply maximum efforts to maintain the relationship.

1.8.3. Empathy

It is the component of a business relationship that enables the two parties to see the situation from each other’s perspective. Empathy is defined as seeking to understand the desires and goals of somebody else. In the personal selling literature, the empathetic abilities of the sales people are a prerequisite for successful selling (Greenberg and Greenberg, 1983; Sager and Ferris, 1986). In the service marketing literature, the component of empathy is used by Berry et al. (1991) in developing the SERVQUAL test instrument for service quality. In the networking literature, Smith and Johnson (1993) include empathy as an independent variable in explaining
franchisor-franchise working relationships. Based on the studies, empathy is a necessary condition to foster a positive relationship between two parities.

1.8.4. Communication

It is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. Research in relationship marketing highlights the importance of information exchange in business relationships. Anderson and Narus (1990) stress crucial role of communication in partnerships for the formation of co-operation and trust. Morgan and Hunt (1994) find that communication has a positive and indirect impact on the retailer-supplier relationship commitment in the automobile industry. By means of experimental observations, many authors argued that communication must be employed as an effective means in order to enhance partner’s trust to each other (e.g. Anderson and Narus, 1990, Morgan and Hunt 1994) such a means can help partners to construct a system by which resolving disagreement would be possible. Communication is considered as an important characteristic which is also believed to be a core competency. Communication is also important in building personnel’s understanding of the firm’s objective and creating through insights about organisational responsibilities and tasks to attain that objective. Mohr et.al (1990) described elements such as communication bi-directionality, formality, and influence activities and frequently as characteristics of relationship building communication.

1.8.5. Service Quality

Organisation must strive to maintain a high quality of services in order to gain a competitive advantage in the market. The service quality is defined by either or all of a customer’s perception regarding:

- An organisation’s technical and functional quality.
- The service product, service delivery and service environment.
- The reliability responsiveness, empathy, assurances and tangibles associated with a service experience.

In case of pure service based organisation, service quality will be the dominant element in customer’s evaluation of service provider. The important ways of judging quality service are:
- Fitness for purpose.
- The quality of features of service that meet the customer needs.
- Meeting or exceeding the customer expectations.

Smith (1998) argues that relationship quality is important to assure the degree of relationship strength. Successful relationship leads to a smooth exchange process and proper treatment from both parties (Crosby et al. 1990). Li et al. (2008) stated that good relationship service quality can decrease uncertainty in the mind of customers. If relationship quality is high, it may develop a strong and long term relationship between customer and firm (Singh, 2008). Whitten et al. (2007) proposed that relationship quality can be measured by considering different dimensions like trust, communication and interdependence. Lages et.al. (2005) suggested that relationship quality can be measured by intensity of information sharing time orientation and communication quality in firm’s perspective.

1.8.6. Emotional Element

Engaged is the emotional bond or attachment that customer develops during the repeated and on-going interactions accumulated as a satisfied and loyal customer. When customers are engaged with an organisation, they are emotionally connected passionate about its products and services, as well as aligned with the purpose and direction of the organization.

When customers buy products or services they expect good quality delivered with good service at a fair price. Companies have learned that all of these factors must be average or better to maintain a satisfactory relationship over time. However some companies have figured out that there is another battle being waged – the fight for the customer engagement.

Customers begin to form a strong emotional bond with an organization after they experience multiple episodes of helpful and enjoyable service from service providers. Marketers can monitor engagement drivers and collect attitudinal information through feedback technology that includes both solicited and unsolicited feedback. Solicited feedback is any feedback that is purposely requested, generally within a selected time frame, such as from a survey. Engagement – related surveys with questions that are designed to measure drivers of customer emotions and
intentions can reveal this information. As business struggle to find new ways to grow and differentiate, they must learn to not only connect to the mind of the customer, but also to heart of the customer by focusing on the drivers of engagement. Value – based attitudinal information, made available today through new surveying technology, equips businesses with a new way to understand and retain customers.

1.8.7 Customization

Customization is regarded as an essential attributes of service offering. Service sector are expected to deliver a service in response to particular customers’ needs. Rapid developments in the technology, particularly in information technology, are making this task easier. Flexibility to accommodate personal preferences or changes has become an integral aspect of service delivery systems in the telecom sector. Service sectors are now willing to see the customer relationship in general and customer data in particular, as strategic and worthy of investment.

1.8.8. Corporate Social Responsibility

Corporate social responsibility represents one of the pillars of an organisation’s excellence. The other two pillars of business excellence are satisfying user demands and improving business productivity. These two pillars contribute to the making of profit, but without the application of the principle of corporate social responsibility, there is no business excellence.

The concept of corporate social responsibility has been standardized and today represents an integral part of integrated management systems. The principles connected with existing definitions of corporate social responsibility consists of the following: taking part in community life accountability, sustainability, transparency, ethical behaviour (without corruption) honesty and inclusion. Socially responsible companies adhere to the “triple result” approach, keeping in mind the social, economic and environmental influence of their business operations.

Corporate Social responsibility helps an organisation to lead as a corporate citizen in encouraging ethical behaviour in everything it does. These subtle, but nevertheless forceful elements sends strong signals towards improving the organisation’s image and goodwill and consequently influence the customer’s overall evaluation of service quality and their loyalty to the organisation.
1.9 Outcomes of Relationship Marketing

The outcomes of relationship marketing are customer satisfaction and customer loyalty. Most researchers have viewed customer satisfaction as a measure to capture the relationship marketing outcome. Customer satisfaction is the ultimate goal of marketing and sustained customer satisfaction overtime leads to customer relationships that increase the long term profitability of the firm.

1.9.1 Customer Satisfaction

Customer satisfaction is significantly taken into account as assurance for customer retention. Now a day’s customer satisfaction is one of the top management main concerns in businesses. Satisfaction has been thoroughly studied for consumer services (Ganesh et al; 2000). Customer relationship satisfaction is the customer’s positive feeling that comes from the customer’s evaluation of the buyer-seller relationship (Geyskenes, Steen camp and Kumar, 1999). Customer’s satisfaction with the relationship develops the customer-company relationship (Roberts, Varki and Brodie 2003). Hence, customer and firm take advantage of the relationship exchanges. Consequently, when the customer is satisfied, the company is able to make more profit through maintaining this relationship. The cost of creating new customers is higher than the cost of maintaining them. Therefore, satisfaction with the relationship with some customers is not beneficial since the cost of maintaining them is higher than the profit which they provide. According to Palmatier et al., (2006) relationship satisfaction entirely belongs to the customer’s satisfaction with the relationship and this is not the same as the customer’s satisfaction with in general exchanges. A satisfied customer is more credible to be loyal to a firm (Lee & Lau, 2005), therefore the fulfilment of both the company and the customer’s desires leads to satisfaction with the relationship. (Anderson and Narus, 1990). Though, customers do not necessarily have always satisfaction and creating satisfaction does not assure maintaining a company’s relationship with its customers.
1.9.2 Customer Loyalty

All the activities in marketing are focused on customer to make him loyal. Oliver (1997) defines it as the deep commitment of a customer to repurchase the same product or service and remain repetitive in this behaviour. Hayes (2008) argues that customer is the only source of a profitable growth, and customer loyalty may contribute in it. Chu (2009) explains loyalty as a commitment to certain product for repeated purchase. There is a difference between the purchase rate of loyal and non-loyal customers (Bowen et al; 1998) argues that loyal customers are very important and valuable assets for a firm. It is up to company to retain these customers for a long term relationship (Tseng 2007). Customer loyalty has two dimensions. One is attitudinal and other one is behavioural (Aydan et al; 2005). Attitudinal loyalty is related to preference, recommendation and purchase intentions of the customers. Behavioural is related purchase share and frequency.

The one biggest key of success and progress in e-commerce is the customer loyalty (Reichheld and Schefter, 2000) within consumer marketing community. In the service industry when it comes to creation or maintenance of loyalty in customer then attributes like reliability and especially confidence play a vital and stringent role (Dick and Basu, 1994).

Customer loyalty is basically the customer’s mind set which carries the positive attitude towards a company which makes the customer to buy again the product/service of that particular company and then that customer also refers that product or service to his friends and others.

1.10 Growth of Indian Telecom Sector: An Overview

The Indian telecommunication industry is one of the fastest growing in the world. Government policies and regulatory framework implemented by Telecom Regulatory Authority of India (TRAI) have provided a conducive environment for service providers. This has made the sector more competitive, while enhancing the accessibility of telecommunication services at affordable tariffs to the consumers. In the last two decades, the Indian telecom Sector and mobile telephony in particular has caught the imagination of India by revolutionizing the way we communicate, share information and through its staggering growth helped millions stay connected.
The telecom industry has witnessed significant growth in subscriber base over the last decade, with increasing network coverage and a competition-induced decline in tariffs acting as catalysts for the growth in subscriber base. The sector expected to witness up to US$56.3 billion investments and the market will cross the US$101 billion mark in five years (as per TRAI).

1.10.1. Current Scenario

The Indian telecom sector has witnessed tremendous growth over the past decade. Today, the Indian telecom network is the second largest in the world after China. The telecom industry has witnessed significant growth in subscriber base over the last decade, with increasing network coverage and a competition-induced decline in traffic acting as a catalyst for the growth in subscriber base. The growth story and the potential have also served to attract new players in the industry, with the result that the intensity of competition has kept increasing.

Figure 1.4 Annual Subscriber and Teledensity growth

The number of telephone subscribers in India increased from 915.19 million at the end of Dec-13 to 933.01 million at the end of Mar-14, registering a growth of 1.95% over the previous quarter. This reflects year-on-year (Y-O-Y) growth of 3.90% over the same quarter of last year. The overall Tele-density in India increased from 74.02 as on 31st December, 2013 to 75.23 as on 31st March, 2014.

1.10.2. Trends in Telephone Subscribers and Tele-Density in India

Subscription in Urban Areas increased from 549.40 million at the end of Dec-13 to 555.28 million at the end of Mar-14 and Urban Tele-density also increased from 144.95 to 145.78. Rural subscription increased from 365.79 million to 377.73 million and Rural Tele-density also increased from 42.67 to 43.96. Share of subscription in Rural areas out of total subscription increased from 39.97% at the end of Dec-13 to 40.49% at the end of Mar-14.

1.11 Need for the Study

The Indian service sector has become increasingly vibrant in the past few years. The heavy industrialism stemming from the government’s liberalization policies coupled with the process of globalisation has resulted in the Indian market integrating with the global market. Against this backdrop, with the service industry undergoing a metamorphosis at a rapid pace, identification and investigation of research issues to service industry management assumes paramount importance.

According to the economic survey of 2013-14, India is the second fastest growing services sector with its compound annual growth rate at nine per cent, just below China’s 10.9 per cent, during the last 11-year period from 2001 to 2012. Among the world’s top 15 countries in terms of GDP, India ranked 10th in terms of overall GDP and 12th in terms of services GDP in 2012, adding that services share in world GDP was 65.9 per cent but its share in employment was only 44 per cent in 2012.

As per the survey, in India, the growth of services-sector GDP has been higher than that of overall GDP between the periods FY2001- FY2014. Services constitute a major portion of India’s GDP with a 57 per cent share in GDP at factor cost (at current prices) in 2013-14, an increase of 6 percentage points over the previous years.
The economic reforms have opened up the Indian service industry to private sector. The major service industries such as banking, telecommunication, insurance and airlines, which were largely government owned until recently, are facing stiff competition with new private sector entrants. These private sector companies with their state of the art service systems and high service quality pose a real threat to the government owned public sector organisations. In such a scenario, the organisations have to adopt a more pragmatic, market oriented approach, if they have to succeed in winning and retaining customers.

The need to develop greater competitive advantages in the service area has provided impetus for relationship marketing to become a topic of great interest to an organization. Among the service organisations, the telecom sector is the largest one that caters to the needs of people belonging to all sections of society. Presently many telecommunication companies have realized the need for importance of relationship marketing programme and have taken steps to initiate such programmes.

In the competitive world, the key to sustainable competitive advantage in delivering high quality service that will, in turn, result in satisfied and loyal customers. Researcher needs to enlighten on importance of relationship marketing in telecommunication sector. The significance of the research study from the point of view of telecommunication sector needs to be explained.

Hence, there emerges the need to study relationship marketing in detail and impact of relationship marketing dimensions such as trust, commitment, empathy, communication, service quality, emotional element, customization and corporate social responsibility on relationship marketing outcomes namely customer satisfaction and customer loyalty.

1.12 Significance of the Research Study

The significance of this research study is presented in detail with respect to the following:

(a) Marketing

This research study provides value addition to functional area of marketing by bringing out the influence of trust, commitment, service quality, emotional element,
customization, corporate social responsibility, empathy, communication on customer satisfaction and customer loyalty respectively.

(b) Telecommunication

This research study aids the telecommunication industry to enhance its binding with customers by focussing on the various dimensions of relationship marketing. It also improves the brand image of telecommunication service provider.

(c) Customers

This research study improves the customer loyalty, trust and helps to maintain long term relationship towards telecommunication service provider.

1.13 Statement of the Research Problem

Recent research has highlighted the importance of developing relationships for effective marketing (Morgan and Hunt 1994). It has been suggested that academic research is undergoing a paradigm shift in marketing from transaction marketing to relationship marketing (Webster 1992; Kotler 1991; Parvatiyar, Atul, Jagdish Sheth and Brown Whittington Jr 1992). Regarding practice, firms are also regarding relationship marketing as critical for sustaining competitive advantage.

In the telecommunication industry, firms are forced to perform their best to maximise customer satisfaction. In this scenario, relationship marketing plays an important role in satisfying their customers. The customers are the main pillars on which any service industry, especially telecommunication industry depends upon. Hence to grow any service industry needs to have a sustaining customer relationship. The core purpose of implementing relationship marketing in a firm is to maximize customer loyalty. Trust, commitment, service quality, customisation, empathy, communication, emotional element, bonding, shared value, reciprocity, conflict handling etc… are important for customer satisfaction and customer loyalty. Mornay Roberts-Lombard, Lauren Strachan and Leon de Plesis (2013) supported that trust, commitment and conflict handling have positively influence on customer loyalty. Afshin Rahnama, Abbas Alaei, Javad Shafaee and Ali Ariana (2012) found that trust, commitment and communication have impact on insurance customer loyalty. Velnampy, T & Sivesan S (2012) examined the relationship between trust, commitment, empathy, equity and customer satisfaction. Peyman Jesri, Freyedon
Ahmadi and Motreza Fatehipoor (2013) supported relationship between trust, commitment, communication, service quality, conflict handling competence and customer loyalty. Josee Bloemer and Ko de Ruyter (1998) found that the relationship between satisfaction and loyalty with respect to extended services is moderated by positive emotions in the case of high involvement service settings. Pedro S. Coelho, Jorg Henseler (2012) found that customisation increased perceived service quality customer satisfaction, customer trust and customer loyalty toward a service provider.

There are less research studies available on the influence of corporate social responsibility, customisation, empathy service quality, emotional element and communication on customer loyalty and customer satisfaction. Trust and commitment are very important variables for studying customer satisfaction and customer loyalty. Hence, this research study has been primarily undertaken to find out the impact of customer relationship marketing dimensions such as trust, commitment, empathy, communication, service quality, emotional element, customization and corporate social responsibility on customer loyalty and customer satisfaction (outcome of relationship marketing) respectively.

1.14 Research Questions

1. What is the customers’ perception on the dimensions influencing relationship marketing in Telecommunication Industry?
2. What is the variation or difference in mean of various demographic variables with respect to customer satisfaction and customer loyalty?
3. What is the predictability of customer relationship marketing variables on customer loyalty and customer satisfaction respectively (Outcome of customer relationship marketing)?
4. Whether variables of relationship marketing shows good fit to the sample data?

1.15 Objectives of the Research Study

This research study would bring out the impact of relationship marketing variables on customer loyalty and customer satisfaction.

1. To measure the customer’s perception on the dimensions of relationship marketing in telecommunication industry.
2. To examine the variation or difference in mean of various demographic variables with respect to dimensions of relationship marketing, customer satisfaction and customer loyalty.

3. To examine the predictability of relationship marketing variables on customer loyalty and customer satisfaction.

4. To bring out the effectiveness of structural equation model portraying the impact of relationship marketing variables on customer loyalty and customer satisfaction pertaining to our sample data.

5. To put forward suggestions based on the findings of the research study.

1.16 Conceptual Framework of the Research Study

The research study seeks to find out the impact of relationship marketing variables on customer loyalty and customer satisfaction (outcome of relationship marketing). This research model portrays the dimensions of relationship marketing (trust, commitment, empathy, communication, service quality, emotional element, customization and corporate social responsibility) and its impact on customer loyalty and customer satisfaction (Outcome of relationship marketing).

The conceptual model is given in Fig 1.5
1.7 Variables of the Research Study

(i) Dependent Variables: The dependent variables of the research study are customer loyalty and customer satisfaction.

(ii) Independent Variables: The independent variables of the research study are trust, commitment, service quality, empathy, communication, emotional element, customization and corporate social responsibility.
(iii) Demographic Variables: It includes the following: Educational qualification, Gender, Age, Marital status, Occupation, Annual income, Service provider used by the respondents, Type of respondents and Longevity of using the telecommunication service.

1.18 Operational Definitions

The key concepts of the research study are operationally defined as under:

(a) Relationship Marketing: Attracting maintaining and enhancing customer relationships

(b) Telecommunication Sector: The research study is undertaken among respondents with respect to telecommunication sector.

(c) Trust: Extent of confident in an exchange partner’s reliability and integrity.

(d) Commitment: Enduring desire to maintain a valued relationship.

(e) Empathy: Ability to see a situation from another person’s perspective.

(f) Communication: Consumer’s perception of the extent to which a telecom service provider interacts with its regular customers in a warm and personal way.

(g) Service Quality: Performing services right the first time.

(h) Emotional Element: The customer is made to feel by the interaction.

(i) Customization: Delivering a service in response to particular customer needs.

(j) Corporate Social Responsibility: Responsibility of the Telecom service provider to watch the fulfilment of needs of the society.

(k) Customer Loyalty: Commitment to re-buy a product or service in the future.

(l) Customer Satisfaction: Relationship outcome to measure the genuine relationship between customers and the Telecom service providers.

(m) Age: It refers to completed age of the respondent.
(n) Educational Qualification: It refers to the educational qualification of the respondent.

(o) Gender: It refers to the gender (i.e. Male or Female) of the respondent.

(p) Marital Status: It refers to marital status (i.e. Married or Unmarried) of the respondent.

(q) Occupation: It refers to occupation of the respondent.

(r) Annual Income: It refers to annual income of the respondent.

(s) Service Provider used: It refers to telecommunication service provider used by the respondent.

(t) Type of Respondent: It refers to type of telecommunication service (i.e. Prepaid or Post-paid) used by the respondent.

(u) Longevity of using the Telecommunication Service: It refers to period to which respondent is using the telecommunication service.

1.19 Chapterisation

The research report consists of five chapters. A brief description on the detailed breakup of the report is presented as under:

(A) **Chapter I: 'Introduction’** chapter gives an overview of the research study, statement of the research problem, significance of the study, research questions, aims and objectives of the study, conceptual framework of the study, variables of the study, operational definitions and organization of the research report.

(B) **Chapter II: ‘Review of Literature’** chapter contains significant research studies relating to all the variables of the research study.

(C) **Chapter III: ‘Research Methodology’** describes the methodology used to carry out this research. This chapter contains research design, source of data and unit of analysis, universe and sampling frame, sampling design, hypothesis, and tool of data collection, pilot study, data collection, data analysis and interpretation and limitations of the research study.
(D) **Chapter IV**: ‘Analysis and Interpretation’ chapter presents the analysis of the data collected for the research study. It includes descriptive analysis, confirmatory factor analysis, t-test, multiple regressions, ANOVA etc...

(E) **Chapter V**: ‘Findings, Suggestions and Conclusion’ chapter presents the summary and results of the research study and also suggestions and scope for future research. This is followed by the references and the appendices.

The next chapter ‘Review of Literature’ gives an overview of the existing literature on various variables of the research study.