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BUILDING CUSTOMER LOYALTY THROUGH RELATIONSHIP MARKETING STRATEGIES: A STUDY ON FOOD RETAILING SECTOR IN IZMIR

Öznur BİLGİLİ

Danışman
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Öznur BİLGİLİ tarafından hazırlanmış ve sunulmuş "**Building Customer Loyalty Through Relationship Marketing Strategies: A Study on Food Retailing Sector in İzmir**" başlıklı Tezi(X) / Projesi( ) kabul edilmiştir.

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Yüksek Lisans Tezi olarak sunduğum **"Building Customer Loyalty Through Relationship Marketing Strategies: A Study on Food Retailing Sector in Izmir"** adlı çalışmanın, tarafımdan, bilimsel ahlak ve geleneklere aykırı düşecek bir yardıma başvurmaksızın yazıldığını ve yararlandığım eserlerin kaynakçada gösterilenlerden oluştuğunu, bunlara atıf yapılarak yararlanılmış olduğunu belirtir ve bunu onurumla doğrularım.

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ÖZET

Yüksek Lisans Tezi

İlişki Pazarlama Stratejileri ile Müşteri Sadakati Oluşturma: İzmir' de Gıda Perakende Sektöründe Bir Çalışma

Öznur BİLGİLİ

Dokuz Eylül Üniversitesi

Sosyal Bilimler Enstitüsü

İngilizce İşletme Anabilim Dalı

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Bilgi ve bilginin kullanımıyla biçimlenen günümüzde, artan rekabet ile birlikte işletmeler mevcut müşterilerinin sadakat ve bağlılığını arttırma çabasına girmişlerdir. Hızlı değişimlerin yaşandığı bu dinamik ortamda işletmeler müşteriyi işletmenin odak noktasına yerleştirmenin ötesine geçip müşteriyle uzun dönemli ilişkiler kurarak müşteri sadakatini hedefleyen ilişki pazarlaması anlayışına yönelmişlerdir.

Rekabetin her geçen gün yoğunlaştığı perakendecilik sektöründe de tüketici ihtiyaç ve isteklerinin karşılanması ve tüketicilerin memnun edilmesi bütün işletmeler için çok önemlidir. Bu çalışma ile gıda perakende sektörü müşterileri üzerinde ilişki pazarlama stratejilerinin müşteri sadakati oluşturmasındaki etkileri araştırılmıştır. Araştırmada ilişki pazarlaması uygulamaları, demografik faktörler ve müşteri sadakati arasındaki ilişkiler açığa çıkarılmıştır.

Anahtar Kelimeler: Müşteri Sadakati, İlişki Pazarlaması, Perakendecilik, Sadakat Programları.

ABSTRACT

Master Thesis

Building Customer Loyalty Through Relationship Marketing Strategies: A Study on Food Retailing Sector in Izmir

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At our present day, which is shaped by knowledge and usage of it, with the increasing competition companies have gone into an effort to increase the loyalty and commitment of their current customers. In a dynamic environment where rapid changes occur, companies tend to the concept of relationship with customers going beyond putting them at the center of the business.

It is very important for the companies to meet the needs and wants of the customers and satisfying them in retailing sector where competition intense each day. With this work, the effects of relationship marketing strategies on building customer loyalty among food retailing customers have been investigated. This research reveals the relations between common relationship marketing activities, demographic factors and customer loyalty.

Key Words: Customer Loyalty, Relationship Marketing, Retailing, Loyalty Programs.

BUILDING CUSTOMER LOYALTY THROUGH RELATIONSHIP MARKETING STRATEGIES: A STUDY ON FOOD RETAILING SECTOR IN IZMIR

PART 2

SCOPE OF RELATIONSHIP MARKETING AND RETAILING

ABBREVIATIONS

AMA	American Marketing Association
B-to-B	Business to business
B-to-C	Business to consumer
CLV	Customer Lifetime Value
CRM	Customer Relationship Management
FP	Frequency Program
RM	Relationship Marketing
TM	Traditional (Transactional) Marketing
TQM	Total Quality Management

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INTRODUCTION

Relationships are one of the fundamental assets of the companies since they determine the future of the firm and predict whether new value will continue to be created and shared with the company. If customers are willing to be guided by a deeping bond, they will also be ready to do more business with it. Thus, relationships are important and will become more important each day. Value will be created through relationships. By linking people and computers together in real time, new value will be made, continuously (Gordon, 1998: 291–292). Recognizing this, companies can go with the flow and build the capabilities needed to enhance relationships.

Relationship marketing is one of the oldest approaches to marketing, yet one of the least understood. It is a broad topic and many scholars and researchers have approached it from different perspectives (Zineldin & Philipson, 2007: 229). The importance of relationship marketing is increasingly being recognized leading us to believe that companies need to move from short-term transaction-oriented goals to long-term relationship-building goals (Kotler, 1992; Cited by Ndubisi & Wah, 2005: 544).

Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving relationships with current customers rather than on acquiring new customers. It requires a usage of wide range of marketing, sales, communication, and customer care techniques and processes to identify the named individual customers, create a relationship between the company and these customers. Thus, it goes beyond an effort for making the sale to a drive for making the sale repeatedly. To keep particular customers coming back, firms must exceed customers’ needs and wants so they will make repeat purchases (Boone & Kurtz, 2003: 485–486).

Knowing what a customer prefers would be helpful in implementing successful relationship marketing strategies. Besides its ability to help understand customers, relationship marketing also helps to increase market share, profitability, and reduce cost. Research has shown that the cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer (Ndubisi, 2003, Rosenberg and Czepiel, 1983; Cited by Ndubisi & Wah, 2005: 543). Recognizing this, most companies today are moving away from transaction marketing, with its emphasis on making a sale. Instead, they are practicing relationship marketing, which emphasizes building and maintaining profitable long-term relationships with customers by creating superior customer value and satisfaction (Kotler, Brown, Adam & Armstrong, 2001: 607–608).

Both an opportunity and challenge, relationship marketing requires a fundamental change in perspective from share of the market to share of the customer. The key to gaining a higher share of each customer’s lifetime is the systematic development and management of relationships with external customers, suppliers, competitors and internal constituents within the firm. By the help of this, companies will be able to build customer loyalty and create long-term relationships with its customers.

To our knowledge, there are no previous studies on the effect of relationship marketing strategies on customer loyalty in food retailing sector. The purpose of this study is to investigate relationship marketing and examine the effects of customer perceptions towards common relationship marketing activities on building customer loyalty. This study will explore the relationship between customer value and satisfaction, customer retention and customer loyalty.

We review the literature on the basic issues in relationship marketing in the first part. It deals with the key concepts; customer value, satisfaction, retaining customers and customer loyalty. Then, we continue with historical development and foundations of relationship marketing. In addition to these, underpinnings, goals and benefits of relationship marketing are also handled in the first part.

Second part deals with the scope of relationship marketing and retailing. Advantages and challenges associated with relationship marketing, customer relationship management, relationships in business-to-business and business to customer markets and relationship marketing strategies are presented. Thereinafter, we give place to the concepts of retailing and retailer and sample applications.

We present our study on selected food retailing sector customers in the third part with the analysis carried out. This part is completed with the limitations of the research, proposals for future research and results and discussion. Finally, we end our study with review and conclusion.

PART 1
BASIC ISSUES IN RELATIONSHIP MARKETING

1.1. KEY CONCEPTS IN RELATIONSHIP MARKETING

Relationship marketing has emerged as an important topic in both academic and practitioner discussion and literature. The basis of relationship marketing is customer loyalty because retaining customers over their life will contribute to enhanced profitability. This implies that companies have to learn continuously about their customers' needs and expectations, which are ever changing and often unpredictable. Customer relationships can then be enhanced by offering increased value which companies are able to derive from their learning (Morris et al., 1999; Cited by McIlroy & Barnett, 2000: 348).

Enhancing relationships with customers means treating them fairly, enhancing the core service by adding extra value and, perhaps most important, providing a highly customized service for each individual. While ensuring that existing customers are satisfied with the service, many managers are also developing loyalty schemes in an effort to entice customers away from their competitors (McIlroy & Barnett, 2000: 347).

As markets become more competitive, many companies recognize the importance of retaining current customers and some have initiated a variety of activities to improve customer loyalty. Indeed, the benefits associated with customer loyalty are widely recognized within business (McMullan & Gilmore, 2008: 1084).

Before an organization can begin to develop a relationship marketing strategy, it is important that three underlying principles are understood, loyalty, profitability and retention. The following discussion will outline customer value and satisfaction, retaining customers and customer loyalty. These principles are closely interwoven in relationship marketing but in order to examine and discuss them, they are presented separately.

The key to building customer relationships is to create superior customer value and satisfaction. Satisfied customers are more likely to be loyal customers, and loyal customers are more likely to give the company a larger share of their business.

1.1.1. Relationship Building Blocks: Customer Value and Satisfaction

Attracting and retaining customers can be a difficult task. Customers often face a bewildering array of products and services from which to choose. To attract and keep customers, a company must constantly seek ways to deliver superior customer value and satisfaction (Kotler & Armstrong, 2004: 17).

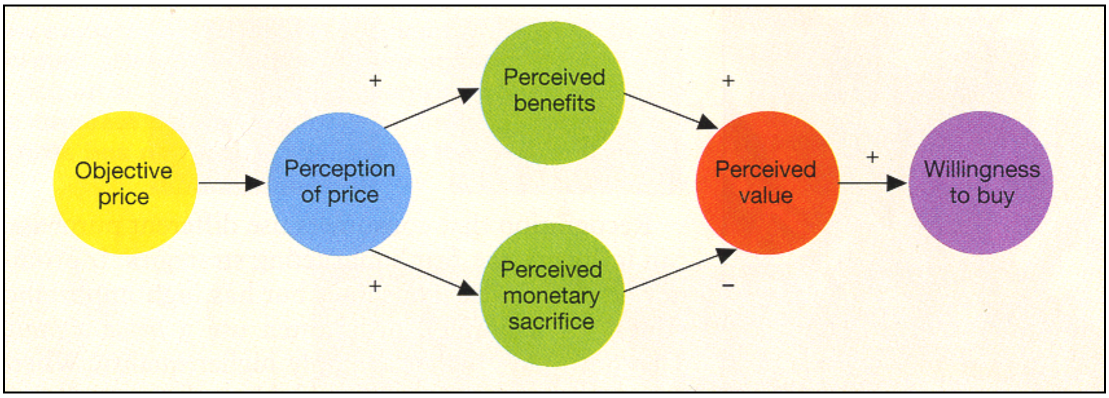
1.1.1.1. Customer Value

A customer buys from the firm that offers the highest *customer perceived value* – the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those competing offers (Kotler & Armstrong, 2004: 17).

Perceived value describes the buyer's overall assessment of a product's utility based on what is received and what is given. It represents a trade-off between the "give" and the "get" components of a purchase transaction and plays a critical role in purchase decisions.

The give is mainly the product's price. Increasingly, consumers base brand decisions on their notions of a "reasonable price" and compare prices regularly. Figure 1 summarizes the effects of price on buyer judgments of value. Perceived value ultimately determines willingness to buy. Perceived value in turn is determined by a combination of the perceived benefits, or quality received, and the monetary sacrifice made; higher benefits enhance value; higher monetary sacrifice detracts from it. These offsetting effects reflect the trade-off of the give and get components inherent in consumer perceptions of value (Bearden, Ingram & LaForge, 2004: 258).

Figure 1. Relationships among price, perceived value and willingness to buy



Source: Bearden, W. O., Ingram, T. N. & LaForge, R. W. (2004). Marketing: principles and perspectives (4th Edition). New York: McGraw-Hill/Irwin, p. 259.

The determinants of value for services are even more critical to understand. As one noted expert in services marketing emphasizes, the lack of differentiation among many competing services encourages managers to overuse price as a marketing tool; the mistake is thus made that price and value are equivalent. In truth, value represents the benefits received for burdens endured. These burdens not only include price, but also slow service, busy telephone lines, and rude boundary employees who interact with the customers of service providers (Bearden, Ingram & LaForge, 2004: 259).

To survive in a competitive environment, an organization must provide target customers more value than is provided by its competitors. Customer value is the difference between all the benefits derived from a total product and all the costs of acquiring those benefits. For instance, owning a car can provide a number of benefits, depending on the person and the type of car, including flexible transportation, image, status, pleasure, comfort, and even companionship. However, securing these benefits requires paying for the car, gasoline, insurance, maintenance, and parking fees, as well risking injury from an accident, adding to environmental pollution, and dealing with traffic jams and other frustrations. The difference between the total benefits and the total costs constitutes customer value (Hawkins, Best & Coney, 2004: 11–12).

Delivering superior value to customers is an ongoing concern of management in many business markets. Knowing where value resides from the standpoint of the customer has become critical for suppliers because greater levels of customer satisfaction lead to greater levels of customer loyalty and repeat buying. This again leads to a higher degree of commitment and, ultimately, higher market share and higher profit. In fact, delivering superior value to customers is key to creating and sustaining long-term industrial relationships (Hollensen, 2003: 146).

1.1.1.2. Customer Satisfaction

Highly satisfied customers produce several benefits for the company. Satisfied customers are less price sensitive. They talk favorably to others about the company and its products and remain loyal for a longer period (Kotler & Armstrong, 2004: 19).

Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Outstanding marketing companies go out their way to keep their customers satisfied. Satisfied customers make repeat purchases and tell others about their good experiences with the product. The key is to match customer expectations with company performance. Smart companies aim to delight customers by promising only what they can deliver, then delivering more than they do promise. The overall customer satisfaction has been declining slightly in recent years. It is unclear whether this has resulted from a decrease in product and service quality or from an increase in customer expectations. In either case, it presents an opportunity for companies that can consistently deliver superior customer value and satisfaction.

However, although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to maximize customer satisfaction. A company can always increase customer satisfaction by lowering its price or increasing its services. Nevertheless, this may result in lower profits. Thus, the purpose of marketing is to generate customer value profitably. This requires a very delicate balance: The marketer must continue to generate more customer value and satisfaction but not "give away the house." (Kotler & Armstrong, 2004: 17–19).

Value – and tomorrow's sales and profits – are created by today's satisfied customers who want to continue doing business with the company. In the last few years, there has been a lot of research into the value of satisfied customers and into what determines customer satisfaction (Table 1). Today's top companies recognize that satisfied customers are highly valued assets. In contrast, dissatisfied customers can rapidly destroy the performance of the business (Doyle, 2002: 40).

Table 1. The ABC of customer loyalty

▪ *Loyal customers are assets*. A customer that generates a profit of £1,000 for a supplier in its first year is likely to generate a total profit of £50,000 if retained as a satisfied customer over ten years.
▪ *Loyal customers are more profitable*. They buy more of the company's products, take less of its time, are less price sensitive to price and bring in new customers.
▪ *Winning new customers is costly*. It costs 3-5 times as much to find a new customer as to retain an existing one. These are the costs of researching, advertising, selling and negotiating with new prospects.
▪ *Increasing customer retention*. The average company loses 10 per cent of its customers annually. Studies show that increasing retention by as little as 5 per cent can increase a company's profits by 85 per cent.
▪ *"Highly satisfied" customers repurchase*. They are six times more likely to repurchase than customers who rate themselves just "satisfied". Highly satisfied customers tell others about the company.
▪ *Dissatisfied customers tell others*. On average, they tell 14 others. Therefore, if losing a single customer represents the loss of an asset with a lifetime value of say

	£10,000, this might be only the tip of the iceberg. The total value lost might be 14 times as great.
▪	*Most dissatisfied customers do not complain*. While they tell their associates, only 4 per cent bother to complain to the company. For every complaint received, another 26 are likely to have problems and 6 will be serious ones.
▪	*Satisfactory resolution of complaints increases loyalty*. When complaints are resolved satisfactorily, these customers tend to be more loyal than those who never experienced a problem in the first place.
▪	*Few customers defect due to poor product performance*. Only 14 per cent defect for this reason. Two-thirds leave because they find service people indifferent or inaccessible.

Source: Doyle, P. (2002). Marketing Management and Strategy (3rd Edition). New York: Pearson Education, p. 41.

Companies with satisfied customers have a good opportunity to convert them into loyal customers – who purchase from those firms over an extended period. From consumer-oriented perspective, when marketing activities are performed with the conscious intention of developing and managing long-term, trusting relationships with customers, relationship marketing is involved (Evans & Berman, 1997: 16).

Satisfaction is a measure of how well a customer's expectations are met while customer loyalty is a measure of how likely a customer is to repurchase and engage in relationship activities. Loyalty is vulnerable because even if customers are satisfied with the service they will continue to defect if they believe they can get better value, convenience or quality elsewhere.

According to Lowenstein (Lowenstein, 1995, p. 10), conventional wisdom of business, academia, and the consulting community is that customer satisfaction is a necessary element and cornerstone of total quality, and that, if satisfied, the customer will remain loyal. This is a myth, and potential drawback, of having a total customer satisfaction focus.

Therefore, customer satisfaction is not an accurate indicator of customer loyalty. Satisfaction is a necessary but not a sufficient condition for loyalty. A customer traveling away from home may be very satisfied with a hotel in which they stay, but they will not necessarily stay in the same hotel when they visit that area again. Other variables affect the customer's choice including price, location and convenience. Loyalty is established when the customer makes a commitment to the brand and returns to the same hotel whenever they are in the area. In other words, we can have satisfaction without loyalty, but it is hard to have loyalty without satisfaction (Shoemaker and Lewis, 1999; Cited by McIlroy & Barnett, 2000: 349). While there is no guarantee that a satisfied customer will return, it is almost certain that a dissatisfied customer will not return (Dube et al., 1994; Cited by McIlroy & Barnett, 2000: 349).

1.1.2. Retaining Customers

Satisfied customers are more likely to be loyal customers. However, the relationship between customer satisfaction and loyalty varies greatly across industries and competitive situations. Beyond building stronger relationships with their partners in the demand chain, companies work to develop stronger bonds and loyalty with their ultimate customers (Kotler et al., 2001: 667).

1.1.2.1. The Need for Customer Retention

Today, outstanding companies go all out to retain their customers. Many markets have settled into maturity, and there are not many new customers entering most categories. Competition is increasing and the costs of attracting new customers are rising.

Unfortunately, classic marketing theory and practice has centered for too long on the art of attracting new customers rather than retaining existing ones. Faced with an expanding economy and rapidly growing markets, marketers could take a “leaky bucket” approach to marketing. The emphasis was on creating transactions rather than relationships. Discussion focused on pre-transaction activity and transaction activity rather than post-transaction activity. This is not to say that pre-transaction and transaction activities are no longer important, for they are. Today, however many more marketing organizations recognize the importance of retaining current customers.

Thus, although much current marketing focuses on formulating marketing mixes that will create sales and new customers, the firm's first line of defense lies in customer retention. In addition, the best approach to customer retention is to deliver high customer satisfaction and value that will result in strong customer loyalty (Kotler et al., 2001: 667).

A highly satisfied customer stays loyal longer, buys more as the company introduces new products and upgrades existing products, talks favorably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers product or service ideas to the company, and costs less to serve than new customers because transactions are routine.

Some companies think they are getting a sense of customer satisfaction by tallying customer complaints, but 96 percent of dissatisfied customers do not complain; many just stop buying. The best thing a company can do is to make it easy for the customer to complain. Suggestion forms and toll-free numbers and e-mail addresses serve this purpose. The 3M Company claims that over two-thirds of its product-improvement ideas come from listening to customer complaints. Listening is not enough, however. The company must respond quickly and constructively to the complaints (Kotler, 2003: 73).

Customer retention is the crux of relationship marketing. If an organization is not able to keep customers and build long-term relationships, it will continue to operate with discrete one off transactions. Discussions of customer retention seem to be dominated by loyalty programmes and customer discounts. However, research shows that what really drives repurchase is high-quality customer service and well-managed, strategically delivered formal and informal communications (Vavra & Pruden, 1998: 50).

Customers do not remain with an organization just because of the discounts offered or the loyalty programme that is available. The service provided must also meet the expectations of the customer. An organization building customer retention should enable customers to receive what they want, when they want it (just-in-time), a perfect delivery each and every time with the desired levels of service that appeal to the consumer.

A desired outcome of providing quality in all transactions is customer retention. While there is no guarantee of a satisfied customer's repeat visit, it is nearly certain that a dissatisfied customer will not return. Managers must understand customer perceptions and expectations of quality. Research has indicated that assessments of quality and satisfaction are critical in the process by which a consumer develops a positive attitude towards a particular experience, makes a repeat purchase and develops brand loyalty. However, mistakes do occur within an organization, but it is fundamental and essential to commit to service recovery (Tse, 1996: 303). Service recovery is about turning around a bad service experience and retaining the customer after something very annoying has happened. As Zemke stated, in simple terms, it is the special effort customers expect you to put forth when things have gone wrong for them (Zemke, 1998: 279; Cited by McIlroy & Barnett, 2000: 350).

1.1.2.2. Customer Lifetime Value

Marketing is the art of attracting and keeping profitable customers. A company should not try to pursue and satisfy every customer. Kotler and Armstrong (1996) define a profitable customer as "a person, household, or company whose revenues behavior over time exceed, by an acceptable amount, the company costs of attracting, selling, and servicing that customer." This excess is called customer lifetime value (CLV) (Kotler & Armstrong, 1996; Cited by Berger & Nasr, 1998: 18).

Customer lifetime value describes the present value of the stream of future profits expected over the customer's lifetime purchases. The company must subtract from the expected revenues the expected costs of attracting, selling, and servicing that customer. Various estimates have been made for different products and services (Kotler, 2003: 75).

The concept of "customer lifetime value" was also developed so that marketers emphasize more on customer retention than on attracting new customers. By looking at the figure of the value, which is very large most of the time, the marketers can realize why they should put more importance to every single transaction with their customers. It is believed that a single small mistake or a mishap with the customer will disappoint him/her and he/she may never visit the service provider for the rest of his/her life causing loss of enormous amount of revenues to the marketer (Relationship Marketing: Understanding and Implementing the Concept, 2005: 7).

1.1.2.3. Customer Bonding

Companies that want to form strong bonds need to attend the following basics: Get cross-departmental participation in planning and managing the customer satisfaction and retention process, integrate the Voice of the Customer in all business decisions, create superior products, services and experiences for the target market, organize and make accessible a database of information on individual customer needs, preferences, contacts, purchase frequency and satisfaction, make it easy for customers to reach appropriate company personnel and express their needs, perceptions and complaints and run award programs recognizing outstanding employees.

Berry and Parasuraman have gone beyond these basics and identified three retention-building approaches: adding financial benefits, adding social benefits and adding structural ties (Kotler, 2003: 78–79).

1.1.2.3.1. Adding Financial Benefits

Two financial benefits that companies can offer are frequency programs and club marketing programs. Frequency programs (FPs) are designed to provide rewards to customers who buy frequently and in substantial amounts. Frequency marketing is an acknowledgement of the fact that 20 percent of a company's customers might account for 80 percent of its business.

American Airlines was one of the first companies to pioneer a frequency program in the early 1980s, when it decided to offer free mileage credit to its customers. Hotels next adopted FPs, with Marriott taking the lead with its Honored Guest Program. Shortly thereafter, car rental firms sponsored FPs. Then credit-card companies began to offer points based on card usage level. Today most supermarket chains offer price club cards, which provide member customers with discounts on particular items.

Typically, the first company to introduce an FP gains the most benefit, especially if competitors are slow to respond. After competitors respond, FPs can become a financial burden to all the offering companies, but some companies are more efficient and creative in managing an FP. For example, airlines are running tiered loyalty programs in which they offer different levels of rewards to different travelers. They may offer one frequent-flier mile for every mile flown to occasional travelers and two frequent-flier miles for every mile flown to top customers.

Many companies have created club membership programs to bond customers closer to the company. Club membership can be open to everyone who purchases a product or service, or it can be limited to an affinity group or to those willing to pay a small fee. Although open clubs are good for building a database or snagging customers from competitors, limited membership clubs are more powerful long-term loyalty builders. Fees and membership conditions prevent those with only a fleeting interest in a company's products from joining. These clubs attract and keep those customers who are responsible for the largest portion of business (Kotler, 2003: 78–79).

1.1.2.3.2. Adding Social Benefits

Company personnel work on increasing social bonds with customers by individualizing and personalizing customer relationships. Table 2 contrasts a socially sensitive approach with a socially insensitive approach to customers. In essence, thoughtful companies turn their customers into clients (Kotler, 2003: 79).

Table 2. Social Actions Affecting Buyer – Seller Relationships

Good Things	Bad Things
Initiate positive phone calls	Make only callbacks
Make recommendations	Make justifications
Candor in language	Accommodative language
Use phone	Use correspondence
Show appreciation	Wait for misunderstandings
Make service suggestions	Wait for service requests
Use "we" problem-solving language	Use "owe us" legal language
Get to problems	Only respond to problems
Use jargon or shorthand	Use long-winded communications
Personality problems aired	Personality problems hidden
Talk of "our future together"	Talk about making good on the past
Routinize responses	Fire drill and emergency responsiveness
Accept responsibility	Shift blame
Plan the future	Rehash the past

Source: Kotler, P. (2003). Marketing Management (11^{th} Edition). Upper Saddle River, New Jersey: Prentice Hall, p. 80.

1.1.2.3.3. Adding Structural Ties

Lester Wunderman, one of the most astute observers of contemporary marketing, thinks “loyalizing” customers misses the point. People can be loyal to their country, family, and beliefs, but less so to their toothpaste, soap, or even beer. The marketer’s aim should be to increase the consumer’s *proclivity to purchase* the company’s brand.

Here are his suggestions for creating structural ties with the customer:

1. *Create long-term contracts.* A newspaper subscription replaces the need to buy a newspaper each day. A 20-year mortgage replaces the need to re-borrow the money each year. A home heating oil agreement assures continual delivery without renewing the order.
2. *Charge a lower price to consumers who buy larger supplies.* Offer lower prices to people who agree to be supplied regularly with a certain brand of toothpaste, detergent, or beer.
3. *Turn the product into a long-term service.* Gaines, the dog food company, could offer a Pet Care service that includes kennels, insurance, and veterinary care along with food (Kotler, 2003: 80).

There is a link between customer retention and satisfaction, loyalty and profitability and the best way to get the repeat business that you need to be profitable is by loyal programs, frequent-buyer clubs, plain good service and fair prices (McIlroy & Barnett, 2000: 349).

1.1.2.4. Customer Profitability

Traditionally, marketing has emphasized the need to attract new customers. However, organizations today recognize that profitability has more to do with retaining existing (profitable) customers and increasing their spending than trying to attract new customers. The longer a customer stays with a company, the more profitable they become. They use more of a company's services over time and are usually willing to try new products. Loyal customers may also be willing to pay more to “stay in a hotel they know or go to a doctor they trust than to take the chance on a less expensive competitor”.

Repeat customers also act as a marketing resource by recommending the service to friends and colleagues and positively supporting the services and products offered. They are a great source of word-of-mouth advertising. These customers may tell up to ten people about the service to which they feel loyalty (McIlroy & Barnett, 2000: 349–350).

A marketing organization should not try to pursue and satisfy every customer. Nor should companies try to satisfy every customer whim. Some organizations attempt to provide anything and everything that customers suggest. However, although customers often make good suggestions, they also suggest actions that a marketing organization cannot undertake profitably. Nor should marketing organizations believe that in every marketing situation “a long-term relationship is necessarily the most appropriate or worthwhile for either side of the supplier-buyer dyad”. A market focus means making disciplined choices about which customers to serve and which specific benefits to deliver or deny.

A profitable customer is a person, household or marketing organization whose revenues over time exceed, by an acceptable amount, the marketing organization costs of attracting, selling and servicing that customer. This definition emphasizes lifetime revenues and costs, not profit from a single transaction (Kotler et al., 2001: 672).

1.1.3. Conceptualization of Customer Loyalty

Before a relationship with a customer can develop, loyalty must be present. Loyalty is an old-fashioned term that has traditionally been used to describe fidelity and allegiance to a country, cause or individual. In a business context, loyalty has come to describe a customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates (McIlroy & Barnett, 2000: 348).

At a very general level, loyalty is something that consumers may exhibit to brands, services, stores, product categories (e.g. cigarettes), and activities (e.g. swimming). (Uncles, Dowling, & Hammond, 2003: 295). Unfortunately, there is no universally agreed definition.

Oliver (1999) defines customer loyalty as ". . . *a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior*" (Oliver, 1999: 34). He does not distinguish between proactive loyalty and situational loyalty calculated by frequency of purchase. The consumer frequently buying the brand and settling for no other determines proactive loyalty. Situational loyalty is exhibited when the consumer purchases a product or service for a special occasion. This is particularly important within services, which are purchased annually. Thus, customer loyalty is not uniquely concerned with frequency and depth of purchase (behavioral dimensions) of one brand over another, rather as the situation or opportunity arises (McMullan & Gilmore, 2008: 1085).

As illustrated in the definition above, loyalty has both an attitudinal and behavioral dimension. It is assumed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors. However, in some cases behavioral loyalty does not necessarily reflect attitudinal loyalty, since there might exist other factors that prevent customers from defecting (Leverin & Liljander, 2006: 234–235).

Customer loyalty, as we conceptualize it, focuses on a customer's repeat purchase behavior that is triggered by a marketer's activities. Loyalty is a primary goal of relationship marketing and sometimes even equated with the relationshipmarketing concept itself. The research has shown that customer loyalty to influence profitability positively through cost reduction effects and increased revenues per customer. With regard to cost reduction effects, it is widely reported that retaining loyal customers is less cost intensive than gaining new ones and that expenses for customer care decrease during later phases of the relationship life cycle due to the growing expertise of experienced customers. Customer loyalty is also reported to contribute to increased revenues along the relationship life cycle because of cross-selling activities and increased customer penetration rates (Hennig-Thurau, Gwinner, & Gremler, 2002: 231).

1.1.3.1. The Relationship Marketing Ladder of Customer Loyalty

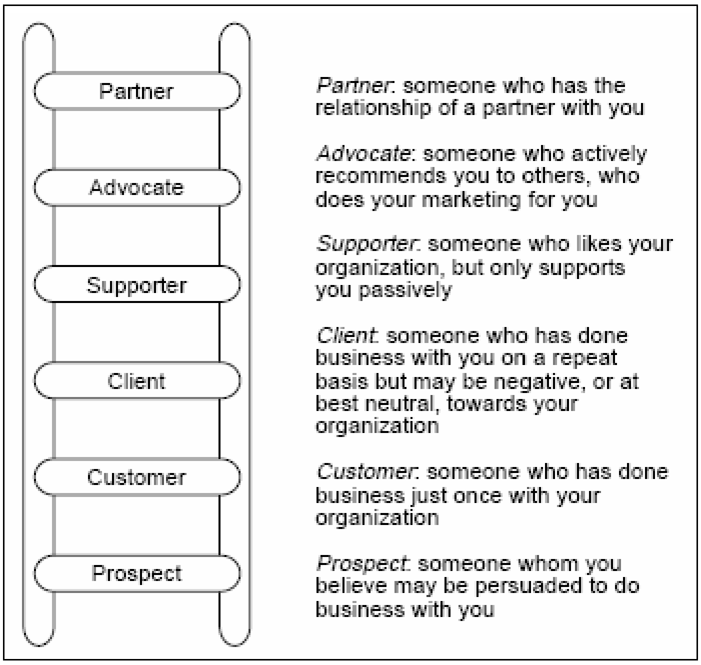
The relationship marketing approach views customer loyalty as a ladder showing the progression of relationships customers can have with an organization (Figure 2). The first step on the ladder is a prospect. The first marketing task is to convert the prospect into a customer. (A customer is described in a narrow sense as someone who has done business with the organization only once.) The next marketing task is to generate repeat business with that customer. At this point, they become a client – someone who is neutral, or possibly negative towards the organization.

The distinction between a client and a supporter – the next step on the ladder – can be illustrated with reference to a bank. A client may have been doing business with a bank for years, but may not be particularly happy with it or may even have a negative attitude towards it. On the other hand, if they are a supporter of the bank, they are positively disposed towards it and are quite happy with the bank’s services. However, a supporter is typically passive and not outspoken about the bank’s performance.

At the next level, an advocate is someone who is so pleased with the services or products they are receiving that they actively recommend them to others. Many of the customers of First Direct Bank can be classified as advocates and much of this bank's success can be attributed to word of mouth and referral through advocates who have been delighted with the bank's services and have found them significantly better than those of traditional high-street banks.

The final step on the ladder is a partner. This represents a situation where a very close and long-term relationship is developed between a supplier and customer, based on satisfaction of mutual needs. This last step is particularly applicable to business-to-business relationships (Payne, 1994: 29–30).

Figure 2. The Customer Loyalty Ladder



Source: Payne, A. (1994). Relationship Marketing – Making the Customer Count. Managing Service Quality, Vol. 4, No. 6, p. 30.

1.1.3.2. Types of Customer Loyalty

Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behavior. Brand loyalty has three components: commitment, preference and repeat purchase. Oliver (1999: 33–34) describes four levels of loyalty based on these components:

1. Cognitive – one brand is preferable based on superior brand attributes.
2. Affective – liking towards brand has developed over the course of multiple purchase situations that were satisfying.
3. Conative – Affective stage with the express intention to re-buy.
4. Action – Conative stage plus the active desire to overcome situational influences and marketing efforts that may have the potential to cause switching behavior.

On reaching the action phase, the customer possesses a deep commitment to repurchase but also is active in blocking the influence of alternative brands. Action level loyalty will be created when consumers intentionally immerse themselves in a social system that rewards brand patronage. Examples include fan clubs, alumni associations, and lifestyle products such as Harley Davidson motorcycles. Achieving consumer loyalty via immersed self-identity, though, may prove to be the rarest form of loyalty. Oliver (1999: 33–34) lists the requirements for this state to occur:

1. The product must be perceived as superior by a large enough segment of the firm's customers in order to be profitable.
2. The product must be subject to adoration (or focused commitment).
3. The product must have the ability to be embedded in a social network.
4. The firm must be willing to expend resources to create the village.

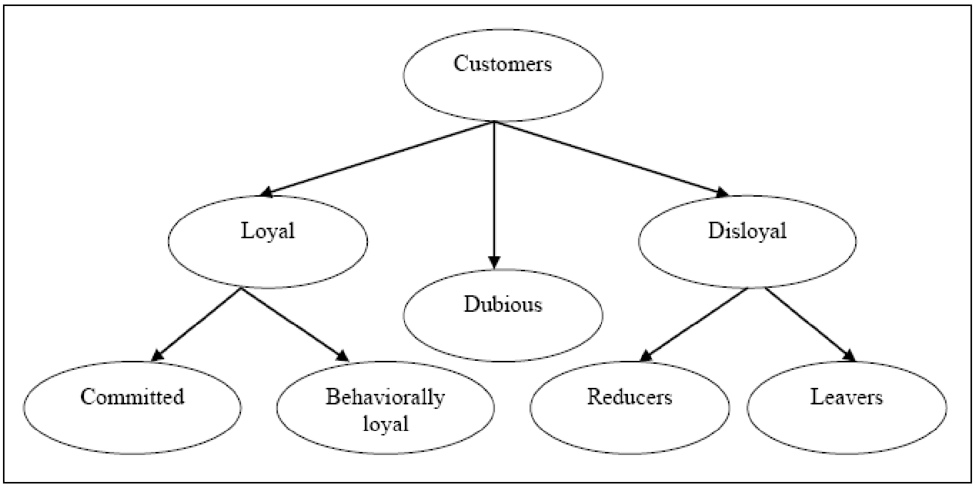
For many consumer product categories, achieving this emotional commitment by customer is unattainable. There should be different loyalty strategies for different industries. One loyalty strategy should not fit all situations. In conclusion, the loyalty marketing strategy recommended should vary by industry. Research from both academic and consulting worlds conclude that "emotional loyalty," the pinnacle of loyalty where the customer resists the influence of other brand offers, is not a realistic goal for many marketers. Moreover, achieving attribute superiority required for a deliberative loyalty strategy is difficult to pursue for product categories where there is little differentiation among brands (Oliver, 1999: 33–34). For businesses where there is not a "village" or where there is little differentiation among brand attributes, creating an environment with high switching costs to create inertial loyalty may be the only viable strategy to create customer commitment. Inertial loyalty plays a major role in relationship marketing strategy (Sorce, 2002: 9–10).

1.1.3.3. Segmentation Based on Customer Loyalty

Jones and Sasser (1995: 94) propose three measures of loyalty that could be used in segmentation by loyalty. These are customer's primary behavior – recency, frequency and amount of purchase, customer's secondary behavior – customer referrals, endorsements and spreading the word, customer's intent to repurchase.

Based on the above, the customers of a provider could be segmented by their loyalty as follows:

Figure 3. General segmentation of customers by loyalty



Source: Kuusik, A. (2007). Affecting Customer Loyalty: Do Different Factors Have Various Influences In Different Loyalty Levels? University of Tartu, Faculty of Economics and Business Administration. Retrieved April 8, 2009, from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=102598, p8.

- **Committed or emotionally loyal customers –** active customers who use only the certain provider's services and declare that they will use only this provider in the future and recommend this provider to others;
- **Behaviorally loyal customers –** active customers who use only the certain provider's services and declare that they will use only this provider in the future but do not agree to recommend this provider to others (inert or functionally loyal);
- **Ambivalent or dubious customers –** active customers who use only the certain provider's services but don't know which provider they will use in the future;
- **Disloyal reducers –** customers who have reduced or will reduce the percentage of the provider's services in their usage;
- **Leavers –** customers who declare, that they will certainly leave this provider (Kuusik, 2007: 5–8).

1.2. HISTORICAL DEVELOPMENT AND FOUNDATIONS OF RELATIONSHIP MARKETING

The history of marketing is divided into three periods in terms of buyer and seller relationships: the simple trade era, the mass production era and the new marketing era. Similar point of view break up the orientation of marketing into three periods as well: pre-industrial era, industrial era and post-industrial era. Both streams agree on that relationship marketing is a reincarnation of the marketing practices of pre-industrial or simple trade era. The producers and customers interacted directly with each other and developed emotional and structural bonds in their exchanges. Personalized or customized service offering was the key due to one-to-one relationships (Khalil and Harcar,1999; Parvatiyar and Sheth, 1995; Cited by Arslan, 2008: 141–143).

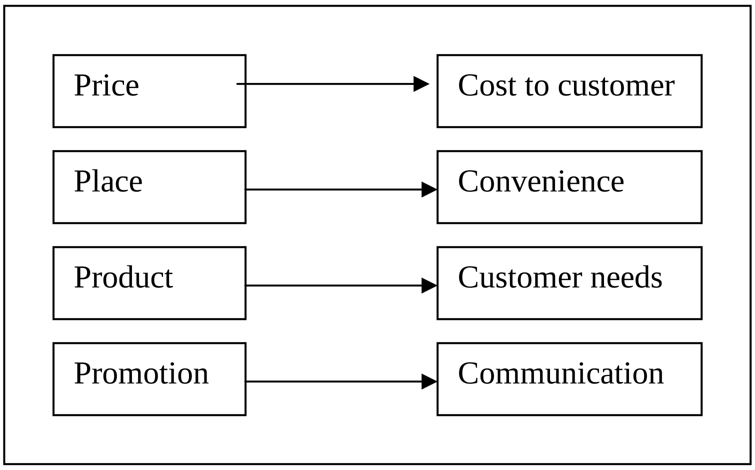
Whereas in the mass production or industrial era, owing to the advent of mass production technology and mass marketing techniques, customers traded relationships for greater variety and lower prices. Standardized messages could be communicated to millions of people. Those times are described as overtaking of symbols that a branded product uses to a relationship, and that consumers became merely statistics in the marketers' databases. Marketing was considered as successful sales and extreme practices of persuasive selling, in many situations in the forms of deceptive advertising and false claims. This period was also significant with its intensive transactional approach in terms of the practice of competitive bidding (Khalil and Harcar,1999; Parvatiyar and Sheth, 1995; Cited by Arslan, 2008: 141–143).

On the other hand, through the new marketing or post-industrial era, two significant developments appeared: marketers started to realize the repeat purchase behavior of customers was crucial to nurture brand loyalty and the appearance of administered vertical marketing organizations where channels of distributions were controlled by industrial marketers.

It is also very interesting to evaluate those views in terms of marketing's new role in organizations. According to Gummesson (1995) relationship marketing is a marketing-oriented management. That is an aspect of the total management of the firm, which is not limited to a marketing or sales department. Now, marketing plan has become part of the strategic business plan. Same stream of thought is also viewed in Lancaster (1996), Gummesson (1995), and Grönroos (1994) who introduce the concept of part-time marketers by referring the non-marketing people in an organization. Magrath (1992) also describes this new role of marketing by emphasizing its impact on all functions in terms of relationship marketing and total quality management. Other writers mentioned it through the importance of a broadening vision. The new marketing concept is defined as one portion of a totally integrated, customer-driven value chain (Yudelson 1999; Grönroos 1994; Parvatiyar and Sheth 1995; Khalil and Harcar 1999; Aijo 1996; Zineldin 2000; Sisodia and Wolfe 2000; Morris et al. 1999; Cited by Arslan, 2008: 141–143).

Kotler et al. has attempted to adapt the traditional framework of marketing in a relationship-oriented direction. He agrees with Grönroos that the marketing mix represents the seller's view of marketing. Hence, they suggest that marketers should view the 4P's from a customer-oriented perspective as demonstrated by the 4C's in figure 4 (Hougaard & Bjerre, 2002: 39).

Figure 4. From 4P's to 4C's



Source: Kotler et al. (1999); Cited by Hougaard, S. & Bjerre, M. (2002). Strategic Relationship Marketing. Berlin: Springer, p. 40.

This contribution is valuable for some marketers, but it does not represent a paradigm shift or a new relationship based marketing definition. It is an attempt to update the marketing mix, but it still sticks to the toolbox view of marketing. Although there are many aspects to marketing management, the relationship aspect appears to have a substantial impact on long-term business success (Hougaard & Bjerre, 2002: 40).

1.2.1. The Roots of Relationship Marketing

In recent years, the traditional approach to marketing has been increasingly questioned. A new perspective is now emerging which recognizes that marketing has two key concerns. The first concern is still the management of the classic marketing mix as a conventional, functional responsibility. The second concern is much broader and company-wide in its scope with a goal of developing a cross-functional, coordinated focus on customers – in other words, to reorient the entire business to face the market. It is probably true to say that most emphasis in the past has been placed upon the first concern with only limited attention being paid to the latter (Payne et. al., 2001: 3).

During the industrial era, mass manufacturing of standardized goods gave birth to mass marketing and mass distribution. During this brief period of our history, marketing theory and education evolved around consumer goods marketing. Services marketing and B-to-B – where relationships were also central during the industrial era – were blank spots in research and education.

Research and practice in marketing during the past thirty years points particularly to the significance of relationships, networks and interaction. Literature on relationship marketing (RM) and customer relationship marketing (CRM) is emerging at an exponential rate in many languages. With certain exceptions, the literature is narrow, characterized by treating single issues in relationship marketing such as consumer loyalty, databases for smarter direct marketing, call centers, customer clubs or CRM software systems. These are all valuable bits and pieces, but they lack a coherent framework, an overriding theory.

The more radical theories that have contributed to RM and CRM are *services marketing* and *the network approach to B-to-B*. A first effort to merge these two schools was made by Gummesson in 1983. Relationships, networks and interaction play a certain but subdued role in traditional *marketing* management, popularly referred to as *marketing mix* or the *4Ps* (product, price, promotion, and place). It has hegemony over marketing education throughout the world, but refers primarily to the mass marketing of standardized consumer goods. Despite its limitations, it is erroneously presented as a general marketing theory. In the *sales management* literature, relationships are emphasized but usually limited to the salesperson’s interaction with the buyer.

These three approaches, services marketing, B-to-B as networks and traditional marketing management, are central in the relationship marketing root system, but the roots have been extended during the past decades. One of the new branches is *total quality management* (TQM). The core of the TQM concept is customer perceived quality and customer satisfaction – which is also the core of the marketing concept. TQM has inspired the concept *relationship quality*, that is, the efforts to improve quality of relationships, and not just the quality of goods and services. Relationship quality emerged in the large quality programme of Ericsson in the early 1980s. The purpose was to make explicit the fact that relationships are part of customer perceived quality. This is far from the traditional engineer's production-centric quality concept. Often the human aspect, the h-relationship, "to be liked", sorts out the winner from the loser.

Relationship marketing is also a result of – or possibly a cause of – new organizational structures and processes where the roles of customer and supplier are not clear-cut. The fuzziness stands out better where suppliers and customers interact in a network together with competitors, own suppliers, intermediaries and others. Relationship marketing is not happening in a vacuum, it is mirroring other events in business and society (Gummesson, 2002: 10–11).

1.2.2. Limitations of the Traditional Marketing Paradigm

There is now a growing body of literature, which casts doubt on the relevance of traditional marketing theory, especially when applied to international, industrial and services marketing. A major concern is that the traditional paradigm – based on the marketing mix, and the concept of exchange – was developed using assumptions derived from experiences drawn from the huge US market for consumer goods. Critics point out that this short-term transactional focus is inappropriate for industrial and services marketing, where establishing longer-term relationships with customers is critical to organizational success. The concept has also been found wanting when applied to international marketing, as it makes no provision for the fact that trade barriers and politics may deny access to the market altogether. Other writers are more inclined to point to widespread difficulties with implementation as grounds for questioning the validity of the concept (Payne et. al., 2001: 3).

1.2.3. The Traditional Marketing Concept versus the Relationship Marketing Concept

Relationship marketing is often presented as the opposite to *transaction marketing*, the one-time deal. In transaction marketing, the fact that a customer has bought a product does not forecast the probability for a new purchase, not even if a series of purchases have been made. A customer may repeatedly use the same supplier because of high switching costs, but without feeling committed to the supplier or wanting to enter a closer relationship. Transactions lack history and memory and they do not get sentimental.

In relationship marketing, loyalty – especially customer loyalty – is emphasized. In the “loyalty ladder”, the lowest rung is the contact with a *prospect* who hopefully turns into a customer and a first purchase. Recurrent customers are clients; those who have come back and a long-term relationship is in the marketing. In the next stages, the client becomes a *supporter* and finally an *advocate* for the supplier.

Transaction marketing has no ambition to climb the loyalty ladder. Still, it is often a realistic and functional option. A purchase can concern standardized goods at lowest price within a specified delivery time and grade of quality. Such deals are made, for example, on metals exchanges. A consumer may only buy a home on a single or a few occasions in a lifetime and rarely has surgery on the appendix more than once. IT offers new alternatives and can facilitate the consumer’s search for the lowest price of a branded product, or even bidding in an international auction, a service offered by eBay. Through the deregulation of telecom services, the customer can choose the operator with the lowest rate at a specific hour to a specific destination (Gummesson, 2002: 17).

The American Marketing Association (AMA), an international organization of practitioners and academicians, defines marketing as follows:

> *Marketing is the process and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.*

This definition describes what the traditional (transactional) marketing concept is: the conception, pricing, promotion and distribution of ideas, goods and services. Moreover, the definition implies a list of activities for the marketer to undertake; the planning and execution of these four elements of competition so that individual and organizational objectives are satisfied.

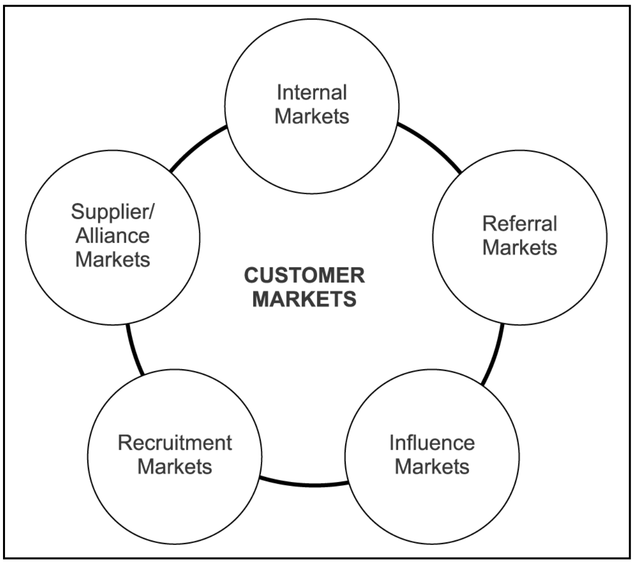
Another characteristic of transactional marketing is the belief that independence of choice among marketing players creates a more efficient system for creating and distributing marketing value. Maintaining an arm's length relationship is considered vital for marketing efficiency. Industrial organizations and government policy makers believe that independence of marketing players provides each player freedom to choose his/her transactional partners based on preserving their own self-interests at each decision point. This results in the *efficiency* of lowest cost purchases through bargaining and bidding.

The so-called *4Ps* are the epitome of what should be done and are known as the marketing mix. This transactional micro-economic and teacher-friendly marketing framework is straightforward to understand and use. Indeed, in the 1950s and 1960s the 4Ps approach proved very successful. In the USA this was the era of mass manufacturing and *mass marketing* of packaged consumer goods and, because of that, marketing was often more about attracting than retaining customers.

The model of transaction marketing (as in the 4*P*s) rests on three assumptions: (1) There are a large number of potential customers, (2) The customers and their needs are fairly homogeneous, (3) It is rather easy to replace lost customers with new customers. Looking at today's markets and certainly when moving from consumer markets to industrial and service markets this approach may not be appropriate (Hollensen, 2003: 9).

Relationship marketing not only attempts to involve and integrate suppliers and customers. Besides a need for focusing on customer retention, Payne (1995) emphasizes that relationship marketing indicates a shift towards the organization of marketing activities around cross-functional functions. Payne (1995) presents a model where six markets need to be considered if the customer is to be served satisfactorily (Hollensen, 2003: 9–10). Customers remain the prime focus in the centre of the model but as shown in the Figure 5 there are five other markets where a detailed marketing strategy may be needed.

Figure 5. The relationship marketing's six markets model



Source: adapted from Hollensen, S. (2003). Marketing management: a relationship approach. Harlow, England; New York: Financial Times/Prentice Hall, p. 10.

Internal markets are the individuals and groups within the organization who by their actions and beliefs determine the style and ethos of the business. It is now widely recognized that developing shared values in support of a customer-oriented corporate culture is a critical requirement for sustained success in the marketplace.

Referral markets can be an effective source of new business. Referrals can come from sources of professional advice such as doctors, lawyers, bank managers and accountants as well as from existing satisfied customers. Building relationships with these sources of word-of-mouth recommendation should be an integral part of marketing strategy.

Influence markets comprise entities, organizations and individuals, which have the ability positively or negatively to influence the marketing environment within which the company competes. Thus, public relations or public affairs management needs to become an integral part of the relationship marketing process. Successful companies tend to have good relationships with critical sources of influences relevant to their markets.

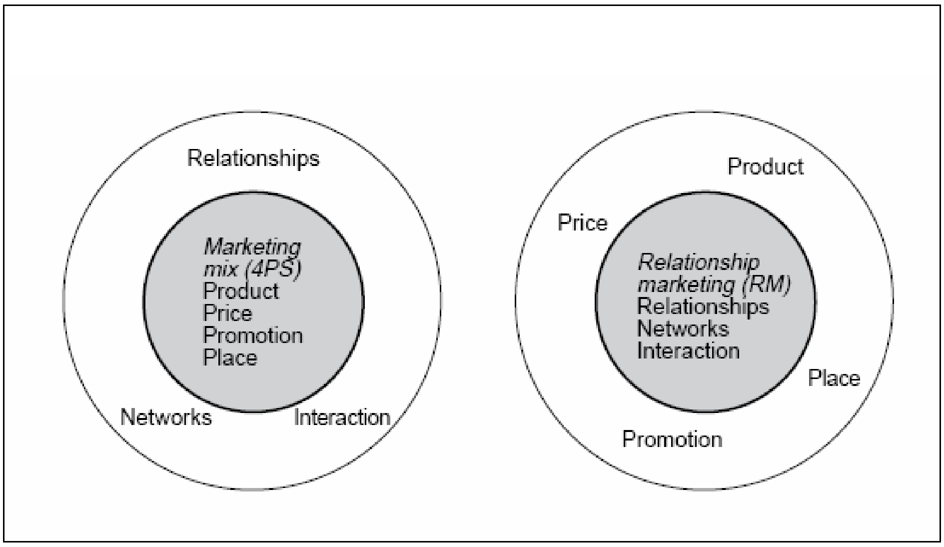
Employee markets form a focal point for relationship marketing because of the critical need to recruit and retain employees who will further the aims of the company in the marketplace. The aim should be to make the company into an organization that is attractive to people who share the values the company espouses.

Supplier markets, as the name suggests, refer to the network of organizations that provide the materials, products and services to which the marketing company adds further customer value. Surprisingly, it is only recently that many companies have come to recognize the importance of building closer, mutually beneficial relationships with suppliers. Those companies that have done so have found that they have gained significant advantage through such benefits as improved quality, faster time-to-market, more innovative products and lower levels of inventory.

Customer markets represent all the people or organizations that buy goods or services from us. They can be either end users/consumers or intermediaries. A particularly powerful element in the relationship marketing mix as far as this market is concerned is customer service. Indeed, in more and more markets today, customer service provides the only effective means of differentiating the offer from that of competitors (Payne et. al., 2001: 9–10).

Gummesson (1994) perceives a shift in the marketing paradigm as shown in Figure 6. The 4Ps and their extensions will always be needed, but the paradigm shift develops their role from that of being founding parameters of marketing to one of being contributing parameters to relationships, networks and interaction. This transition has been obvious since the 1970s, in practice as well as in scholarly research and theory, particularly in Europe. An international breakthrough for relationship marketing during the 1990s is clearly discernible; the number of conferences, articles, books and research programmes on relationship marketing is growing at a rapid rate (Gummesson, 1994: 9).

Figure 6. The Current Marketing Mix (4P) Paradigm of Marketing (left) and the Future of Relationship Marketing Paradigm (right)



Source: Gummesson, E. (1994). Making Relationship Marketing Operational. International Journal of Service Industry Management, Vol. 5, No. 5, p.9.

1.2.4. Definitions of Relationship Marketing

There has been a gradual move in marketing thought and practice: mass marketing, market segmentation, niche marketing, and relationship marketing. Relationship marketing is becoming increasingly important to the overall marketing strategies of many companies (Barutçu, 2007: 576).

Nearly two decades have passed since the first mention of the relationship-marketing concept by Berry (1983), but the concept is still in vogue, maybe more than ever. Unfortunately, the precise meaning of relationship marketing is not always clear in the literature. Relationship marketing has become a buzzword, being used to reflect a number of differing themes or perspectives (Zineldin & Philipson, 2007: 230).

According to Prof. Dr. Tek, the concept of “relationship marketing” is one of the important instruments of customer-focused approach and modern marketing philosophy. Relationship marketing or “relational marketing” is the process of creating, maintaining and enhancing long-term, lasting relationships of great value with the customers and other marketing channel member, supporter etc. and institutions (Tek & Özgül, 2005: 20–21).

In marketing literature, neither the domain nor the conceptual foundations of relationship marketing are fully developed yet. Relationship marketing has been used to reflect various themes and perspectives, which differ between a more narrow functional approach on the one side and a broader paradigmatic view on the other side. Table 3 illustrates some of these different perspectives currently in the literature summarizing definitions of relationship marketing (Bruhn, 2002: 10).

Table 3. Selected definitions of relationship marketing

Berry, 1983	Relationship marketing is attracting, maintaining and enhancing customer relationships.
Grönroos, 1990	The goal relationship marketing is to establish, maintain and enhance relationships with customers and other parties at a profit so that the objectives of the parties involved are met.
Shani and Chalasani, 1992	Relationship marketing is an effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time.
Möller, 1992	Marketing is about understanding, creating and managing exchange relationships between economic parties; manufacturers, service providers, various channel members and final consumers.
Grönroos, 1994	Marketing is to establish, maintain, enhance and commercialize customer relationships so the objectives of the parties involved are met. This is done by a mutual exchange and fulfillment of promises.
Morgan and Hunt, 1994	Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges.
Sheth and Parvatiyar, 1995	Relationship marketing is a marketing orientation that seeks to develop close interaction with selected customers, suppliers and competitors for value creation through cooperative and collaborative efforts.
Gummesson, 1996	Relationship marketing is marketing seen as relationships, networks and interaction.
Parvatiyar and Sheth, 2000	Relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost.

As can be seen from some of the definitions, the understanding of relationship marketing differs somewhat. Berry (1983), for example, has a rather strategic viewpoint, stressing the importance of attracting new customers but also of maintaining loyal customers in the marketing process. Grönroos (1990) and Gummesson (1996) take a broad perspective advocating that customer relationships should be the focus of marketing. Some scholars (e.g. Peck et al. 1999; Morgan and

Hunt 1994) propose a more inclusive definition of relationship marketing, that is, they include buyer partnerships, supplier partnerships, internal partnerships, and lateral partnerships within their view.

However, following the opinion of Parvatiyar and Sheth, it is important that for an emerging discipline to "develop an acceptable definition that encompasses all facets of the phenomenon and also effectively de-limits the domain..." (Parvatiyar and Sheth, 2000: 6). Therefore, it is reasonable to limit the domain of relationship marketing to only those actions that are focused on serving the needs of customers. However, to achieve a mutually beneficial relationship with its customers, corporate management may need to consider other organizational relationships, i.e. with suppliers, competitors, or internal divisions (Parvatiyar and Sheth 2000, p.7; Cited by Bruhn, 2002: 11) Thus considering these aspects, the following underlying definition will be used in this study:

> *Relationship Marketing is the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime of association* (Gordon, 1998: 9).

It involves the understanding, focusing and management of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment (Gordon, 1998: 9).

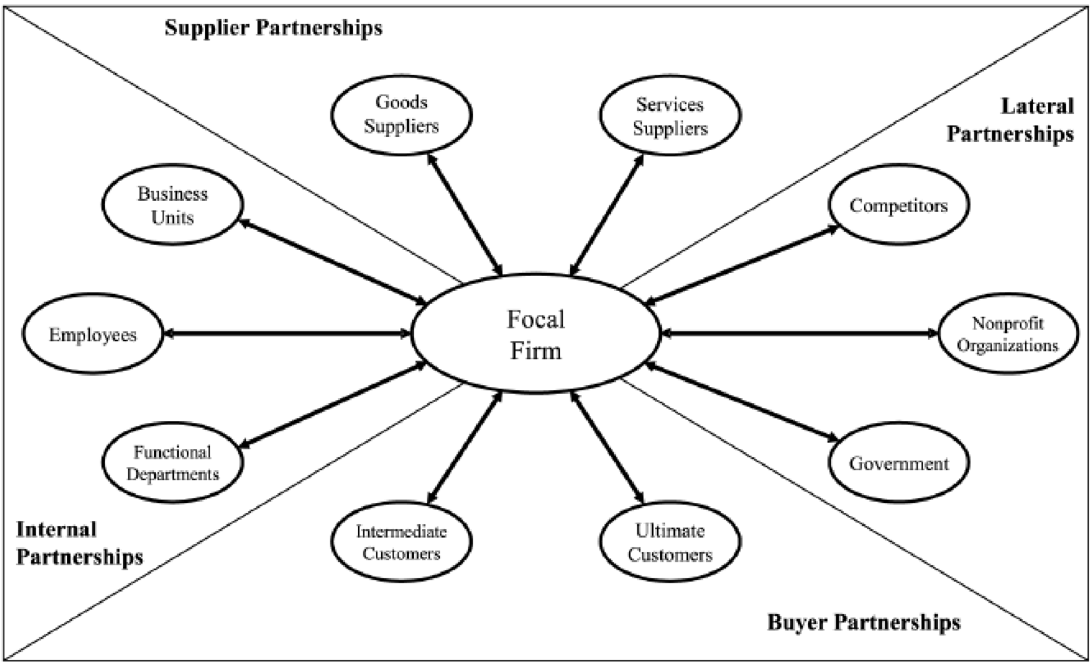
At a micro level, relationship marketing is concerned with the nature of the relationships between the firm and customer that emphasizes a long-term relationship that takes account of the customer's needs and values. At a macro level, relationship marketing is used as a term to describe the relationship within which the organization engages with all stakeholders, thus the strategic issue is to establish the mix or portfolio of the relationships that is essential for the firm (Stewart and Durkin, 1999; Cited by Rao &Perry, 2002: 599).

1.2.5. The Forms of Relationship Marketing

Categorized with reference to a focal firm and its relational exchanges in supplier, lateral, buyer, and internal partnerships, Figure 7 shows ten forms of relationship marketing:

1. The partnering involved in relational exchanges between manufacturers and their goods' suppliers, as in "just-in-time" procurement and "total quality management."
2. The relational exchanges involving service providers, as between advertising or marketing research agencies and their respective clients.
3. The strategic alliances between firms and their competitors, as in technology alliances, co-marketing alliances, and global strategic alliances.
4. The alliances between a firm and nonprofit organizations, as in public purpose partnerships.
5. The partnerships for joint research and development, as between firms and local, state, or national governments.
6. The long-term exchanges between firms and ultimate customers, as implemented in "customer relationship marketing" programs, affinity programs, loyalty programs, and as particularly recommended in the services marketing area.
7. The relational exchanges of working partnerships, as in channels of distribution.
8. The relational exchanges involving functional departments.
9. The relational exchanges between a firm and its employees, as in internal market orientation in particular and internal marketing in general.
10. The within-firm relational exchanges, as those involving such business units as subsidiaries, divisions, or strategic business units (Morgan and Hunt, 1994: 73).

Figure 7. Forms of relationship marketing



Source: Morgan and Hunt,1994; Cited by Hunt, S. D., Arnett, D. B. & Madhavaram, S. (2006). The explanatory foundations of relationship marketing theory. Journal of Business & Industrial Marketing, Volume 21, Number 2, p. 73.

Should all the partnerships in Figure 7 be construed as forms of relationship marketing, or should only, for example, those involving ultimate customers? Consider the definitions of relationship marketing that have been offered. Berry (1983: 25) defines relationship marketing as attracting, maintaining, and – in multi-service organizations – enhancing customer relationships. Berry and Parasuraman (1991) propose that relationship marketing concerns attracting, developing, and retaining customer relationships. Gummesson (1994: 2) proposes that relationship marketing is marketing seen as relationships, networks, and interaction. Grönroos (1996: 11) states that relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and that this is done by a mutual exchange and fulfillment of promises. Sheth (1994) defines relationship marketing as the understanding, explanation, and management of the ongoing collaborative business relationship between suppliers and customers. Sheth and Parvatiyar (1995) view relationship marketing as attempts to involve and integrate customers, suppliers, and other infrastructural partners into a firm's developmental and marketing activities.

Some of these conceptualizations of relationship marketing are broader than others. Because, they argue, all ten of the exchanges in Figure 7 are relational in nature, Morgan and Hunt (1994) propose that all ten are forms of relationship marketing. Therefore, they suggest, "relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994: 22). It is this "broadened" view of relationship marketing that is adopted here. This broad view is consistent with the conclusion of Aijo (1996: 5), that is, there is a growing consensus on the definition of relationship marketing as involving the following aspects: a close long-term relationship between various (network) participants involved in exchanging something of value (total market process) (Hunt, Arnett & Madhavaram, 2006: 72–74).

1.2.6. Development of Relationship Marketing

In 1983 Leonard L. Berry, distinguished professor of Marketing at Texas A&M University, coined the word Relationship Marketing when he presented a paper entitled Relationship Marketing at the American Marketing Association's Services Marketing Conference. The paper was published in the conference proceedings and for the first time the phrase, Relationship Marketing appeared in the Marketing literature. Later Jackson (1985) used the concept in Business-to-Business context.

Another opinion is that Relationship marketing is a gradual extension of "the Nordic School" approach to services marketing and management. There are ample examples to prove that long-term relationship emphasized by the Nordic School researchers but without using the term Relationship marketing as early as 1977, before Berry and Bund Jackson used the term relationship marketing (Ramkumar & Saravanan, 2007: 453).

The idea of developing and fostering relationship with customers is not something revolutionarily new, but many firms are realizing the significance of relationship marketing for the first time. This phenomenon is as old as the history of trade and commerce. Therefore, we can say that it is a new-old concept. While relationship has been rediscovered in the western world, they have remained a fundamental part of exchanges in many eastern cultures. Now many firms discover relationship marketing for the first time, this is because many larger firms lost sight of the individual customer, believing that it was more efficient to market to them on mass scale (Ramkumar & Saravanan, 2007: 453).

Relationship marketing was first investigated in the 1970s, even though it has been a central part of what practitioners have done for millennia. Driven by global competition, relationship marketing was noticed when many businesses learnt that they must collaborate to compete. However, it was not until the late 1970s and the 1980s that the term relationship marketing emerged in the marketing literature (Rao & Perry, 2002: 600).

The relationship marketing concept emerged within the fields of service marketing and industrial marketing. Berry (1983) introduced the term relationship marketing in a service context to describe a longer-term approach to marketing. However, the contents of relationship marketing have been discussed and developed by many American and Scandinavian writers (Crosby and Stephens, 1987; Rosenberg and Czepiel, 1992; Christopher et al., 1991; Grönroos, 1990, 1994; Ravald and Grönroos, 1996; Gummesson, 1987; Zineldin, 1998; McKenna, 1991). Customer relationships are at the center of this marketing perspective (Zineldin & Philipson, 2007: 231).

Relationship Marketing draws from traditional marketing principles, yet is quite different. Marketing can be defined as the process of identifying and satisfying customers' needs in a competitively superior manner in order to achieve the organization's objectives. Relationship Marketing builds on this, but has six dimensions that differ materially from the historical definition of marketing. Taken together, these differences have the potential to transform a company's view of the marketing it undertakes and almost everything about the enterprise, from the work it does to the technology its employs to the products it produces to the structure by which it achieves its objectives (Gordon, 1998: 9).

Relationship Marketing:

- Seeks to create *new* value for customers and then *share* the value so created between producer and consumer.
- Recognizes the key role *individual* customers have not only as purchasers, but also in *defining* the value they want. Previously, companies would be expected to identify and provide this value in what the company would consider a "product". With Relationship Marketing, the customer helps the company provide the benefit bundle that the customer values. Value is thus created *with* customers, not *for* them.
- Requires that a company, because of its business strategy and customer focus, *design and align* its business processes, communications, technology and people in support of the value individual customers want.
- Is a continuously cooperative effort between buyer and seller? As such, it operates in real time.
- Recognizes the value of customers over their purchasing *lifetimes*, rather than as individual customers or organizations that must be resold on each purchasing occasion. In recognizing lifetime value, Relationship Marketing seeks to bond progressively more tightly with customers.
- Seeks to build a *chain of relationships* within the organization to create the value customers want, and between the organization and its main stakeholders, including suppliers, distribution channel intermediaries and shareholders (Gordon, 1998: 9–10).

The development of relationship marketing has been partly designated as a *paradigm shift***.** However, since a relationship is formed of single transactions, relationship marketing must not be understood as a new definition of the marketing school of thought but rather as an extension of traditional marketing. This viewpoint becomes clear by comparing the *distinctive features* of transaction marketing versus those of relationship marketing:

- In terms of the *assessment horizon*, transaction marketing has more of a short-term character, while relationship marketing is primarily long-term oriented. Whereas transaction marketing focuses on the short-term initiation of product sales, relationship marketing's chief focus is on the creation of long-term customer relationships.
- With respect to the *purpose of marketing activities*, the seller's products and services are at the focal point of transaction marketing measures, whereas relationship marketing actions relate to both the outcome and the customer.
- In the case of relationship marketing, *key concepts* are interaction, relationships and networks, while the 4 Ps, segmentation, and branding are more important for transaction marketing.
- In reference to *marketing goals*, transaction marketing activities are aimed at solely acquiring new customers, in contrast to relationship marketing that concentrates not only on acquiring customers but also on their retention and recovery.
- For transaction marketing, the *marketing strategy* involves presenting the product. Relationship marketing strives to achieve a dialogue with the customer in order to align the seller's products and services with specific customer needs.
- The *promotion strategy* differs with respect to the personal interaction. While transaction strategy uses non-personal advertising, relationship marketing is characterized through a personal interaction.
- Under relationship marketing itself, customer-specific indicators such as the customer profit contribution or the customer value enhance classic economic *profit and control ratios*. (Bruhn, 2002: 13).

Table 4 compares the central tenets of the transaction marketing and relationship marketing approach.

Table 4. Differentiation between transaction marketing and relationship marketing

Criteria for differentiation	Transaction Marketing	Relationship Marketing
World view	Managing a company's product portfolio, setting and modifying marketing mix parameters to achieve optimal 4P configuration	Managing a company's customer portfolio, building long-term business relationships
Assessment horizon	Short-duration	Long-duration
Key concepts	4 Ps, segmentation, branding, etc.	Interaction, relationships and networks
Marketing focus	Product/service	Product/service and customer
Marketing goal	Customer acquisition	Customer acquisition, customer retention, customer recovery
Marketing strategy	Presentation of outcome	Dialogue
Marketing interaction	One-way communication, formal market studies	Interactive communication, mutual learning and adaptations
Promotion strategy	Non-personal advertising, brand and image management	Through personal interaction, developing identity as a reliable supplier network
Economic profit and control parameters	Profit, profit margin contribution, sales, costs	Additionally: customer profit contribution, customer value

Source: Bruhn, M. (2002). Relationship marketing: management of customer relationships. New York: Pearson Education, p. 13.

1.3. THE UNDERPINNINGS OF RELATIONSHIP MARKETING

The marketing literature has theorized key virtues that underpin relationship marketing, such as trust (Morgan and Hunt, 1994; Veloutsou et al., 2002), commitment (Grossman, 1998; Chan and Ndubisi, 2004), conflict handling (Dwyer et al., 1987; Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi and Chan, 2005; Morgan and Hunt, 1994; Crosby et al., 1990). Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building relationships with loyal, or at least potentially loyal, customers (Ndubisi, 2007: 99–101).

1.3.1. Trust

Trust has been mentioned in a number of studies as one of the important underpinnings of relationship marketing. Moorman et al. (1993) defined trust as "... a willingness to rely on an exchange partner in whom one has confidence". (Ndubisi & Wah, 2005: 545). A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term, as the belief that a partner's word or promise is reliable and a party will fulfill his /her obligations in the relationship. Other authors have defined trust in terms of opportunistic behavior (Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), actions with positive outcomes (Anderson and Narus, 1984) and making and keeping promises (Bitner, 1995).

Calonius (1988) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and Sasser, 1990), besides fanning the fire of trust.

Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). Grönroos (1990) believed that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in them, and thereby in the firm itself, is maintained and strengthened (Ndubisi, 2007: 99–101).

1.3.2. Commitment

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behavior (Becker, 1960) and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define it in terms of decisions or cognitions that fix or bind an individual to a behavioral disposition (Kiesler, 1971). In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity (Ndubisi, 2007: 99–101).

1.3.3. Conflict Handling

Dwyer et al. (1987) defined conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, "exit" or "voice". Rusbult et al. (1988) concluded that the likelihood of these behaviors in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the customer's investment in the relationship, and an evaluation of the alternatives available. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict well will also directly influence customer loyalty (Ndubisi, 2007: 99–101).

1.3.4. Communication

Communication is the ability to provide timely and trustworthy information (Ndubisi & Wah, 2005: 545). Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal (Ndubisi, 2007: 99–101).

1.4. THE GOALS OF RELATIONSHIP MARKETING

In relationship marketing keeping current customers is just as important as attracting new customers. It is far more cost effective to look after the customers you have than to seek new ones, in fact, winning new customers can be up to ten times more expensive. In relationship building the focus shifts to building long term relationships where the customer is encouraged to continue their involvement with the organization. This provides the opportunity for an institution to maximize its interaction and enhance the opportunities for mutual benefit. Today numerous organizations have established a range of loyalty programs, such as credit points, discounts and “fly-buys” to lock people into the organizations (Drysdale, n.d.: 37).

The aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. Its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This is achieved by a mutual symbiosis and fulfillment of promises. In other words, a key objective is to foster customer loyalty in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Ndubisi, 2007: 99).

The goal of relationship marketing is to increase customer loyalty. At the core of this strategy is the concept of establishing a “learning” relationship with each customer. Every interaction you have with a customer is an opportunity to learn about their individual motivations. The unique measurability of the web takes this relationship to a new level because it provides greater insight into customer preferences and behavior (Best Practices for Relationship Marketing, p. 2).

The purpose of relationship marketing is to make the information exchange of information between the firm and customers denser. Feeling mutual good will and trust should be provided in order to catch this intensity. To reach this good will and trust, the firm has to be in effort to understand the attitude and behavior of its customer (Gülmez & Kitapçı, 2003: 81–82).

Some customers may prefer contact that is more distant because they prefer to purchase offerings based on price and quality competition rather than based on a long-lasting relationship (Zineldin & Philipson, 2007: 233).

At the core of relationship marketing is the notion of customer retention. According to Gordon (Gordon, 1999), relationship marketing involves the creation of new and mutual value between a supplier and individual customer. Novelty and mutuality deepen, extend and prolong relationships, creating yet more opportunities for customer and supplier to benefit one another.

Studies in several industries have shown that the cost of retaining an existing customer is only about 10% of the cost of acquiring a new customer so it can often make economic sense to pay more attention to existing customers.

According to Buchanan and Gilles (Buchanan & Gilles, 1990), the increased profitability associated with customer retention efforts occurs because:

- The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- Long-term customers tend to be less inclined to switch, and tend to be less price sensitive. This can result in stable unit sales volume and increases in dollar-sales volume.
- Long-term customers may initiate free word of mouth promotions and referrals.
- Long-term customers are more likely to purchase ancillary products and high margin supplemental products.
- Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share.
- Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.
- Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle (Relationship Marketing, 2009).

Relationship marketing focuses on how to develop, maintain and enhance customer relationships over the customer life cycle rather than on attracting new customers. Repeat business is the lifeblood of any business. Indeed, Drucker (a top management consultant, not marketing) once stated, “That the purpose of a business is to create and keep a customer.” He stressed, as early as 1963, the importance of attracting and keeping customers. He wrote that because the purpose of business is to create and keep customers, it has only two central functions - marketing and innovation. The basic function of marketing is to attract and retain customers at a profit. From this statement, one can learn that it places customers in a central position in an organization, it places marketing in a central role for the organization’s success and marketing activities should be concerned with the creation, keeping and retention of profitable customers (Zineldin & Philipson, 2007: 230–231).

The discussion of the evolution of customer relationship demonstrates how a firm’s relationship with its customers might be enhanced as customers move further along this relationship continuum. As the relationship value of customer increases, the provider is more likely to pursue a closer relationship. The primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable for the organization.

Relationship marketing will not automatically lead to stronger customer relationships; rather, customers will exhibit different levels of relationship closeness and strength. In order to be attractive, RM strategies should enhance customers’ perceived benefits of engaging in relationships (Leverin & Liljander, 2006: 234).

1.5. BENEFITS OF RELATIONSHIP MARKETING

Companies from many industries are being forced to react to the growing individualization of demand. Marketers have sought to meet individual consumer preferences through line extensions, offering seemingly endless size, flavor, and package varieties of core brands side-by-side, so consumers have greater choices while remaining customers of the same company. Therefore, the challenge of product definition lies in how to assist marketing personnel and design engineers work together to elicit individual customer needs, organize and represent product specifications from both engineering and customer perspectives, and how to explicate the relationships between them. Powerful long lasting relationships with a valuable customer in relationship marketing (1) provides an opportunity to learn more about the customer's needs, (2) concentrates on providing products or services to one customer at a time by identifying and (3) alters their existing products or services to meet their changing individual wants (Barutçu, 2007: 576–577).

The benefits of relationship marketing come from the continuing patronage of loyal customers who display decreased price sensitivity over time, a concomitant reduction of marketing costs, and “partnership” actions on the part of those customers. The reduction in marketing costs is a result of the facts that it takes fewer marketing dollars to maintain a customer than to create one and that loyal customers help create new customers through positive word of mouth. Loyal customers are less likely to switch to a competitor solely because of price, and loyal customers make more purchases than comparable non-loyal customers do do. Partnership-like activities of loyal hotel customers include offering strong word of mouth, making business referrals, providing references and publicity, and serving on advisory boards. The combination of these attributes of loyal customers means that a small increase in loyal customers can result in a substantial increase in profitability. Reichheld and Sasser found that a 5-percent increase in customer retention resulted in a 25- to 125-percent increase in profits in nine service-industry groups they studied. These researchers concluded that building a relationship with customers should be a strategic focus of most service firms (Bowen & Shoemaker, 1998: 17).

One of the main reasons for the dramatic growth in interest in relationship marketing has been the assertion of the benefits that it can bring to an organization. These benefits have taken many forms. The cost of winning a new customer is about five times greater than the cost of retaining a current customer using relationship marketing. Reichheld and Sasser (1990: 105) further outlined the economic benefits of customer retention (which is the central notion of relationship marketing). Their claims that “companies can boost profits by almost 100 per cent by retaining just 5 per cent more of their customers” inspired a new wave of research into relationship marketing. Reichheld and Sasser (1990: 105) also highlighted the importance of the lifetime value of the customer. This approach advocates the need to move away from a transactional view of the customer to a relationship view in order to maximize the return from a customer over a long period.

Along with the direct economic benefits of relationship marketing, researchers have outlined other benefits of a relationship marketing strategy for an organization. Having a “core group” of customers provides the company with a market for testing and introducing new products or offers with reduced risk. From the firm's perspective, relationship marketing also brings about much stability and decreased uncertainty. Close relationships can act as a barrier to competitor entry by keeping a stable and solid base of customers.

In addition to benefits for the firm, there is also a growing base of literature that looks at the benefits for the consumer. Authors such as Sheth and Parvatiyar (1995), Berry (1995), Gwinmer et al. (1998) have indicated that consumers receive psychological benefits from close relationships. Likewise, social benefits such as familiarity, personal recognition and friendship (Gwinmer et al., 1998) are predicted and supported by Czepiel (1990) and Buttle (1996). Customers may also receive economic benefits. Peterson (1995) suggests that the primary reason for consumers to engage in long-term relationships is to obtain discounts or money-saving schemes. Finally, consumers may obtain customization benefits as services providers may tailor their services to meet customer's specifications and requirements (Berry, 1995; Gwinmer et al., 1998) (Alexander & Colgate, 2000: 939).

1.5.1. Benefits of Relationship Marketing to the Business

From the Firms Point of view, relationship marketing can provide the following benefits:

1. Profitability: The longer the association between the company and its customer, the more profitable the relationship. From marketing experience, it has been established that retaining existing customers is more profitable than acquiring new ones. Relationship marketing provides a firm with an opportunity to participate in cross selling which increases overall sales volume and potential profit. Goodwill, which results in "word of mouth" promotion, helps to lower customer acquisition cost, and therefore impacts favorably on profit. According to Frederick Reichheld in his book, the Loyalty Effect, "a 5% improvement in a company's customer attrition rate can push a company's profits up to 75% higher." This increased profit is a result of reduced acquisition costs, increased cross selling, a high customer referral rate, decreased price sensitivity, and lower operating costs.

2. Brand loyalty: Brand loyalty is a benefit produced by an effective relationship marketing strategy. Relationship marketing encourages the customer to build a long- term relationship with a firm and its product. When this relationship results in consistent preferential treatment for a firm's product, the result is a brand loyal customer. A good example was a 2001 article in the USA Today, which stated: "with their wings clipped by corporate travel cutbacks, thousands of business travelers may have to scramble this year to earn enough miles to retain their status among the nation's elite frequent fliers. Some are even paying thousands of dollars of their own money to earn enough miles to qualify for membership in the top tiers of frequent-traveler plans such as Continental Airlines' One Pass Platinum Elite and United Airlines' Mileage plus Premier Executive 1K." (USA Today June 2001). The fact that these travelers are willing to pay several thousand dollars to maintain their elite status is testimony to the nature of brand loyalty that can be created through relationship marketing.

3. Product Differentiation and Competitive Advantage: Closely related to Brand loyalty is the concept of product differentiation and competitive advantage. In this age of global competition, product differentiation, which leads to competitive advantage, is necessary. Relationship marketing can provide an effective means of achieving both an effective product differentiation and competitive advantage. By

placing a much greater emphasis on listening, marketers can more effectively determine what the customer wants and tailor the product to appropriately fit the customer's needs. This ability to better serve a customer can help a marketer to better differentiate his products and thus gain competitive advantage over those marketers that are not as responsive. Another source of both product differentiation and competitive advantage is in the area of marketing communications. When a marketer‘s communications strategy emphasizes providing the customer with information that will enable the customer educate him/her self instead of the traditional advertising and sales promotion, the customer is more likely to remain loyal to the marketer. This is completely opposite to always looking for ways to capture new customers, which of course, is very expensive.

1.5.2. Benefits of Relationship Marketing to the Customer

From the customer's Point of view, relationship marketing can provide the following benefits:

1. Relationship Marketing allows personalized marketing, which deals with direct one-to-one interactions between a marketer and its customers. One of the great benefits of interactive marketing is that buyers are in better positions to tell sellers what they want, and sellers can match their offerings to the needs of buyers. Nike uses its "Product Recommendation system" to help meet customer's needs. The prospective customer answers about a dozen questions about himself and how he will use the shoes and the Product Recommendation System reveals which shoes are right for the customer. Armed with this information, the customer goes into his local shoe store to ask for shoes that are exactly right for him.

2. Relationship Marketing allows a firm to anticipate customers' wants: marketers see many customers with similar needs, tastes, and interests. They can use this experience, which is not available to individual customers, to anticipate what may appeal to an individual. This is particularly important because, a customer may have a general idea of what he or she wants, but he may not immediately know the

actual product design that matches his needs. A good example is the Book Matcher system, which Amazon uses to perform what it calls the collaborative filtering function. Collaborative filtering works by collecting the likes and dislikes of many people on a collection of items (in this case, books). It then looks for books the other person has read and ranked highly which you haven‘t read and recommends them to you. In this case, relationship marketing allows an individual to gain exposure to a product that suits his individual needs that he would otherwise not have known existed.

3. Relationship marketing allows customers to receive relevant Information: An effective Relationship Marketing program provides customers with sufficient information to empower them to make correct purchase decisions. A very good example can be seen on the various on-line airline booking services. When a customer signs on with these on-line services and tries to book a flight, most of them provide the customers with a variety of choices that are in most cases sufficient to allow the traveler to make an appropriate travel plan. The most important thing about this system is that it allows the traveler instant comparative information, which enables him to minimize transaction time, and in many cases maximize savings (Nwakanma & Jackson, 2007: 58–59).

Relationship marketing is an organization’s attempt to develop long-term, cost effective links with individual customers for mutual benefit. Good relationships with customers can be a vital strategic weapon for a firm. By identifying current purchasers and maintaining a positive relationship with them, an organization can efficiently target its best customers. Information technologies, such as computers, databases, and the Internet, support effective relationship marketing (Boone & Kurtz, 2003: 491).

PART 2
SCOPE OF RELATIONSHIP MARKETING AND RETAILING

2.1. ADVANTAGES AND CHALLENGES ASSOCIATED WITH RELATIONSHIP MARKETING

Relationship marketing takes the "marketing concept" one step further, by adding the time dimension to the notion that the "customer is king." Relationship marketing certainly seems like a promising way to create a competitive advantage. By exchanging information and forging a partnership with the customer, the seller has an opportunity to form a close bond with the customer. This close bond can be potentially advantageous to both parties, and the strategy works best when both buyers and sellers are interested in achieving benefits over the long-run (Ganesan, 1994; Cited by Zinkhan, 2002: 84). In the 21st century, sellers can harness information technology to mine large databases and gain keen insights about customer behavior and customer preferences.

However, relationship marketing can be a difficult concept to implement. Pursuing close relationships with customers is not always desirable or possible (Webster, 1992; Cited by Zinkhan, 2002: 84). Such relationships can be costly to build, both in terms of time and in terms of resources. For a variety of reasons, customers may resist the seller's overture to create a "relationship." For instance, the customer may be better off if there is a group of sellers, all vying to win a contract. Following economic theory, the more sellers that there are, the more likely it is that the buyer will be able to obtain a favorable price.

There are important differences between business-to-business (B-to-B) and business-to-consumer (B-to-C) marketing (Zinkhan & Cheng, 1992; Cited by Zinkhan, 2002: 84). By nature, business customers have more motivations to create a partnership with a seller. It is more difficult for an individual consumer to forge a true partnership with the seller. The individual consumer can offer money, positive word of mouth, and loyalty over time (Arnould et al., 2002; Cited by Zinkhan, 2002:

84). In addition to these aspects, a business organization can offer such items as profit sharing and, in return, can expect a truly customized service.

Since B-to-B marketing often involves purchase volumes that are quite large, it is feasible for the seller to invest considerable resources to customize the product and service. In exchange for this customization, the customer is willing to cooperate in forging a true relationship. In contrast, what an individual consumer in a B-to-C setting have to gain in creating a "relationship" with a business will certainly be different from a true human relationship. It is true that, in some industries, customers can gain tangible benefits (e.g., frequent flyer miles and free trips) in exchange for their loyalty. In other industries, there seem to be deep human emotions invested in the brand (e.g., the loyalty displayed by Apple users or lovers of Coke Classic). Nonetheless, businesses sometimes struggle to identify the true benefit that customers will derive from committing to a long-term relationship.

Many customers are not especially eager to have a "relationship" with an organization. Organizations have to think carefully what benefits they can offer to consumers, in order to initiate and secure a relationship over time. In some industries, it is difficult to identify actions that will be truly valued by consumers (as distinct from actions that are perceived as naked self-promotion). In a B-to-B setting, where both parties have a profit motive, it is more apparent how to motivate a lasting relationship. Thus, it is not surprising that partnerships and cooperative efforts (e.g., within a channel, between competitors) are a key means of creating competitive advantage in the 21st century (Zinkhan, 2002: 84–85).

However, there are certain inherent drawbacks in the concept and its application. Despite the hype about the benefits, long-term relationship and preferential treatment to most profitable customers have many inherent drawbacks. Company's preoccupation with its so-called best customers should not hurt the feelings of other loyal and revenue generating customers (Fourneier, Dobscha & Glen Mick, 1998; Cited by Ramkumar & Saravanan, 2007: 454). So, loyal customers might get punished, when the company does not declare him/her as valued customer and before his eyes other customers are given privileged treatment.

Consumers typically view companies as enemies, not allies. Therefore, when the company advances with a relationship marketing programmes; the customers respond by arming themselves to fight back. High levels of interaction, familiarity, and experience can foster a belief that they can no longer objectively evaluate one another (Moorman, Zaltman, & Despande, 1992; Cited by Ramkumar & Saravanan, 2007: 454).

Partners in long-term relationship may develop a "What have you done for me latterly?" attitude, which paradoxically makes them more sensitive to short-term cost and benefits (Gruen, T. W., J. O. Summers & F. Acito, 2000; Cited by Ramkumar & Saravanan, 2007: 454). In addition, a partner may come to suspect that his/her trust is been taken advantage of, there by souring their relationship (Grayson & Ambler 1999; Cited by Ramkumar & Saravanan, 2007: 454). A study has found that clients believing that as the relationship progresses, the agency is going stale (Doyle et al, 1980; Cited by Ramkumar & Saravanan, 2007: 454), often drive breakups between advertising agencies.

Another disadvantage is that relationship marketing that look to current customers does not attract new customers on a wide scale. Take the example of Indian Telecom sector where millions of cellular phone subscribers are added every month, attracting new customers is equally important. In such situations, relationship marketing and traditional marketing should go hand in hand. Relationship marketing alone could be a disastrous strategy in such scenario (Ramkumar & Saravanan, 2007: 455).

To conclude, beyond doubts relationship marketing is a paradigm in marketing literature, even though it is a new but old concept. Nevertheless, the conceptual bases of relationship marketing are not yet completely developed even after two decades of existence. The future survival and status of relationship marketing as a discipline depends on development of a solid theoretical framework based on empirical research (Ramkumar & Saravanan, 2007: 455).

2.2. RELATIONSHIP MARKETING AND CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management (CRM) complements the relationship marketing perspective. It is defined as *a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like.* As is the case with relationship marketing, CRM focuses on customer retention and relationship development. CRM is founded on four relationship-based tenets:

- Customers should be managed as important assets.
- Customer profitability varies; not all customers are equally desirable.
- Customers vary in their needs, preferences, buying behavior and price sensitivity.
- By understanding customer drivers and customer profitability, companies can tailor their offerings to maximize the overall value of their customer portfolio.

Customer Relationship Management is characterized as an integrated approach to managing relationships. However, critically, he underpins relationship management with "*continuous improvement or re-engineering*" of customer value through better service recovery and competitive positioning of the offer (Ryals & Knox, 2001: 3–4).

CRM has its roots in relationship marketing. Relationship marketing is a philosophy and orientation towards customer retention and CRM is regarded as the practical implementation of relationship marketing.

In other words CRM is technological infrastructure, both hardware and software, to manage large quantity of customer data. However, Relationship marketing is a way of doing business. Therefore, it is not a surprising fact that many CRM projects fails to deliver the return on investment, because of the inability to understand the business needs. Therefore, CRM is just an enabler of Relationship marketing. Therefore, we should not assume that more technology leads to a more effective CRM Program (Ramkumar & Saravanan, 2007: 454).

2.3. RELATIONSHIPS IN B-to-B MARKETS VERSUS B-to-C MARKETS

Relationship marketing is not limited to a firm's relationships with its customers. There are at least two reasons why the competent management of relationships with other stakeholders can be seen as necessary for economic profitability. First, as Heskett and colleagues have illustrated within their concept of the service profit chain (Heskett *et al*. 1994; Loveman 1998), customer satisfaction (as a central antecedent of customer loyalty) does not exist in isolation. On the contrary, before a company can generate satisfied and loyal customers through customer relationship management, it must first ensure employee satisfaction and employee loyalty through the equally intensive management of internal relationships. This management of relationships inside the firm is at the center of the internal marketing concept. *Internal marketing* aims to produce customer-oriented staff through a set of marketing and personnel policy initiatives. Although internal marketing may be of special relevance in industries where the service encounter is critical to the customers' evaluation of company performance (e.g. in most services, including hairdressers and restaurants), it is also obligatory in sectors with low levels of customer contact. This point is illustrated in the work of Gummesson (1991), who has introduced the term *part-time marketer* to highlight the importance of each employee's behavior for value creation.

A second reason for extending the scope of relationship marketing to include non-customer relationships is found in the literature on stakeholder management. Christopher, Payne, and Ballantyne (1991) go beyond the above-mentioned relationships with customers and employees and distinguish between relationship management in supplier and “influence” markets, the latter including financial and government organizations. Gummesson (1999) has identified no less than 30 relationships at different levels, including (among others) those with competitors, shareholders and the media. However, if we accept this broad interpretation of relationship marketing, then we have to ask whether a common denominator exists for these different types of relational partners, one that would legitimize their joint interpretation (Hennig-Thurau & Hansen, n. d.: 11–12).

In practice, relationship marketing originated in industrial and B-to-B markets where long-term contracts have been quite common for many years. Academics like Barbara Bund Jackson at Harvard re-examined these industrial marketing practices and applied them to marketing proper.

According to Leonard Berry (Berry, 1983), relationship marketing can be applied: when there are alternatives to choose from; when the customer makes the selection decision; and when there is an ongoing and periodic desire for the product or service (Relationship Marketing, 2009).

Relationship marketing and transactional marketing are not mutually exclusive and there is no need for a conflict between them. However, one approach may be more suitable in some situations than in others. Transactional marketing is most appropriate when marketing relatively low value consumer products, when the product is a commodity, when switching costs are low, when customers prefer single transactions to relationships, and when customer involvement in production is low. When the reverse of all the above is true, as in typical industrial and service markets, then relationship marketing can be more appropriate. Most firms should be blending the two approaches to match their portfolio of products and services. Virtually all products have a service component to them and this service component has been getting larger in recent decades.

Blomqvist et al. (1993) proposed the following key characteristics of relationship marketing: every customer is considered an individual person or unit; activities of the firm are predominantly directed towards existing customers; implementation is based on interactions and dialogues; and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships (Ndubisi, 2007: 99).

For many years, relationship marketing was conceived as an approach for the inter-organizational B-to-B markets. Recently, however, the domain of relationship marketing has been extended to incorporate innovative applications in mass consumer markets. Much has changed in a few years. Recent applications of relationship marketing in consumer markets have been facilitated by developments in direct and database marketing within an increasingly competitive and fragmented marketplace (Hollensen, 2003: 213).

In Table 5, the major differences between B-to-B and B-to-C relationships are highlighted.

Table 5. Comparison of B-to-B and B-to-C relationships

Characteristic	**Business-to-consumer**	**Business-to-business**
1. Relationship form.	Membership. The individual acknowledges some relationship (though informal affiliation with the organization).	Working partnership, just-in-time exchange, co-marketing alliance, strategic alliance, distribution channels relationship.
2. Average sale size; potential lifetime value of the customer to the selling firm.	Normally small size; relatively small and predictable lifetime value of the customer; limit on the amount of investment in relationship on any single	Normally large and consequential; allows for large and idiosyncratic investments in a single relationship.

	customer.	
3. Number of customers.	Large number; requires large overall investment in relationship management, but low investment per customer.	Relatively fewer customers to spread investment in relationships over.
4. Seller's ability and cost to replace lost customer.	Normally can be replaced quickly at relatively low cost.	Large customers can be difficult and time consuming to replace.
5. Seller dependence on buyer.	Low for any single customer.	Varies based on customer size; can be devastating.
6. Buyer dependence on seller.	Normally has more alternatives, low switching can be made quickly.	Viable alternatives can take time to find, switching costs can be high, and changes impact multiple people in the organization.
7. Purchasing time frame, process, and buying centre complexity.	Normally a short time frame, simple process, and simple buying centre where one or two individuals fill most buying roles.	Often a long time frame, complex process; may have multiple individuals for a single buying role; may be subject to organizational budget cycles.
8. Personal knowledge of other party.	Relatively few contact points with seller even when loyal user; seller's knowledge of buyer often limited to database information.	Multiple personal relationships; multiple inter-organizational linkages.
9. Communication used to build and sustain relationships.	Dependence on non-personal means of contact; seller's knowledge generally limited to database information of customers.	Emphasis on personal selling and personal contact; customer knowledge held in multiple forms and places.
10. Relative size.	Seller normally larger than buyer.	Relative size may vary.

11. Legal.	Consumer protection laws often favor consumers.	Relationships governed by prevailing contract law as well as industry standard regulations and ethics.

Source: Hollensen, S. (2003). Marketing management: a relationship approach. Harlow, England; New York: Financial Times/Prentice Hall, p.214.

2.4. RELATIONSHIP MARKETING STRATEGIES

Relationship marketing is not new and it is not a passing fad. There are sound reasons to explain its emergence and that it will need to adapt to change in the environment if it is to remain an important paradigm (Palmer, 2002; Cited by Altunöz, 2006: 22–24).

Increasingly, managers have begun to recognize that it can be more profitable to retain existing customers than to search for new ones. In order to influence a customer to stay with a brand or supplier, marketers have three basic strategic options: maintain a high level of customer satisfaction, meet competitor's offerings and establish a strong economic or interpersonal relationships with the customer (Guiltinan & Paul, 1991: 173).

Table 6. Primary-Demand Marketing Strategies

How demand is impacted	**Basic strategies for influencing demand**
1. Increase the number of users	Increase willingness to buy Increase ability to buy
2. Increase the rate of purchase	Broadening usage occasions for the product Increase level of consumption Increase rate of replacement

Table 7. Selective-Demand Marketing Strategies

How demand is impacted	Basic strategies for influencing demand
1. Retain current customers	Maintain satisfaction Meeting competition **Relationship marketing**
2. Acquire new customers	Head-to-head a. Market dominance b. price/cost leadership Differentiated positioning Niching

A relationship marketing strategy is designed to enhance the chances of repeat business by developing formal interpersonal ties with the buyer. Long-term relationships are often established through contractual or membership arrangements with customers or distributors. Typically, these arrangements are only successful because of some discount or an economic incentive associated with the cost of purchasing. For example, consumers who buy season tickets for a philharmonic orchestra series are essentially engaged in a membership relationship. Similarly, annual fees charged by health spas ensure at least a 1-year relationship. In industrial marketing, simplification may be achieved by programs such as long-term protection against price increases or inventory management assistance. Frequently these programs are so desirable to buyers or to distributors that they will commit themselves to use one supplier as the sole source of supply for a period of time (Guiltinan & Paul, 1991: 175).

Since relationship marketing includes all activities directed towards the establishment, development and maintenance of exchange relationships (Morgan and Hunt, 1994), the activities of a relational strategy should comprise the next objectives (Izduierdo et al., 2005):

- **Attraction** (creating relationships)
- **Loyalty** (developing relationships)

- **Interaction** (maintaining relationships)

As Izduierdo et al. (2005) stated, according to above objectives, we can distinguish three types of relationship marketing activities: those oriented to **attract** consumers; those oriented to **retain** customers and to **create** loyalty; and those oriented to maintain that relationship (Jalili, 2008: 24–25).

2.4.1. Customer Attraction

If attraction exists between two parties, the basis for a relationship is developing. Indeed, understanding the role of attraction in a customer commitment decision is the key issue that little attention has been paid on it the service-marketing area.

The firm can create trust by means of signals sent to the market: warranty, reputation, service quality (investments on quality and technology) or advertising and promotions and trust will initiate relationship in consumer market (Jalili, 2008: 25).

Today's customers are becoming harder to please. They are smarter, more price conscious, more demanding, less forgiving, and many more competitors with equal or better offers approach them. The challenge, according to Jeffrey Gitomer, is not to produce satisfied customers; several competitors can do this. The challenge is to produce delighted and loyal customers.

Companies seeking to expand their profits and sales have to spend considerable time and resources searching for new customers. To generate leads, the company develops ads and places them in media that will reach new prospects; it sends direct mail and makes phone calls to possible new prospects; its salespeople participate in trade shows where they might find new leads; and so on. All this activity produces a list of suspects. The next task is to identify which suspects are good prospects, by interviewing them, checking on their financial standing, and so on. Then it is time to send out the salespeople (Kotler, 2003: 72).

2.4.2. Customer Loyalty Programs

Marketing managers should develop creative ways to attract new customers and keep them for a long run. One of the most popular marketing tools used for this purpose is a loyalty instrument, which is found in every industry. These loyalty instruments can vary anywhere and upgrades to customers who accumulate certain levels of points to that offer in-store cards and give discounts on selected items within the store (Kumar & Peterson, 2005).

Loyalty has been largely studied in the consumer context (Brown 1952, Cunningham 1956, Dick and Basu 1994, Farley 1964, Fournier 1998, jacoby 1971, and Jacoby and Kyner 1973, Oliver, Rust and Varki 1997, Sirgy and Samli 1985; Cited by Rauyruen, 2005) and service market (e.g. Andreassen and Lindestad 1998; Fisher 2001; Selnes 1993; Zeithaml, Berry and Parasuraman 1996; Cired by Rauyruen, 2005). There are three main streams of research in loyalty: behavioral loyalty, attitudinal loyalty and composite loyalty.

In an early school of thought argued that behavior (past purchases of the brand/product) completely accounts for loyalty.

Consistent with this viewpoint, (Jacoby and Chestnut, 1978; Cited by Rauyruen, 2005) observed that in behavioral loyalty studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as a manifestation of loyalty. Loyalty in this behavioral manner is believed to be stochastic not deterministic. On the other hand, attitudinal concepts can be defined as providing positive word of mouth recommending the service to others and encouraging others to use the service. There was a need to extend classical definitions and measurement approaches of loyalty.

The company will try to achieve the satisfaction of their existing customers providing them inducement such as discounts, free products or fidelity cards. These loyalty programs are structured marketing attempts, which reward, and therefore encourage, loyal behavior. Loyalty program customers should show changes in repeat-purchase loyalty, which is not evident amongst non-program members: “decreased switching to non-program brands, increased repeat-purchase rates, increased used frequency or greater propensity to be exclusively loyal.” (Izquerdo et al., 2005) (Jalili, 2008: 32–33).

The adaptation of customer loyalty programs among companies has increased over the last couple of years, and the customers have become the focus of attention. Customer loyalty programs offer financial and relationship rewards to customers with the purpose of making the customers’ brand loyal (Uncles Dowling & Hammond, 2003). The authors further states two aims of customer loyalty programs, the first is *increased sales* of revenues through increasing purchases. The second aim is to *build bonds between the brand and the existing customers* to maintain the existing customer base. According to O’Malley (1998), loyalty programs are developed to reward loyal customers, generate information about the customers and manipulate their behavior. Yi and Jeon (2003) state that loyalty programs are usually introduced to build customer loyalty through a reward scheme. The goal of loyalty programs is to establish a high level of customer retention by providing satisfaction and value to certain customers. These programs can also increase brand loyalty by creating switching costs and profits by avoiding price competition. The customers’ value perception is a necessary condition for the developing of brand loyalty through loyalty programs. The loyalty programs has to be perceived as valuable for the customer, as well as convenient and generate in cash value to be able to entice customers into the program. (ibid)

Dowling and Uncles (1997) describes a psychological benefit of belonging to a program and the accumulation of points. The authors found that the accumulated points and being qualified for a reward could be regarded as psychological rewards in loyalty programs. Yi and Jeon (2003) states that this value perception might also be related to the different type of rewards, customers prefer luxuries as rewards and value them more than necessity rewards.

According to Butscher (2002), the primary aim of loyalty programs is to build up emotional relationships that generate benefits. The benefits need to be valuable and capable of creating an emotional connection between the customers and the company. Liang and Wang (2004) states that the concept of benefits relies on the idea that the customers select brand based on their desire.

Butscher (2002) further states that before customers consider to join a loyalty program they weight their input such as membership fees and obligation against the output they will receive from the program such as benefits, image and special customer status. The balance between the input and the output has to be favorable for the loyalty program to be able to establish relationships with the customers. This balance deals with selecting the right benefits for the customers. (ibid) Table 6 below shows the loyalty programs input and output for the loyal customers.

Table 8. Importance of Loyalty Program benefits

Input	Output
Membership fee	Benefits
Data release	Financial advantages
Obligations	Preferred customer treatment
Costs for benefits etc.	Status/image etc.

Source: Butscher, 2002, p. 52. Gustavsson, S. & Lundgren, E. (2005). Customer Loyalty (Bachelor’s Thesis). Lulea University of Technology. Retrieved April 13, 2009, from http://epubl.luth.se/1404-5508/2005/184/LTU-SHU-EX-05184-SE.pdf, p.10.

Butscher (2002) states that the right benefits are those who from the customers’ point of view have high-perceived value. The author further suggest three key elements in the creation of benefits, the first is *high value*, which is necessary to be able to attract customers to join the loyalty program. To create this high value the benefits must meet the customers’ expectations and be unique by standing out among other loyalty programs. The second aspect is *perceived value*, which must not only be good from the companies' perspective, but also from the customers. If the customers perceive the benefits differently, the value of the benefits will be reduced. The third key element is that *the selection of the benefits must be made from the customers' point of view*. It is the customers' opinion that matters, and the only way a loyalty program can work is if the companies offer customers what they like rather than what the companies wants the customers like (Butscher, 2002) (Gustavsson & Lundgren, 2005: 9–11).

Tremendous growth in loyalty programs or, in general, frequency marketing is one of the major trends in marketing in the 1990s. In general, loyalty programs seem to work best under the following conditions:

- The program supports and is consistent with the brand's value proposition.
- The program adds value to the product or service.
- Customer lifetime value is high (Winer, 2004: 402).

2.4.3. Interaction

The interaction can be defined in programs such as contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customizing services. Many companies perceive that the best initial approach toward relationship marketing is investing in complaint handling process to show commitment to customer. Satisfaction with handling complaint has direct impact on trust and commitment and can cancel out the original negative experience if handled to the customer's satisfaction or delight. (Izquerdo et al., 2005) (Jalili, 2008: 38).

2.5. CONCEPTS OF RETAILING AND RETAILER

Retailers form an important link in the marketing channel. They perform many marketing activities and add value to final consumer products. In addition, retailers are customers for wholesalers and producers. Retail institutions provide place, time, possession, and in some cases form utilities (Pride & Ferrell, 1985: 283). They move products from wholesalers or producers to the location of demand (place utility). They make inventories or product stocks available when consumers want them (time utility). Moreover, they assume risk through ownership and financing inventories (possession utility) (Pride & Ferrell, 1985: 260).

Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

Any organization selling to final consumers – whether it is a manufacturer, wholesaler, or retailer – is doing retailing. It does not matter *how* the goods or services are sold (by person, mail, telephone, vending machine, or Internet) or *where* they are sold (in a store, on the street, or in the consumer's home) (Kotler, 2003: 535).

In this part of the study, nature and the importance of retailing, the various types of retailers and recent trends in retailing are all discussed in detail.

2.5.1. Nature and Importance of Retailing

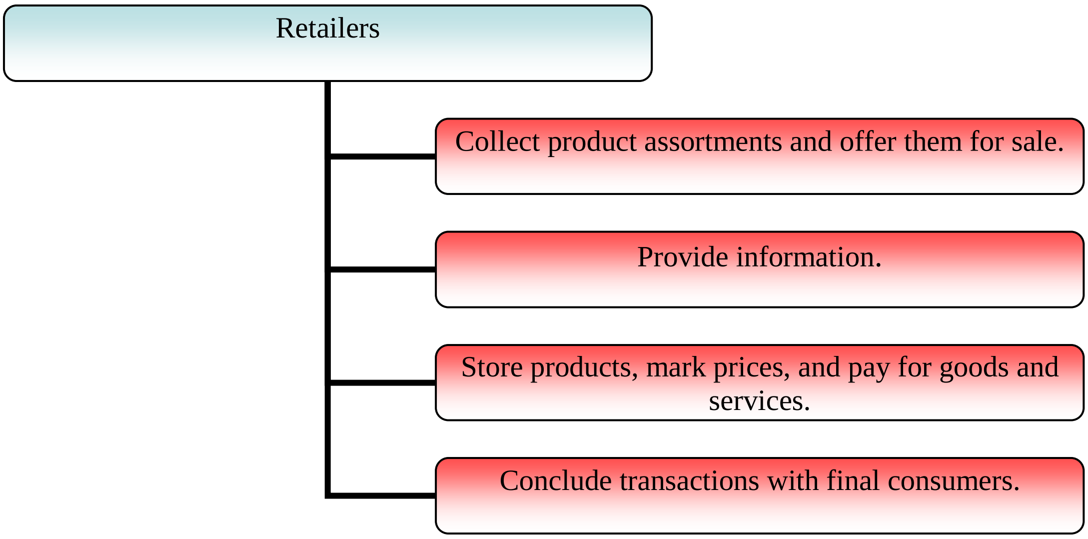
Retailing (or retail trade) consists of the sale, and all activities directly related to the sale, of goods and services to ultimate consumers for personal, non-business use. While most retailing occurs through retail stores, it may be done by any institution. A manufacturer selling brushes or cosmetics door to door is engaged in retailing, as is a farmer selling vegetables at a roadside stand.

Any firm – manufacturer, wholesaler, or retailer – that sells something to ultimate consumers for their own non-business use is making a retail sale. This is true regardless of *how* the product is sold (in person or by telephone, mail, or vending machine) or *where* it is sold (in a store or at the consumer's home).

However, a firm engaged primarily in retailing is called a retailer (Sommers, Barnes & Stanton, 1992: 492).

The role of retailing is to supply products and services directly to the final consumer. Retailers are differentiated from wholesalers according to the primary source of sales. Retail sales are sales to final consumers; wholesale sales are those to other businesses that in turn resell the product or service, or use it in running their own businesses (Bearden, Ingram & LaForge, 2004: 323).

Figure 8. Key Retailing Functions



Source: Evans, Joel R. & Berman, B. (1997). Marketing (7th Edition). Upper Saddle River, NJ: Prentice Hall, p. 469.

As highlighted in Figure 8, retailers generally perform four distinct functions. They

- Engage in the sorting process by assembling an assortment of goods and services from a variety of suppliers and offering them for sale. The width and depth of assortment depend on the individual retailer's strategy.

- Provide information to consumers via ads, displays and signs, and sales personnel. Moreover, marketing research support (feedback) is given to other channel members.
- Store products, mark prices, place items on the selling floor, and otherwise handle products. Retailers usually pay for items before selling them to final consumers.
- Facilitate and complete transactions by having appropriate location and hours, credit policies and other services (like delivery) (Evans & Berman, 1997: 469).

2.5.2. Types of Retailers

Consumers today can shop for goods and services in a wide variety of retail organizations. Retail stores come in all shapes and sizes, and new retail types keep emerging. There are store retailers, non-store retailers, and retail organizations. Perhaps the best-known type of retailer is the department store (Kotler, 2003: 535). The most important types of retail stores are described in Table 7.

Table 9. Major Retailer Types

Specialty Store: Narrow product line with a deep assortment. A clothing store would be a *single-line* store; a men's clothing store would be a *limited-line* store; and a men's custom-shirt store would be a *superspecialty* store. Examples: Athlete's Foot, Tall Men, The Limited, The Body Shop.

Department Store: Several product lines – typically clothing, home furnishings, and household goods – with each line operated as a separate department managed by specialist buyers or merchandisers. Examples: Sears, JCPenney, Nordstrom, Bloomingdale's.

Supermarket: Relatively large, low-cost, low-margin, high-volume, self-service operation designed to serve total needs for food, laundry, and household products. Examples: Kroger, Food Emporium, Jewel.

Convenience Store: Relatively small store located near residential area, open long hours, seven days a week, and carrying a limited line of high-turnover convenience products at slightly higher prices, plus takeout sandwiches, coffee, soft drinks. Examples: 7-Eleven, Circle K.

Discount Store: Standard merchandise sold at lower prices with lower margins and higher volumes. Discount retailing has moved into specialty merchandise stores, such as discount sporting-goods stores, electronics stores, and bookstores. Examples: Wal-Mart, Kmart, Circuit City, Crown Bookstores.

Off-Price Retailer: Merchandise bought at less than regular wholesale prices and sold at less than retail: often leftover goods, overruns, and irregulars.
Factory outlets are owned and operated by manufacturers and normally carry the manufacturer's surplus, discontinued, or irregular goods. Examples: Mikasa (dinnerware), Dexter (shoes), Ralph Lauren (upscale apparel).
Independent off-price retailers are owned and run by entrepreneurs or by divisions of larger retail corporations. Examples: Filene's Basement, T. J. Maxx.
Warehouse clubs (or wholesale clubs) sell a limited selection of brand-name grocery items, appliances, clothing, and a hodgepodge of other goods at deep discounts to members who pay annual membership fees. Wholesale clubs operate in huge, low-overhead, warehouse like facilities and offer rock-bottom prices – typically 20 to 40 percent below supermarket and discount-store prices. Examples: Sam's Clubs, Max Clubs, Price-Costco, BJ's Wholesale Club.

Superstore: About 35,000 square feet of selling space traditionally aimed at meeting consumers' total needs for routinely purchased food and nonfood items, plus services such as laundry, dry cleaning, shoe repair, check cashing, and bill paying. A new group called *category killers* carry a deep assortment in a particular category and a knowledgeable staff. Examples: Borders Books and Music, Petsmart, Staples, Home Depot, IKEA.
Combination stores are combination food and drug stores that average 55,000 square feet of selling space. Examples: Jewel and Osco stores.
Hypermarkets range between 80,000 and 220,000 square feet and combine supermarket, discount, and warehouse retailing. Product assortment includes furniture, large and small appliances, clothing, and many other items. They feature bulk display and minimum handling by store personnel, with discounts for customers who are willing to carry heavy appliances and furniture out of the store. Hypermarkets originated in France. Examples: Carrefour and Casino (France); Pyrca, Continente, and Alcampo (Spain); Meijer's

(Netherlands).

Catalog Showroom: Broad selection of high-markup, fast-moving, brand-name goods at discount prices. Customers order goods from a catalog, and then pick these goods up at a merchandise pickup area in the store. Example: Service Merchandise.

Source: Kotler, P. (2003). Marketing Management (11^{th} Edition). Upper Saddle River, New Jersey: Prentice Hall, p.536.

Retailers can be classified according to the type of merchandise and services sold, location, various strategic differences, and method of ownership. Here we examine different ownership categories to provide an overview of several types of retailers (Bearden, Ingram & LaForge, 2004: 325).

2.5.2.1. Independent Retailers

Independent retailers own and operate only one retail outlet. There are no formal education requirements, no specific training requirements, and few legal requirements to owning a retail business. The ease of entry likely accounts for the unpreparedness and the high failure rate experienced by new retailers (Bearden, Ingram & LaForge, 2004: 325–326).

2.5.2.2. Chains

A retail chain owns and operates multiple retail outlets. Examples are The Gap and JCPenney. The major advantage is the ability to service large, widespread target markets by selling a large assortment of products and services (Bearden, Ingram & LaForge, 2004: 326).

2.5.2.3. Franchising

Retail franchising is a form chain ownership in which a franchisee pays the franchisor (parent company) fees or royalties and agrees to run the franchise by prescribed norms, in exchange for use of the franchisor's name. Well-known franchisor's include McDonald's, Holiday Inn and Avis. (Bearden, Ingram & LaForge, 2004: 326).

2.5.2.4. Leased Departments

Leased departments are sections in a retail store that the owner rents to a second party. Typically, department stores rent their jewelry, shoe, hairstyling, and cosmetic departments. For example, cosmetics such as Estèe Lauder and Clinique are sold through leased space in department stores. (Bearden, Ingram & LaForge, 2004: 327).

2.5.2.5. Cooperatives

Responding to competitive pressures exerted by the buying power of chain stores, independent retailers sometimes band together to form retail cooperatives. Although each store remains independently owned, the retail cooperative generally adopts a common name and storefront. The stores participate in joint purchasing, shipping, and advertising, which allows cost savings normally enjoyed by chain outlets. Retail cooperatives include Sentry Hardware, Associated Grocers, and Ace Hardware (Bearden, Ingram & LaForge, 2004: 327–328).

2.5.3. Trends in Retailing

Retailers operate in a harsh and fast-changing environment, which offers threats as well as opportunities. Consumer demographics, lifestyles, and shopping patterns are changing rapidly, as are retailing technologies. To be successful, then retailers will have to choose target segments carefully and position temselves strongly (Kotler & Armstrong, 2004: 447).

Dozens of noteworthy trends present threats or, alternatively, provide opportunities for retailers (Sommers, Barnes & Stanton, 1992: 521).

The main developments retailers and manufacturers need to take into account in planning competitive strategies can be summarized as follows:

1. *New retail forms and combinations.* Some supermarkets include bank branches. Bookstores feature coffee shops. Gas stations include food stores.
2. *Growth of intertype competition.* Different types of stores – discount stores, catalog showrooms, department stores – all compete for the same consumers by carrying the same type of merchandise.
3. *Growth of giant retailers.* Through their superior information systems, logistical systems, and buying power, giant retailers are able to deliver good service and immense volumes of product at appealing prices to masses of consumers. They are crowding out smaller manufacturers who cannot deliver enough quantity and even dictating to the most powerful manufacturers what to make, how to price and promote, when and how to ship, and even how to improve production and management. Manufacturers need these accounts; otherwise, they would lose 10 to 30 percent of the market. Some giant retailers are *category killers* that concentrate on one product category, such as toys (Toys "R" Us), home improvement (Home Depot), or office supplies (Staples). Others are *supercenters* that combine grocery items with a huge selection of nonfood merchandise (Kmart, Wal-Mart).
4. *Growing investment in technology.* Retailers are using computers to produce better forecasts, control inventory costs, order electronically from suppliers, send e-mail between stores, and even sell to customers within stores. They are adopting checkout scanning systems, electronic funds transfer, electronic data interchange, in-store television, store traffic radar systems, and improved merchandise-handling systems.
5. *Global presence of major retailers.* Retailers with unique formats and strong brand positioning are increasingly appearing in other countries. U.S. retailers such as McDonald's, The Limited, GAP, and Toys "R" Us have become globally prominent. Wal-Mart operates over 700 stores abroad. Among foreign-based global retailers are Britain's Marks and Spencer, Italy's

Benetton, France's Carrefour hypermarkets, Sweden's IKEA home furnishings stores, and Japan's Yaohan supermarkets.

6. *Selling an experience, not just goods.* Retailers are now adding fun and community in order to compete with other stores and online retailers. There has been a marked rise in establishments that provide a place for people to congregate, such as coffeehouses, tea shops, juice bars, book shops, and brew pubs.
7. *Competition between store-based and non-store-based retailing.* Consumers now receive sales offers through direct mail letters and catalogs, and over television, computers, and telephones. These non-store-based retailers are taking business away from store-based retailers. Some store-based retailers initially saw online retailing as a definite threat. Wal-Mart recently joined with America Online (AOL) so that AOL will provide a low-cost Internet access service that carries the Wal-Mart brand, and Wal-Mart will promote the service and AOL in its stores and through TV advertising. Stores such as Wal-Mart and Kmart have developed their own online Web sites, and some online retailers are finding it advantageous to own or manage physical outlets, either retail stores or warehouses (Kotler, 2003: 545–547).

Different types of retailers offer a variety of customer services to correspond with the image they need to project (Bearden, Ingram & LaForge, 2004: 330). Table 8 lists customer services offered mostly by department stores and occasionally and rarely by the typical discount stores.

Table 10. Customer services offered by retailers

Alter merchandise
Assemble merchandise
Bridal registry
Check cashing
Child care facilities
Credit
Delivery to home
Demo merchandise
Dressing rooms
Gift wrap
Information/assistance to select merchandise

Source: adopted from Bearden, W. O., Ingram, T. N. & LaForge, R. W. (2004). Marketing: principles and perspectives (4^{th} Edition). New York: McGraw-Hill/Irwin, p. 331.

In many respects, retailers, particularly those such as food retailers where customer interaction is regular, are well placed to build long-term relationships with customers. This relates to the fundamental requirements of a relationship: that is a series of interactions (Storbacka, 1994). However, large and essentially impersonal retail organizations have greater difficulty moving beyond this basic level of relationship. Similarly, many retail transactions may be low in involvement (Zaichowsky, 1985), where the purchase has little meaning to the customer. Gordon et al. (1998) suggest that the higher the levels of involvement the more important relationships become. Thus, large retail operations may find it difficult, within their normal business transactions, to establish the relationship criteria suggested by Barnes (1997a), where there exists the mutual recognition of a relationship or that the relationship which does exist is perceived to possess a "special status" (Czepiel, 1990). Nevertheless, some retailers successfully establish such relationships but the relationship may essentially exist as a fragile one where the lack of service consistency will quickly erode the relationship established (Alexander & Colgate, 2000: 940).

2.5.4. Retailing Sector in the World and Turkey

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to "just-in-time" store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system. The superstore was born.

On the Global Retail Stage, little has remained the same over the last decade. One of the few similarities with today is that Wal-Mart was ranked the top retailer in the world then and it still holds that distinction. Other than Wal-Mart's dominance, there is little about today's environment that looks like the mid-1990s. The global economy has changed, consumer demand has shifted, and retailers' operating systems today are infused with far more technology than was the case six years ago.

Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the globalization mode. Since the mid-1990s, numerous governments have opened up their economies as well, to the free markets and foreign investment that has been a plus for many a retailer. However, a more near-term concern, has been the global economic slowdown that has resulted from dramatic cutback in corporate IT and other types of capital spending. Consumers themselves have become much more price sensitive and conservative in their buying, particularly in the more advanced economies (Anand & Nambiar, 2003: 1).

Table 11. Top Performing European Retail Brands

2008 Rank	Brand	Country of origin	Sector	Brand Value (Million Euros)
1	H&M	Sweden	Apparel	10,366
2	Carrefour	France	General Retailer	6,620
3	Ikea	Sweden	Home and Furnishings	6,516
4	Tesco	UK	General Retailer	5,617
5	M&S	UK	General Retailer	5,100
6	Zara	Spain	Apparel	4,112
7	Aldi	Germany	General Retailer	2,675
8	Boots	UK	Health and Beauty	2,003
9	El Cortè Ingles	Spain	General Retailer	1,930
10	Auchan	France	General Retailer	1,860
11	ASDA	UK	General Retailer	1,224
12	MediaMarkt	Germany	Consumer Electronics	1,094
13	Lidl	Germany	General Retailer	910
14	Edeka	Germany	General Retailer	905
15	C&A	Netherlands	Apparel	882

Source: Brands That Have the Power to Change the Retail World: Interbrand Top Performing European Retail Brands 2008, Retrieved April 4, 2009 from http://www.interbrand.com/images/studies/Interbrand_EuroRetailReport_030408_web.pdf, p.26–27.

According "Retail in Turkey 2009", the recent report by an analytical company PMR, the Turkish retail sales to have amounted to YTL 225bn (€118bn) in 2008, posting a growth of over 11% on 2007. In comparison with countries of the European Union, the retail sector in Turkey is still relatively underdeveloped. Despite the fact that today's market leader, Migros Turk, was set up in the late 50s of the twentieth century, some other prominent local companies were established in the

80s, and despite the entry of few worldwide-known retail chains as early as in the 90s, a significant portion of the retail market still remains in the hands of independent retailers. In addition, about one-third of retail sales are still controlled by traditional channels, like bakkals (small mom-and-pop stores), open markets and street vendors. As such, it constitutes a promising market for the development of modern retail, which despite the forecast market downturn in 2009 will enable retailers to further expand, organically as well as because of mergers and acquisitions.

The top 10 largest retail companies in Turkey, almost all of which are of domestic-origin, account for less than 10% of retail sales in the country, according to PMR data. Nevertheless, concentration in the Turkish grocery retail is expected increase rapidly during the next few years, chiefly at the expense of small local players and unorganized formats.

Table 12. Top 10 retail companies in Turkey, by market share and store count

Retailer	Country of origin	Chains (banners)	Category	Retail market share (%), 2008	Store count in Turkey, 2008
Migros Turk	Turkey	M Migros, MM Migros, MMM Migros, 5M, Şok, Tansaş, Macrocenter, BİM	Grocery	2.2 %	1,120
BIM	Turkey	BİM	Grocery	2.0 %	2,280
Arcelik	Turkey	Deafers' stores	Consumer electronics	1.4 %	4,500
CarrefourSa	France/Turkey	Carrefour, Carrefour Express, Dia %	Grocery	1.1 %	757
Teknosa	Turkey	Teknosa	Consumer electronics	0.9 %	258
Tesco-Kipa	UK/Turkey	Kipa, Kipa Express	Grocery	0.8 %	100

Tema Magazacilik	Turkey	LC Waikiki	Clothing, footwear, accessories	0.5 %	205
Koctas	Turkey	Koctas	DIY	0.4 %	21
Metro Group	Germany	Real, Media Markt	Grocery, consumer electronics	0.4 %	19
Kiler	Turkey	Kiler	Grocery	0.3 %	151

Source: adopted from Turkish retail still unconquered by foreign chains, Retrieved April 25, 2009 from http://www.pmrpublications.com/press_room/en_2009_-Turkish-retail-still-unconquered-by-foreign-chains.shtml

So far, quite a few of the large Europe's retailers have managed to open their stores in the country and operate successfully. Many develop in Turkey in the form of joint ventures. They co-operate with experienced Turkish retailers so that they can benefit from their experiences in the market to minimize the company's risk in investment. One of prominent examples is to be found in the grocery market. In 1996, Carrefour Turkey established a joint venture with the Turkish holding Sabanci creating CarrefourSA, while in 2003, the domestic retailer Kipa was acquired by the British Tesco (Tesco-Kipa). Both retailers managed to make it to the top 10 retail companies in Turkey. Both engage in further acquisitions.

The development of foreign retail chains and further modernization of Turkish retail is adjoined by the development of availability of modern retail space. For example, numerous foreign fashion chains including Benetton, Levi's, Zara, Mango or C&A, of the world's renowned fashion groups (such as Inditex, Arcadia Group, GAP Inc) are already operating in the country. Again, many develop in cooperation with local or experienced companies; brands are being developed by franchisees (such as Fiba Holding, Alshaya Group or Park Bravo).

The Turkish shopping centre market has been highly active in the 2006-2008 period, with Istanbul being the hot spot. This is not surprising, as the city is the largest metropolis in Turkey and is situated in the most economically developed western part of the country. In 2005, the city saw the launch of the largest shopping centre in Europe – Cevahir Mall – offering a close to 350,000 m² of space for rent.

Recently, as opportunities for new schemes are becoming more limited in Istanbul and developers are turning their attention to other cities. In fact, the capital city Ankara and a number of secondary cities - Izmir, Bursa, and Antalya - already have a significant representation of shopping centers. Nevertheless, almost half of the provinces in Turkey do not have any modern concept shopping centers.

In all, considering relative underdevelopment of the Turkish market, the country's large population as well as shopping schemes developers' plans, the potential for spreading the modern retail formats is vast. However, this does not only mean opportunity for foreign brands since already experienced domestic companies, many of which running a modern style chains, will surely fight to defend their leading positions. One is sure, the market will not let us be bored (Turkish retail still unconquered by foreign chains, 2009).

Turkish retailing is on the verge of a drastic transition; from traditional retailing to modern (organised, professional and therefore institutionalised) retailing. This transition is causing intense debates since the entire society and economy will be significantly affected.

Concerning the impact on the economy, models of both agricultural and industrial production, distribution and employment have already started to change. Due to the increase in the market share of the modern retailing sector, officially declared revenues and tax payments of the sector are growing in parallel. Considering the investments in the sector, the ensuing debates regarding the future of the retailing sector are becoming good indicators of the impact of the transition.

As for the social impact, hygiene, safety and quality standards in general are becoming common practice. Consumers are starting to grasp the meaning of competition and its advantages, and are becoming more demanding and selective than ever. Thus, the transition in the way of supplying and consuming is leading to unprecedented changes to everyday life (Transition of the Turkish Retail Sector and the Impacts on the Economy, 2007: 4).

Retailing is the face of an important part of the marketing, distribution and even other economic activities in a society seen by the consumers in daily life. Retail institutions are the final exit door of the activities related with the flow of the products and services from the production points to the final consumers. The possible interruptions and bottlenecks arising in the retail distribution points can create serious problems in front and behind of the distribution channels. Therefore, retailing is crucial and should be investigated in detail. Modern retailing, which first started in 1955–56 with Migros and Gima in Turkey but then has fallen into a deep sleep. However there was a resurgence in 1973 with the “Stage legislation on encouraging department stores”, because of the resistance coming from the society (especially from the confederation of craftsmen and artisans), the deal was postponed and left to the natural order of things. Modern retailing institutions, which came to Turkey by a chronological delay with respect to western countries, at least a 60 years and 30–40 years delay, compared to USA and European countries, respectively, stressed the 1990s for Turkey as the beginning of the “Retailing Era”. By 2000, multinationalism trend has accelerated with Tesco etc. (Tek & Özgül, 2005: 577–578).

2.5.5. The Retail Structure Change in Turkey

Before the 1980s, the development policy of Turkey was based on import substitution, and the structure of the economy was semi-controlled and mixed. The economy was producer-driven; the basic concern was that of production and availability of goods. Distribution was a secondary concern and was left to a traditional small-scale network of traders (Tokatlı & Boyacı, 1999: 187). Between 1950 and 1975, Turkey maintained a steady economic development of 6 % per annum on average, the percentage of urban population within the total population increased from 18,5 percent in 1950 to 50 percent in 1980 and the per capita income of the country increased from $166,40 in 1950 to $1330 in 1980 (Tokatlı & Özcan, 1998; Cited by Kompil & Çelik, 2006: 2). However, from 1950s to 1980s, despite the stage of economic development and urbanization hardly any change in the structure of retailing had occurred. Empirical evidences show briefly that over the thirty-year period, neither a decline in the share of small-scale retailers nor an increase in the share of large-scale retailers had been identified (Kumcu and Kumcu, 1987). Migros (Switzerland–1955), Gima (1956), and various municipality owned stores (after 1970s) serving in the form of supermarket were the only organized retail investments in this period. As Tokatlı and Özcan (1998) states dominant type of retailing up to 1980s was still small-scale, capital-weak, independent and family-owned such as, groceries (bakkal), greengroceries (manav), butchers (kasap) and haberdashers (konfeksiyoncu) that fits well the prevailing demand pattern of the Turkish customer, the public attitudes and the macroeconomic policies.

The true take-off of western type of retail formats and large-scale retail developments in Turkey has started after 1980s. At the beginning of the 1980s, import-substituted industrialization strategy was replaced with the more outward-oriented development strategy that proposes more liberal, market oriented and out-ward-looking economic structure. The export-oriented development strategy has introduced a highly appropriate environment for retail growth and affected the sector in a number of ways by altering demand side factors, changing environmental conditions, and increasing attraction of the sector for large corporations. The economy has begun to go smoothly and experienced relatively high rates of growth (averaging 5% in 1981–1993 period), and has changed the production and consumption patterns since then. The economic growth was not the only response for rapid retail development, social, political and technological shifts that Turkey experienced are the other important factors affected the retail environments. In detail, increase in urbanization rates, consumer expenditures and private car ownership; widespread usage of credit cards and durable goods; the changing role of women and consumer profile; technological advances and internationalization of retailing have been the major factors that changed the retail structure in Turkey.

Two decades of liberalization of the Turkish economy, further stimulated by its Customs Union with the European Union (1996) and EU membership procedure (2001), have progressively freed Turkish entrepreneurial dynamism (Codron et.al., 2003). Much of the economic and social outcomes have changed the circumstances for large-scale, western type of retail developments, and a rapid change has been inevitable during the 1990s. A number of multi-purpose shopping centers and shopping malls have established in the major cities of the country such as in İstanbul (37), Ankara (13), İzmir (8), Konya (6), Bursa (5), İzmit (4) (Turkish Concil of Shopping Centers & Retailers, members' list, 2006) up to day. Although some of the multi-purpose large-scale shopping centers and malls have been the first signs, the most crucial changes have occurred in the sector of food retailing. The large domestic and international corporations (mostly European) successfully captured an increased market share through supermarkets, hypermarkets, department stores, and franchise-based operations starting from the 1990s. Migros, Tansaş, Gima, Carrefoursa, Metro, Real, Kipa and BIM have been the major food retail chains dominate the Turkish organized retailing since then.

2.5.6. The Retail Structure Analyze of Izmir

İzmir, the third most populated metropole city of the Turkey with a present population of over three million people, is located on the West coast of the country along the Aegean Sea. From past to date, İzmir has always played a fundamental role in country's economy as being one of the commercial and economical centers of the country. The core city surrounding the İzmir Bay has also become an attraction center due to the international commercial seaport, productive agricultural areas in the hinterlands, and economical and industrial structure that is fed from this hinterland. İzmir has continuously outperformed the national average on most of the socio-economic growth indicators over the past decades because of its strategic location and well developed economic foundation.

The most outstanding implementations and investments through the economic and spatial transformations have taken place through the large-scale retail developments. Up to mid 1990s, the retail structure of İzmir mainly consisted of the small-scale traditional retailers. The only western type retailer was Tansaş, which was a semi public corporation of İzmir Municipality and serving in the form of supermarket. After 1990, rapid increase in population and purchase power and being widespread of private car ownership along with decentralization of housing and some other functions has been the initial factors leading to a suitable environment for large-scale retail developments. Therefore, the mid 1990s have introduced some major large-scale retail developments because of the changing demand side and supply side factors.

The initial large-scale developments have mainly taken place on the exits of the city in the field of food retailing. Kipa in the South and Migros in the West, serving as independent freestanding stores in hypermarket format have been the first large-scale developments in the mid 1990s. Both of them have established on the main exit axes of the metropolitan area landing on areas above 10.000 square meters.

In the following years, various establishments have started to develop especially in the other main road axes. The most outstanding ones are regional shopping centers - malls, focused centers (including a hypermarket and shops) and do-it-yourself stores, which may sometimes exceed 20.000-25.000 m^2 floor spaces (table 13). The major tendency for retailers has been to locate in inexpensive and large sites accessible with the high-income groups.

Table 13. Some of the Major Large-Scale Retail Developments

Outlet Name	Location	Type of Outlet	Enclosed Area (m^2)	Establishment Year
Tesco-Kipa	Çiğli	Shopping Center-Mall	77743	1999
Tesco-Kipa	Balçova	Shopping Center-Mall	58119	2001
Tesco-Kipa	Bornova	Free Standing Store	11406	1994
Tesco-Kipa	Gaziemir	Free Standing Store	14012	2000
CarrefourSa	Çiğli	Focused Center	54000	1999

Özdilek	Balçova	Focused Center	20000	2001
EGS Park	Karşıyaka	Focused Center	40000	1999
EGS Park	Bornova	Focused Center	14020	1997
Metro	Gaziemir	Free Standing Store	10000	1995
Migros MMM	Balçova	Free Standing Store	10000	1994
Migros MMM	Karşıyaka	Free Standing Store	above 5000	-
Agora	Balçova	Shopping Center-Mall	41000	2003
Palmiye	Balçova	Shopping Center-Mall	24000	2004
Orkide	Konak	Shopping Center-Mall	15000	2004
Konak Pier	Konak	Shopping Center-Mall	18000	2002
İkea	Bornova	Do-It-Yourself-Specialty	30000	2006
Koçtaş	Bornova	Do-It-Yourself-Specialty	above 5000	1996
Koçtaş	Balçova	Do-It-Yourself-Specialty	above 5000	1998

Source: Conversation with retailers; Retailers' official internet sites.

The rise of supermarkets has affected the existing retail pattern and traditional retail structure of İzmir more than hypermarkets. Particularly for the restructuring process of food retailing, the foremost actors of the retail change have been the supermarkets. Starting with the local chains Tansaş and Pehlivanoglu especially in 1990s, other national chains such as BIM, Migros and Şok have entered into the İzmir retail market and increased their spatial prevalence in numbers.

Since to find small, cheap and convenient locations inside the densely built up sites is easier, the supermarkets have increased their spatial prevalence and market shares' dominance rapidly. Average number of supermarkets in İzmir metropolitan area has increased to 80 for per one million person whereas 15 in the whole country.

Much of the supermarket outlets serve in the type of discount or hard-discount stores, smaller than 400 square meters. There are also several brands serving in each of the retail type.

In summary, the retail structure of İzmir has a dual structure, with the large-scale western type retail outlets and small-scale traditional retail outlets. The new emerging retail formats are mainly located along the sea-cost or near the some other highly populated, new developing zones in the outer city regions. On the other hand, the inner city areas, the urban fringes and the illegal settled regions with low-income groups have been far from these types of developments and served by traditional small-scale retailers and periodic markets. If the retail transition continues by the spatial spreading of supermarkets, hypermarkets and other large-scale retail outlets through the all zones in Metropolitan area, the retail environments for small-scale retailers will become more difficult to survive (Kompil & Çelik, 2006: 2–9).

2.6. RELATIONSHIP MARKETING AND RETAILING: SAMPLE APPLICATIONS

Even if it seems impossible at first sight to build one-to-one relationships with customers, new information access methods and communication technologies help businesses to gain this talent. The expectation underneath the approach to build long-term relationship with the customer is obtain customer loyalty. Recently, customer loyalty became a matter of priority due to the intense competition between retailers. The frequency buyer programs known both as frequency marketing in retail institutions or loyalty programs grow rapidly since retailers recognize the importance of this instrument. Retailers improve these programs using their database and by this means, they strengthen the relationships with the customer (Dunne et al., 2002: 430-431).

Retailers implement loyalty programs for three reasons: to gather information about loyal customers, to keep them and to make more sales in both quantity and frequency. These programs are being used more detailed and common among retailers compared to past. For instance, a food chain named Wisconsin in the USA, has reached to the information of the fact that 25–30% of its customers realize the 70% of the purchases (Levy & Weitz, 2001: 323).

Magnetic cards are one of important parts of the loyalty programs. Whenever the customer does either shopping, the customer or the cashier passes through the reader. By this way, the details of the shopping the customer does, reach to the data center instantly.

Loyalty cards provide two kind of information to the retailers: sales record and customer profile. Cards presents various information about the life styles and spending habits of the customers together with data of how much and when of a product (brand) is bought (Poloian, 2003, p.406). In other words, these cards provide important information to the retailers in determining purchasing habits and trends of each customer and analyzing the sales occurring in the store on a customer scale. With the help of this information, the retailer can get the opportunity of knowing its customer one to one and thus present product and services that could respond to the individual requirements of its customers. This ability would make the retailer turn the attitude that is formed as customer satisfaction into the behavior as a customer loyalty.

In retailing sector, customers with loyalty cards are rewarded generally in three ways: some chain stores gives **point**s to the customers for their shopping that are done with their cards (in return for the gifts in the product catalogue), other chain stores gives **cash money discounts** or **special discounts** (flight miles) from third parties. For instance, such as Shop and Miles application of Garanti Bank.(www.cmcturkey.com/crmdunyasi/haber, 13.01.2005).

In the USA, there is an active card program of 75 percent of the supermarkets. According to a research done by ACNielsen, 70 percent of the households benefit from card system that is a part of loyalty programs. More interestingly, with this research it was determined that 60 percent of the total customers carry more than one loyalty card when going shopping. This obtained result brings out the question to minds whether the loyalty cards are being used in taking marketing decisions in real terms, in addition to providing discounts to the customers. In the world, other than a few firms, very few retailers make their services customer-oriented with the data obtained from the card users. Making a customer hold a loyalty card does not require difficult persuasion ability since individuals do not hesitate to give information about their personal purchasing behaviors in return for discounts and incentives in the stores they shop. However, here the important thing is the ability of the retailers getting close to the customers individually by the help of the information gathered.

As an example to the exercise related to the subject, Sainsbury's retail chain's practices can be given, which is known as a high profile supermarket of England. It, as a response to the supermarket loyalty cards in retailing sector, launched its "Customer First Club" in June1995. With this card, Sainbury's could analyze the database of it better and besides giving points and gifts in accordance with its customers' needs, Sainbury's also applied 24 hour free consumer hotline, special baby fitting rooms to the members, children park, discounts at contracted gas stations and 10 different shopping baskets. In a short time, Sainbury's differentiated in its customers' eyes with the various services provided to the card holders and accomplished to win the income that its biggest competitor Tesco's had within 3 years through its CRM applications just in a 6 months short time (www.cmcturkey.com/crmdunyasi/haber, 13.01.2005).

In Turkey, it is seen that the loyalty card applications used in creating customer loyalty mostly began with the growth of organized food retailing. Migros Club Card and Migros Club Credit Card of Migros are the first examples of customer loyalty programs in food-oriented retailing (www.migros.com.tr., 05.11.2005) (Çabuk, Orel & Güler, 2006: 1–3).

In this part of our study, we will present two examples of relationship marketing exercise handled in Ikea and Tesco.

2.6.1. Relationship Marketing at *IKEA*

The Miracle of Ikea

Ikea has developed from a small Swedish post order company to global retail chain in the area of home furnishings and accessories. In this industry, very few companies expand outside their domestic market; Ikea has created a global network of more than 130 outlets. In 1996, more than 125 million customers visited Ikea delivering of revenues totalling $4.3 billion. Ikea is profitable and growth-oriented with a 10-15% annual growth rate employing a staff more than 30,000.

The key factors behind Ikea's successful business development are well known: Simple, modern furniture based on Scandinavian design; global procurement policies and consistent outsourcing; furniture that the customer assembles at home; big, visible outlets in metropolis peripheries with easy access and good parking facilities. These are also supplemented services such as bistros, info kiosks, entertainment and playgrounds for the kids.

Ikea as a Relationship Concept

A proportion of Ikea's savings on procurement, inventories and self-service are passed on to the customers in terms of very competitive pricing which created Ikea's reputation as a low price outlet.

Focusing on Ikea's low costs and prices would be a superficial assessment at best, because the real originality of the Ikea lies in innovation. Ikea is able to keep costs and prices down because the roles, relationships and organizational philosophy within the value chain have been systematically redefined. The result is an integrated business system, considered very valuable by the consumers and completely different from conventional wisdom in the furniture retail business.

Consider Ikea's customer relationships. Ikea offers much more to the customers than just low prices. Ikea offers a new division of labour: If the consumer is willing to take over a part of the traditional role of the manufacturer and the retailer, – assembly and delivery – Ikea promises well designed products at very competitive prices.

All parts of the business ssytem at Ikea have been designed in order to make it easier for the consumer to undertake his or her new role. Ikea prints more than 58 million catalogues in 10 different languages. Although the catalogue only covers 30-40% of Ikea's 12.000 products, it is like a script explaining the role of each actor in Ikea's business system. Recently Ikea introduced a family club with the purpose of further strengthening the interactive engagement of its customers.

The idea is to develop Ikea into a family event and not just a home furnishings department store. Covering customer needs at a reasonable price in warm and attractive surroundings is the focus of Ikea's image.

A Brief Glance at an Ikea Shop

As soon as the customer walks in, they receive catalogues, pens and notebooks enabling them to guide themselves through the store without much assistance from Ikea staff.

The products are nor grouped in categories, but according to style and environment. Each item has an easy-to-read label with product name and price. Additionally you find information about the materials used, formats, colors and cleaning as well as maintenance instructions. In addition, it is indicated where exactly in the storage area, you can pick up the product.

After payment, the consumer brings the product out to his or her car. If the car's kuggage space is too small, Ikea will rent you a roof rack.

Innovative Ikea

Traditional supply chains do not include the complexity of roles and relationships that have been built into Ikea's business system. Ikea did not position itself deliberately with the purpose of adding value to every single point in a planned chain of activities.

Instead Ikea innovated a systematic way of developing value and built a business system through a variety of participants who both deliver and receive value.

Therefore, Ikea is not just a chain of furniture and home decoration stores but a fixture in a system of services, goods, design, management, support, logistics and entertainment. The outcome has been a fantastic global success (Hougaard & Bjerre, 2002: 318–320).

2.6.2. Relationship Marketing at *TESCO*

Tesco Moves Ahead with the Help of Clubcard

Not too long ago Green Shield trading stamps were the most widely encountered frequent user sales promotion. Today, it is the loyalty card. The current wave was instigated by the petrol forecourts, which offer points with petrol towards prizes or catalogue merchandise. In 1995 supermarket, giant Tesco introduced its loyalty card, the Tesco Clubcard, to ridicule by competitors. Tremendously successful, the cards have accordingly increased the number of Tesco shoppers, and in 1996, the company overtook archrival Sainsbury's as the number one grocery retailer in the UK. Not resting on its laurels, Tesco surprised many of its rivals – including Sainsbury's – which by then had introduced their own loyalty cards, by launching Clubcard Plus.

Within a year, the original Clubcard had 6.5 million regular customers who used their cards to earn discounts against their spending. Clubcard Plus goes further: it offers holders interest paid on their balances and can be used like any other debit card. This move into financial services is not new. Marks & Spencer has a very successful division handling its payment card, which now also sells PEPs and pensions. Once a music business, now an hotelier and airline, Virgin sells life insurance and other financial services on the back of its highly visible and reputable brand name. The difference with Tesco is that instead of using its brand name to sell financial services, it is using its loyalty card based financial product to sell its brand name and successful chain of supermarkets.

Tesco's Clubcard has enabled the company to overtake its rivals and has, analysts believe, increased the frequency of shopping visits to Tesco stores. Within twelve months of being launched, the Clubcard had become the most popular loyalty scheme in the UK, ahead of the more established schemes run by companies such as Esso and Air Miles. Thanks also to operators like Shell with its Smart Card and the widely accepted Air Miles, it is expected that by the start of the millennium, most UK consumers will be enrolled in one or more of the leading loyalty card schemes, making available to the schemes' marketers a wealth of demographic, lifestyle and spending data. The opportunities for more carefully honed target marketing are thereby much increased.

The loyalty card has proved to be a major success story and not only as a sales promotion tool, particularly for Tesco. By 1999, Tesco's stores accounted for over 15 per cent of all UK grocery shopping, and the company held a 4 per cent lead over its closest competitor, Sainbury's. Moves into direct home delivery and web based shopping reflect the continued innovative approach taken by Tesco's marketers. Some research reveals that shoppers' wallets are over spilling, with too many loyalty cards causing some dissonance. As with all products, it will be the most appropriately targeted and defined loyalty cards – such as Clubcard – which retain customer loyalty (Dibb, Simkin, Pride & Ferrell, 2001: 541). By 2007, financial figures from 2006 show that the supermarket gave away more than £230m in Clubcard vouchers and there are currently more than 13m Clubcard holders. In addition, members receive quarterly mailings in eight million versions, which make up more than six per cent of the UK's annual postbag (Benjamin, 2007).

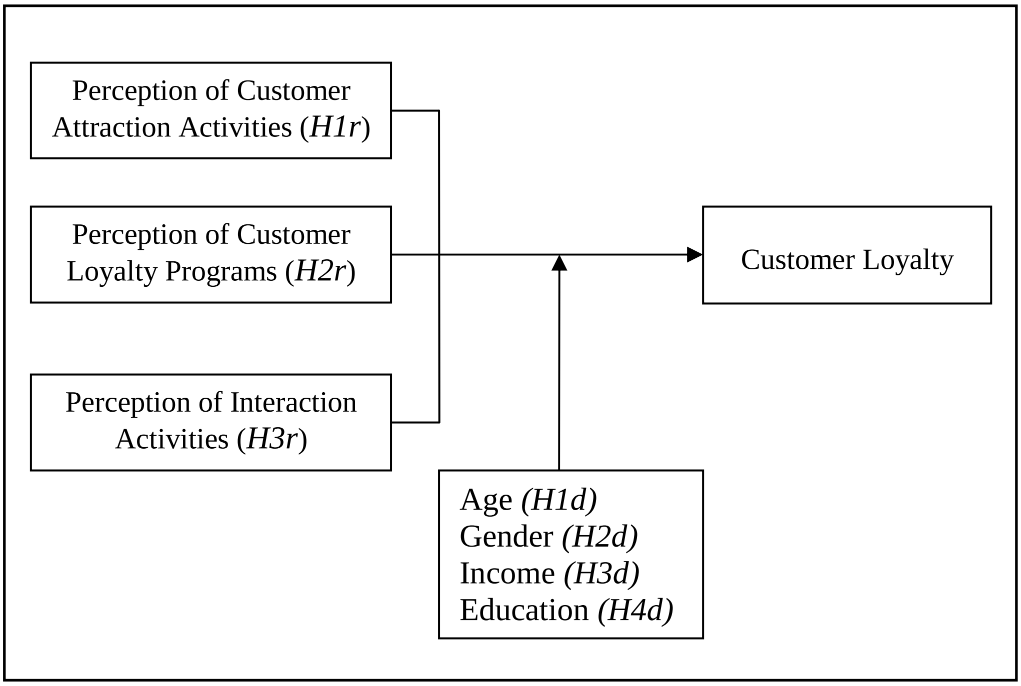
In conclusion, it can be said that what has made Clubcard work so wonderfully for Tesco is the fact that with this simple single loyalty scheme, Tesco has been able to address to the customer segments of different age groups. In addition, more than anything else, it is probably the simplicity with which the scheme runs that has made it so successful and acceptable among its customers. "Retailers are looking to expand to the international marketplace, and are making significant investments in Internet customer service. Both large and small store-based and catalogue retailers are using the convenience of the Internet to better serve their customers" - (Michael Levy, Retailing Management). Similarly, Tesco's online marketing strategy has also been very simple. Information on products and services of all the groups companies are available on a single website presented in a well-integrated way. A customer can jump from the groceries store to the Finance and Insurance division on the same web page unlike most other companies' websites, which open up a completely new website for the other companies of the same group. Further Tesco has been able to use its loyalty program very well to establish mutually beneficial relationships with its customers. Thus, the main reason behind the success of Tesco's relationship marketing strategy and loyalty program has been the way it has managed to establish Clubcard not as a marketing tool but as a product of relevance and value for the customers.

PART 3
AN APPLICATION ON SELECTED RETAILING SECTOR CUSTOMERS

3.1. CONCEPTUAL FRAMEWORK

This study, which is an application of the relationship marketing activities, namely; customer attraction, customer loyalty programs and interaction (e.g. contacting customers, answering adequately to their complaints, enhancing personal and friendly relations with them and customizing services), deals both with the customer loyalty and demographic factors. In this manner, the proposed model of the study is drawn as in Figure 9.

Figure 9. The proposed model of the study and hypotheses



3.1.1. Perceptions of Relationship Marketing Activities

The widespread use of special treatment benefits provided as a part of relationship marketing programs presumably is directed towards customers to attract them. As an organization provides additional types of benefits (e.g. the approach of personnel to the customer, attention, caring and informing, technical service, virtual market, price determination machine, kids play room) emotional and/or cognitive switching barriers are increased (Fornell 1992; Guiltinan 1989) and can result in increased loyalty and commitment on the part of the consumer (Selnes, 1993; Cited by Hennig-Thurau, Gwinner & Gremler, 2002: 236).

It is known that the perception of customer loyalty programs by the customers is effective on customer loyalty. Based on the relation of these applications with the customer loyalty, it is thought that the perception of relation marketing in other terms loyalty program by the customers will affect the customer loyalty more than the program itself (Too et al., 2001; Cited by Yeniceri & Erten, 2008: 235).

Researchers contend there is a strong relationship between social aspects of the customer-provider relationship and customer loyalty. For instance, Berry (1995) suggests that social bonds between customers and employees can be used to foster customer loyalty. Similarly, Oliver (1999) maintains that customers who are part of a social organization (which may include both other customers and employees) are more motivated to maintain loyalty with the organization. Social relationship concepts such as liking, tolerance, and respect have been found to be influential in the development of service loyalty (Goodwin and Gremler, 1996). Rapport, another aspect of social interaction between customers and employees, has been found to be significantly related to customers' loyalty intentions (Gremler and Gwinner, 2000; Cited by Hennig-Thurau, Gwinner & Gremler, 2002: 236).

In this sense, the following hypotheses related to common relationship marketing activities is proposed:

H1r: The perceptions of customer attraction activities by the customers have direct effect on customer loyalty.

H2r: The perceptions of customer loyalty programs by the customers have direct effect on customer loyalty.

H3r: The perceptions of interaction activities by the customers have direct effect on customer loyalty.

3.1.2. Demographic factors

Age. Wakefield and Baker (1998) argued that age should not only be treated as a predictor variable for satisfaction and loyalty but also as a moderator. Several theories can explain a moderating effect of age on the link between satisfaction and loyalty (Lambert-Pandraud, Laurent, and Lapersonne 2005; Moskovitch 1982). Information processing (Moskovitch 1982), in particular, suggests that older consumers are less likely to seek new information (Wells and Gubar 1966), relying more strongly on heuristic or schema-based forms of processing (Wilkes 1992; Yoon 1997). Therefore, we expect older consumers to rely more on fewer decision criteria, such as their perceived satisfaction with a retailer, whereas younger consumers seek alternative information that might also influence their loyalty. Hence, the relationship between loyalty is stronger for older consumers than for younger consumers. Empirical evidence offers some support for these theoretical explanations. Homburg and Giering (2001) found that age moderates the links between satisfaction with the product and loyalty such that these links will be stronger for older consumers. Based on theoretical reasoning and empirical evidence, we expect age to affect the strength of the links between relationship activities and customer loyalty (Evanschitzky & Wunderlich, 2006: 332–333). Taking this together, the following hypothesis can be formulated:

Hypothesis 1d: Age will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty.

Gender. The impact of gender on response to marketing strategies is generally acknowledged. In addition to possible direct effects of gender on outcome variables such as loyalty (e.g., Fournier 1998; Korgaonkar, Lund, and Price 1985; Odekerken-Schröder et al. 2000), it can be noted that gender is widely used as a moderator variable in marketing in general and in consumer behavior in particular

(Saad and Gill 2000). Such a moderating effect can be explained by drawing on social role theory as well as by use of evolutionary psychology. According to the above theories, men are more willing to take risks than are women (Powell and Ansic 1997) because, socially, men are expected to behave in such a manner and because this behavior has given men an advantage in the process of natural selection. Because it is riskier to switch a provider and to try something new, men should be less likely to remain loyal if their satisfaction levels change. Conversely, we expect women to react less strongly to satisfaction changes than men do. Empirical evidence in the context of loyalty shows that gender has been found to moderate the relationship between various aspects of satisfaction and selected measures of loyalty. For instance, Mittal and Kamakura (2001) found that the relationship between satisfaction and repurchase behavior is stronger for men than for women. Similarly, Homburg and Giering (2001) offered some support for such a moderating effect. They were able to show that men who were satisfied with a product are more likely to repurchase it than were women (Evanschitzky & Wunderlich, 2006: 333). Based on these findings and the theoretical reasoning outlined above, a moderating effect of gender on the proposed model can be assumed:

Hypothesis 2d: Gender will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty.

Education. The role of education in the context of loyalty has been given little attention. It is generally acknowledged that people with higher levels of education usually engage more in information gathering and processing and use more information prior to decision making, whereas less well educated people rely more on fewer information cues (Capon and Burke 1980; Claxton, Frey, and Portis 1974). In contrast to people with lower educational attainments, it is argued that better educated consumers feel more comfortable when dealing with, and relying on, new information (Homburg and Giering 2001). We expect, therefore, that better educated consumers seek alternative information about a particular retailer, apart from their satisfaction level, whereas less well-educated consumers see satisfaction as an important key information cue on which to base their purchase decision. Empirical support for a moderating role of education is scarce. Notably, Mittal and Kamakura (2001) found that education moderates the link between satisfaction and retention such that the link is weaker for individuals with more education (Evanschitzky & Wunderlich, 2006: 333). Based on this finding and on the theoretical reasoning outlined above, we expect that education moderate the links in the proposed loyalty model:

Hypothesis 3d: Education will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty.

Income. A considerable body of research suggests that income is related to consumer loyalty (Crask and Reynolds, 1978; Korgaonkar, Lund, and Price 1985; Zeithaml, 1985). We expect the link between satisfaction and loyalty to be stronger for low-income consumers than for the wealthier consumers. The reason for that is very much in line with the theoretical explanation offered in the justification of the moderating effect of education. It is generally assumed that people with higher income have achieved higher levels of education (Farley, 1964; Cited by Evanschitzky & Wunderlich, 2006: 333–334). With respect to these empirical results and the theoretical reasoning, we assume a moderating effect of income on the proposed model:

Hypothesis 4d: Income will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty.

3.2. THE PURPOSE OF THE RESEARCH

The purpose of this exploratory study is to identify customer perceptions towards common relationship marketing activities of businesses they patronize. In this manner, the questionnaire is designed based on the theoretical findings and in line with the objects of our study. The questionnaire design is presented in the following part.

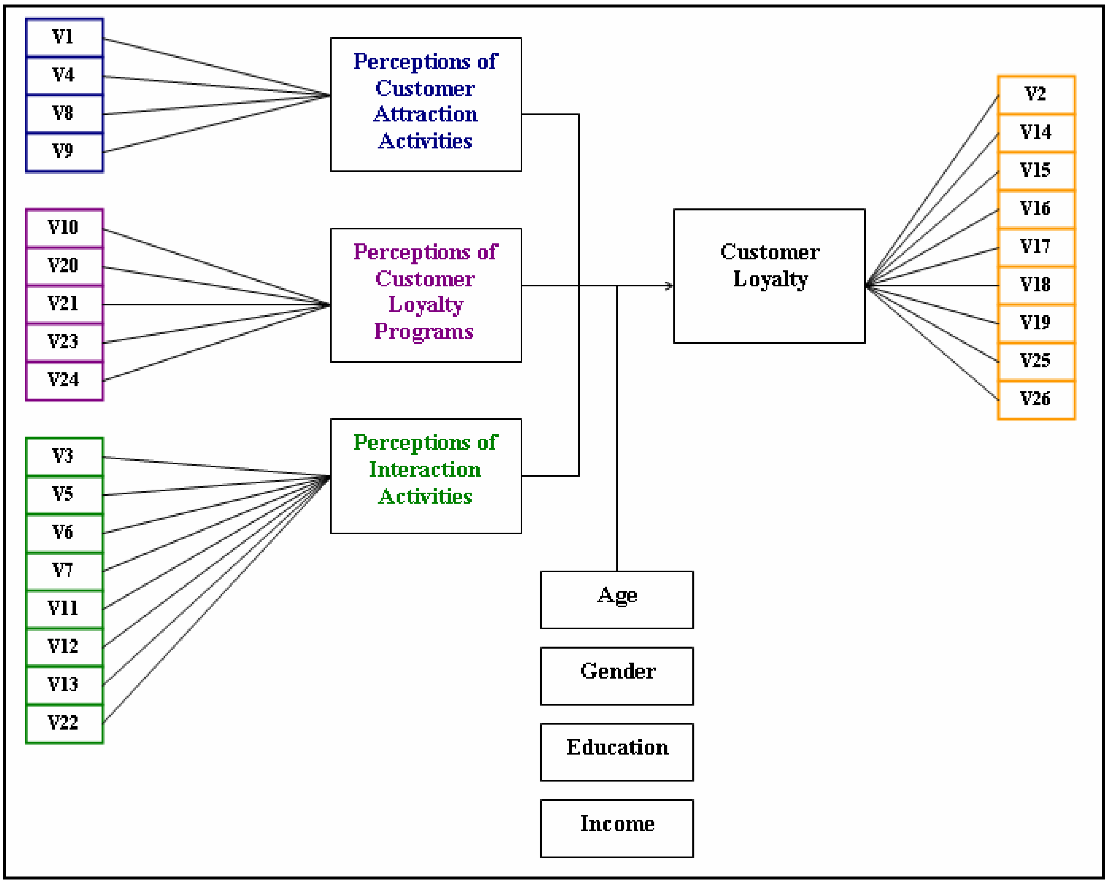
3.2.1. Questionnaire Design

After our review of relevant literature, the questionnaire is prepared, containing questions for demographic factors and the perceptions of relationship marketing activities.

The questionnaire is divided into two parts; the first part consists of four demographic questions related to age, gender, education and income and the second part of the questionnaire is comprised of twenty-six likert-scale items. All questions in the second part are operationalized as a five-point Likert-type scale with high ratings indicating agreement.

Four questions for perceptions of customer attraction activities, five questions for perceptions of customer loyalty programs and eight questions for perceptions of interaction activities; while nine questions for customer loyalty are directed in the second part. Below a schematic diagram of the questionnaire is given;

Figure 10. Schematic Diagram of the Questionnaire



A pre-test of the prepared questionnaire among 10 people was executed in order to size the respondent's reaction to the questionnaire. We interviewed with each of the respondent after the completion of the questionnaire. By the help of their feedback, we changed some of the statements to ensure all items in the questionnaire are clearly understood.

After the pre-test, a primary research was carried out via a self-completion questionnaire distributed to a broad-based sample within Izmir, Turkey. The details regarding our principal test is given in the following part methodology.

3.3. METHODOLOGY

We propose that a study of relationship marketing strategies including also the demographic factors (e.g. age, gender, education and income) would extend the dimensions that might predict affective customer loyalty to their respective organization and would be useful to relationship marketing applications in Turkey. The research question in this study is: How are demographic factors, customer loyalty and relationship marketing strategies related?

This study concentrates on food retailing sector in order to establish their current and potential ability to practice relationship marketing. In particular, this study is intended to illuminate the issue of relationship marketing's practicability in food retailers, i.e. supermarkets. This is a sector where there has been a recent focus on customer loyalty and customer retention, one of the fundamental issues in relationship marketing (Wright et al., 1998; Alexander and Colgate, 1998; The Henley Centre, 1995).

In our study, retail customers in Izmir were surveyed. The questionnaire was applied between March and August 2009, in districts of Buca, Gaziemir, Bornova and Balçova. We have chosen these districts since there are various and small to large markets such as Migros, Kipa, Tansaş, Pehlivanoğlu, DiaSA, A101 and Burda etc.

The questionnaire was done during weekdays to avoid implementing the survey while people are in rush hours or crowded at the weekends. By this way, we aimed to reach people who would have time to participate our survey conveniently. We asked every fifth person to do the questionnaire coming out from the market. A total of 350 questionnaires were issued resulting in 343 useable responses (98 per cent).

3.4. STATISTICAL ANALYSIS AND FINDINGS OF THE RESEARCH

After the completion of our survey, we started the analysis with reliability and normality tests firstly. Then, we give a detailed breakdown of the respondents in terms of gender, age, education and income level. Finally, we test the proposed hypotheses.

3.4.1. Reliability Analysis – Scale (Alpha)

Cronbach's alpha is the most common form of internal consistency reliability coefficient and we implement the reliability analysis to our data. The statistics is given below.

Reliability Analysis

Cronbach's Alpha	N of Items
,8471	26

The Alpha value (α) is found as 0, 8471, the scale used in this study is to be good. After finding the reliability, we find the contribution of each question in the factor to this coefficient. No significant value that decreases the alpha value is found at the Alpha if item deleted column, hence no item is supposed to be extracted from the analysis.

3.4.2. Normality Test for the Data Set – One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test is applied to investigate the appropriateness of the data for normal distribution. For all data, $p<0,05$ and it is found that the data set is not suitable for normal distribution.

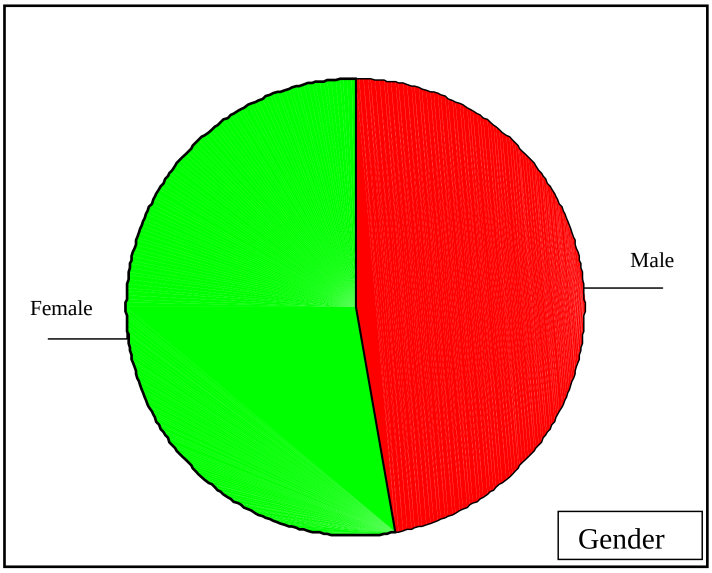
Accordingly, with this solution, non-parametric tests will be carried out to analyze the data.

3.4.3. Demographic Characteristics

The 343 people having contributed to our survey consist of 181 female and 162 male. Gender split is biased towards female, largely because of the nature of the topic (i.e. more females carrying out the household shopping).

Gender

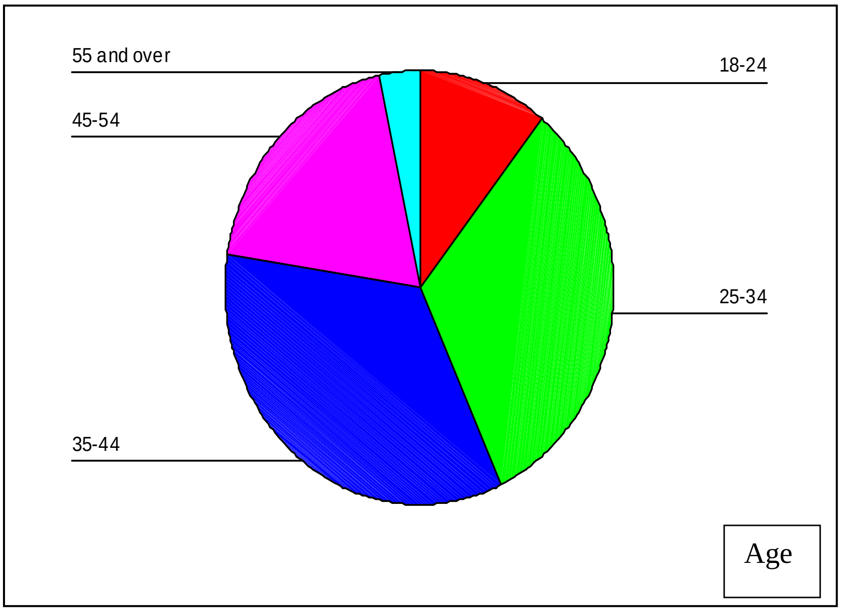
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	162	47,2	47,2	47,2
	Female	181	52,8	52,8	100,0
	Total	343	100,0	100,0	



The sample included individuals who were aged between 18 and 55+ years of age ± people. The sample was being somewhat under represented with the over 50-age range and the 25-34 and 35-44 age range band inflated. The breakdown of the respondents is also given below.

Age

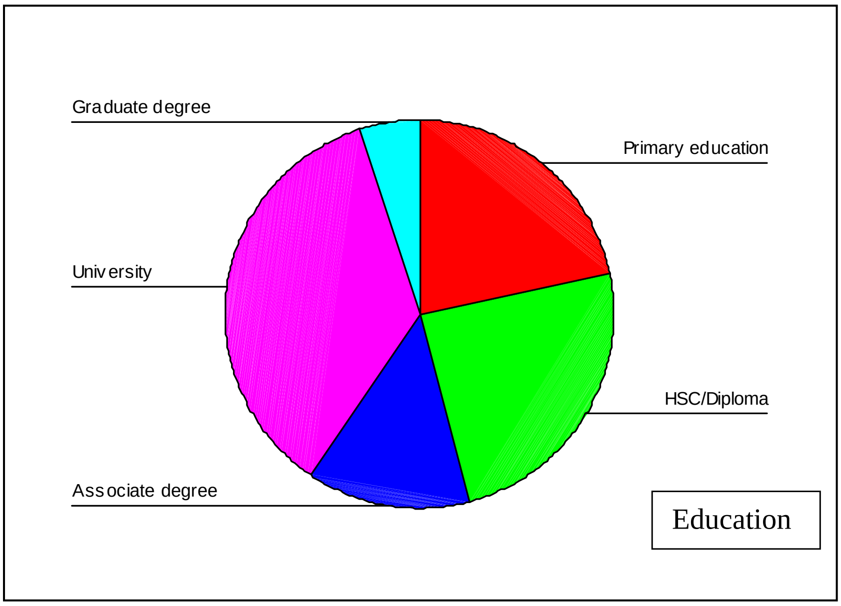
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	37	10,8	10,8	10,8
	25-34	111	32,4	32,4	43,1
	35-44	118	34,4	34,4	77,6
	45-54	66	19,2	19,2	96,8
	55 and over	11	3,2	3,2	100,0
	Total	343	100,0	100,0	



The education level of 122 people in 343 respondents that have participated in our survey is university degree. In the second order, high school and corresponding education level comes (83 people).

Education

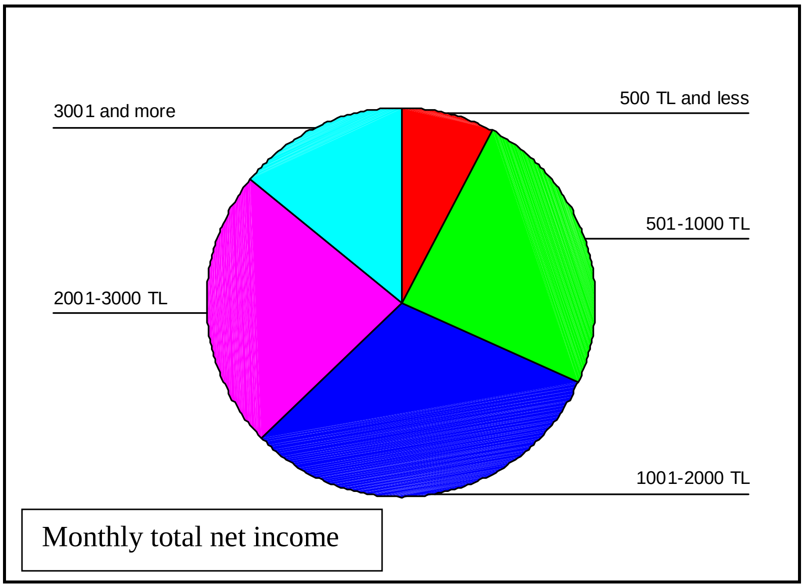
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary education	74	21,6	21,6	21,6
	HSC/Diploma	83	24,2	24,2	45,8
	Associate degree	47	13,7	13,7	59,5
	University	122	35,6	35,6	95,0
	Graduate degree	17	5,0	5,0	100,0
	Total	343	100,0	100,0	



When we examine the monthly income level of the respondents, it seen, that 106 people's income level is between the range of 1001–2000 TL and they build up a 30,9 % portion.

Monthly total net income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	500 TL and less	27	7,9	7,9	7,9
	501-1000 TL	82	23,9	23,9	31,8
	1001-2000 TL	106	30,9	30,9	62,7
	2001-3000 TL	79	23,0	23,0	85,7
	3001 and more	49	14,3	14,3	100,0
	Total	343	100,0	100,0	



3.4.4. Hypothesis Testing

The first hypothesis proposed in our study is "*The perceptions of customer attraction activities by the customers have direct effect on customer loyalty*" (H1r). Nonparametric correlations related to H1r hypothesis is given below:

Correlations

			PCAA	Customer Loyalty
Spearman's rho	PCAA	Correlation Coefficient	1,000	,339
		Sig. (2-tailed)	,	,000
		N	343	343
	Customer Loyalty	Correlation Coefficient	,339	1,000
		Sig. (2-tailed)	,000	,
		N	343	343

In this table, PCCA (The perceptions of customer attraction activities) and customer loyalty are analyzed with spearman correlation test and examined whether there is a relationship between them or not.

Given in the table, Sig. value is far below 0,05, thus the relationship between perceptions of customer attraction activities and customer loyalty is statistically significant.

The correlation coefficient is found to be r = 0,339. In line with this result, there is a middling sharply positive relationship between “the perceptions of customer attraction activities” and “customer loyalty”.

This result shows that the more the customer likes it when the market personnel knows his/her expectations, needs and acts accordingly; has knowledge about the products; pays the same attention before, during and after the purchasing; the market having additional customer services (technical services, virtual market, price determination machine, kids play room etc.), the more likely that the customer loyalty is to be built.

The second hypothesis proposed in our study is “*The perceptions of customer loyalty programs by the customers have direct effect on customer loyalty*” (H2r). Nonparametric correlations related to H2r hypothesis is given below:

Correlations

			Customer Loyalty	Perceptions of Customer Loyalty Programs
Spearman's rho	Costumer Loyalty	Correlation Coefficient	1,000	,461
		Sig. (2-tailed)	,	,000
		N	343	343
	Perceptions of Customer Loyalty Programs	Correlation Coefficient	,461	1,000
		Sig. (2-tailed)	,000	,
		N	343	343

The correlation coefficient is found to be r = 0,461, seen in the above table. According to this result, there is a middling sharply positive relationship between perceptions of customer loyalty programs and customer loyalty. Sig. value is far below 0,05 and the relationship between them are statistically significant.

When the customer prefers to use the customer cards in his/her shopping's, the customer card is effective on the quantity of the shopping; the customer prefers to shop from the markets that arrange customer cards; the introducing of the campaigns, discounts, promotions, accumulated credits, lotteries and activities that belong to the customer cards are sufficient; special campaigns, promotions and discounts that the customer cards present are oriented to needs; the customer loyalty of the customers increases.

The third hypothesis proposed in our study is "*The perceptions of interaction activities by the customers have direct effect on customer loyalty*" (H3r). Nonparametric correlations related to H3r hypothesis is given below:

Correlations

			Customer Loyalty	Perceptions of Interaction Activities
Spearman's rho	Costumer Loyalty	Correlation Coefficient	1,000	,540
		Sig. (2-tailed)	,	,000
		N	343	343
	Perceptions of Interaction Activities	Correlation Coefficient	,540	1,000
		Sig. (2-tailed)	,000	,
		N	343	343

The correlation coefficient is found to be r = 0,540, seen in the above table. This result demonstrates that there is a relatively strong positive relationship between perceptions of interaction activities and customer loyalty.

While the relationship between the perceptions of customer attraction activities and customer loyalty programs is found to be middling positive, we found that the relationship between the perceptions customer interaction activities and customer loyalty is strongly positive. This result indicates that among three common relationship marketing activities, interaction is found to be relatively more strongly moving in the same direction with customer loyalty.

When the market personnel behaves concerned and kind to the customers; the approach of the personnel is important when a problem is faced in the market shopped from; the opinions regarding the products and services is asked from time to time; the officials, sales person recognizes the customer and addresses by name; greeting card or message at special days is sent; sales person informs the customer about the new products, promotions; the market consistently makes special discount and gives gift, coupon and promotion; the market provides special service to the customers consistently do the shopping from there regarding their expectations, the customer loyalty increases.

The hypothesis proposed related to demographic factor of age is "*Age will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty*" (H1d). Kruskal-Wallis Test statistics is presented below.

Ranks

	Age	N	Mean Rank
Costumer Loyalty	18-24	37	190,39
	25-34	111	159,76
	35-44	118	181,94
	45-54	66	172,77
	55 and over	11	122,45
	Total	343	

Test Statistics

	Costumer Loyalty
Chi-Square	6,931
df	4
Asymp. Sig.	,140

It is found that there is not a significant difference between different age groups in terms of customer loyalty (p=0,140). This result shows that age does not moderate the relationship between the perceptions of relationship marketing activities and customer loyalty significantly.

The hypothesis proposed related to demographic factor of gender is "*Gender will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty*" (H2d). Mann-Whitney Test Statistics is presented below.

Ranks

	Gender	N	Mean Rank	Sum of Ranks
Costumer Loyalty	Male	162	152,77	24749,50
	Female	181	189,21	34246,50
	Total	343		

Test Statistics

	Costumer Loyalty
Mann-Whitney U	11546,500
Wilcoxon W	24749,500
Z	-3,404
Asymp. Sig. (2-tailed)	,001

There is a significant difference between different genders in terms of customer loyalty. The level for customer loyalty of male and female is different. It can be concluded that gender significantly moderates the relationship between the perceptions of relationship marketing activities and customer loyalty.

The hypothesis proposed related to demographic factor of education is "*Education will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty*" (H3d). Chi-Square Test Statistics is presented below.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	121,236	116	,351
Likelihood Ratio	125,504	116	,257
Linear-by-Linear Association	6,834	1	,009
N of Valid Cases	343		

When the chi-square table is examined, it is seen that p=0,351>0,05. Accordingly, there is not a significant relationship between education level and customer loyalty.

The hypothesis proposed related to demographic factor of income is "*Income will significantly moderate the relationship between the perceptions of relationship marketing activities and customer loyalty*" (H4d). The test statistics is as follows:

Ranks

	Monthly total net income	N	Mean Rank
Customer Loyalty	500 TL and less	27	134,87
	501-1000 TL	82	136,02
	1001-2000 TL	106	186,87
	2001-3000 TL	79	187,95
	3001 and more	49	194,78
	Total	343	

Test Statistics

	Customer Loyalty
Chi-Square	21,686
df	4
Asymp. Sig.	,000

There is a significant difference between groups of different income levels and customer loyalty. The groups that make the mentioned difference are found to be the ones of below 500 TL and 501-1000 TL through Mann Whitney U analysis. These groups have lower level of customer loyalty compared to the other levels of income.

3.5. LIMITATIONS OF THE RESEARCH AND FUTURE RESEARCH

Given that the focus of this study is in the food retailing sector, it would be unwise to suggest that our findings will necessarily apply in other sectors. Besides, we have conducted our survey within certain districts of Izmir, thus the results of this study would not represent the overall food retailing sector customers. The obvious conclusion drawn from this study is that a higher personal element inherent in the service of retailing leads to the practice of relationship marketing more effective and feasible.

We concentrated our study on food retailing sector customers and more specific on how the customers perceive common relationship marketing activities. Future researchers may wish to explore the roles of the relationship marketing underpinnings, overall relationship quality and customer satisfaction increating customer loyalty. By employing these constructs, the future research would be able to unveil those that discriminate between loyal customers and those who are not.

3.6. RESULTS AND DISCUSSION

The outcomes of our study reveal that common relationship marketing activities do not have a strong direct effect on building customer loyalty; but interaction activities. Interaction activities are mostly about the way the businesses approach to its customers. When the perceptions of the customers towards interaction activities have significant effects on customer loyalty. In terms of demographics, there is not a significant moderating effect of age and education, whereas gender and income has significant moderating effect between the perceptions of relationship marketing activities and customer loyalty. However, it is not surprising to find out that building customer loyalty among female is easier; on the other hand harder among low-income level customers.

Attracting and retaining customers can be a difficult task. Customers often face a bewildering array of products and services from which to choose. To attract and keep customers, a company must constantly seek ways to deliver superior customer value and satisfaction. This might be achieved through using relationship marketing activities in a differentiated manner since it does not make a difference in customer's mind to have a customer loyalty card or not, unless additional benefits that would meet his/her changing and evolving needs and wants. Customer loyalty programs are mostly a successful tool to gather data of the customers when they are used effectively; otherwise, it would not be meaningful to provide a service/customer loyalty card to the customers at all. They appreciate the social interactions more at our present day and give much importance to tools that would cover many benefits all together at once.

The basis of relationship marketing is customer loyalty because retaining customers over their life will contribute to enhanced profitability. As Morris et al., mentioned this implies that companies have to learn continuously about their customers' needs and expectations, which are ever changing and often unpredictable. Customer relationships can then be enhanced by offering increased value which companies are able to derive from their learning (Morris et al., 1999; Cited by McIlroy & Barnett, 2000: 348).

Vavra and Pruden stated, discussions of customer retention seem to be dominated by loyalty programmes and customer discounts. However, research shows that what really drives repurchase is high-quality customer service and well-managed, strategically delivered formal and informal communications (Vavra and Pruden, 1998, p. 50). Actually, this research results are in line with our survey results since we did not find a strong positive relationship between customer loyalty and perceptions of customer loyalty. We need to keep in mind that customer loyalty programs presented in our study is mostly covering customer loyalty cards and campaigns.

Today, many company personnel work on increasing social bonds with customers by individualizing and personalizing customer relationships. In part one; we presented social actions affecting buyer and seller relationships contrasting a socially sensitive approach with a socially insensitive approach to customers. In essence, thoughtful companies turn their customers into clients through candoring in language and showing appreciation (Kotler, 2003: 79).

Overall, the perceptions of the relationship marketing strategies examined in this study reveals that building customer loyalty through interaction activities would give results that are more concrete. However, these results cannot necessarily generalize to all retailing customers in Turkey. It can give clues to the companies a starting point for how to differentiate and get advantage of the relationship marketing concept and implementation.

REVIEW AND CONCLUSION

Building relationships with customers and suppliers is necessary for a company, concentrating their marketing with focusing on their important customers and suppliers, whom they must develop in order to build long-lasting relations. This is the only way that a company can obtain a permanent competitive advantage and as a result ensure its own survival and growth. Relationship building is considered a key factor success among companies.

Relationship marketing can work if only it delivers on the principles on which it was founded. It is startling how wrong the companies have been about what it takes to cultivate intimate relationships with customers. Moreover, it is alarming how quickly and thoughtlessly relationships can be destroyed through the muddled actions. Today, it is time to think about and act on what being a partner in a relationship really means since there are countless relationship offers directed to customers.

The critical element of a relationship extends beyond the surface delivery of service or performance of the product. The motivation of the customer is all-important in determining the relationship. Moreover, companies need to note that this motivation varies across different customer segments. For the vacation, some go to the same hotel every holiday because they feel theirselves a part of it and while others go out of habit or convenience.

Indeed, in the light of our findings, many companies will need to reevaluate the way they manage relationship marketing activities. Instead of focusing on loyalty alone, companies will have to find ways to measure the relationship between loyalty and profitability so that they can better identify which customers to focus on and which to ignore.

What matters is that organizations understand the heterogeneity of their customer base, appreciate the role of the customer and take advantage of tactical methods for improving repeat buying. If this is relationship marketing then it is right for businesses to engage in it. After all, increasing lifetime value makes more sense than chasing a couple of percentage points of market share. Relationship marketing is not new and it is not a passing fad. There are sound reasons to explain its emergence and that it will need to adapt to change in the environment if it is to remain an important paradigm.

Building customer loyalty through relationship marketing is still an attainable objective for the companies since it is possible to turn the perceptions of customers towards common relationship marketing strategies to the advantage of creating customer loyalty. At this point, companies need to make sure they understand the customers' expectations and put themselves forward among similar and same kind of benefits and services. We believe that when the companies achieve to differentiate and cover much kind of activities at once implementing relationship marketing strategies, customers will be willing to attach to the company and its products and/or servives spontaneously regardless of the sector they are in.

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APPENDIX

Appendix–1: Questionnaire, Turkish Version

ANKET FORMU

Değerli Katılımcı,

Bu anket, Dokuz Eylül Üniversitesi Sosyal Bilimler Enstitüsü, İşletme Anabilim Dalında ilişki pazarlaması uygulamalarını ve müşteri sadakati oluşturulmasını incelemek amacıyla yürüttüğüm yüksek lisans tez çalışmasının bir parçası olup bilimsel amaçlarla kullanılacaktır. Bu nedenle elde edilen bilgilerin geçerliliği sorulara vereceğiniz yanıtların gerçek durumu yansıtmasıyla mümkün olacaktır. Ankete vereceğiniz yanıtlarla çalışmaya sağladığınız katkıdan dolayı teşekkür ederiz.

Saygılarımla.

Öznur BİLGİLİ

BİRİNCİ BÖLÜM

1- Cinsiyetiniz:

( ) Erkek ( ) Kadın

2- Yaşınız:

( ) 18–24 yaş arası ( ) 45–54 yaş arası

( ) 25–34 yaş arası ( ) 55 yaş ve üstü

( ) 35–44 yaş arası

3- Öğrenim durumunuz:

( ) İlköğretim

( ) Lise ve dengi okullar

( ) Ön Lisans

( ) Lisans

( ) Yüksek Lisans ve üstü

4- Ailenizin aylık toplam net geliri:

( ) 500 TL' den az ( ) 2001–3000 TL

( ) 501 – 1000 TL ( ) 3001 Tl ve üzeri

( ) 1001 – 2000 TL

İKİNCİ BÖLÜM

Lütfen aşağıdaki ifadelere katılım derecenizi alışveriş yaptığınız market, süpermarket ya da hipermarketleri düşünerek belirtiniz (**1-**Kesinlikle katıl**mı**yorum, **2-**Katıl**mı**yorum, **3-**Ne katılıyorum ne de katılmıyorum, **4-**Katılıyorum, **5-**Kesinlikle katılıyorum).

	Kesinlikle katıl**mı**yorum	Katıl**mı**yorum	Ne katılıyorum ne de katılmıyorum	Katılıyorum	Kesinlikle katılıyorum
	1	**2**	**3**	**4**	**5**
1. Alışveriş yaptığım market personelinin beklentilerimi, ihtiyaçlarımı bilmesi ve ona göre davranması hoşuma gider.					
2. Alışveriş yaptığım marketten başka bir markette, ihtiyacım olan ürünü ya da markayı daha uygun fiyata bulduğumda marketimi değiştiririm.					
3. Market personelinin müşterilere ilgili ve nazik davranması benim için önemlidir.					
4. Alışveriş yaptığım market personelinin ürünler hakkında bilgi sahibi olması beni etkiler.					
5. Alışveriş yaptığım markette bir sorunla karşılaştığımda personelin yaklaşımı benim için önemlidir.					
6. Alışveriş yaptığım marketin zaman zaman ürünleri ya da hizmetleri ile ilgili düşüncelerimi sorması hoşuma gider.					
7. Alışveriş yaptığım market yetkililerinin, satış personelinin beni tanıması ve bana ismimle hitap etmesi hoşuma gider.					
8. Alışveriş yaptığım market personelinin bana ilgisinin her aşamada (satın alma öncesi, sırasında ve sonrasında) aynı olması benim için önemlidir.					
9. Alışveriş yaptığım marketin ek müşteri hizmetlerinin (teknik servis hizmeti, sanal market, fiyat okuma makinesi, çocuk oyun salonu vb.) olması benim için önemlidir.					
10. Alışveriş yaptığım market tarafından adıma düzenlenmiş müşteri kartını (Migros Club Kart, CarrefourSA Plus Kart, Pehlivanoğlu Hizmet Kartı vb.) alışverişlerimde kullanırım.					

	Kesinlikle katıl**mı**yorum	Katıl**mı**yorum	Ne katılıyorum ne de katılmıyorum	Katılıyorum	Kesinlikle katılıyorum
	1	**2**	**3**	**4**	**5**
11. Alışveriş yaptığım marketin özel günlerde (bayram, doğum günü vb.) bana tebrik kartı ya da mesajı göndermesi hoşuma gider.					
12. Alışveriş yaptığım marketin indirimler, yeni ürünler vb. hakkında beni bilgilendirmesi hoşuma gider.					
13. Sürekli alışveriş yaptığım marketin özel indirimler yapması, hediye, kupon, promosyon vermesi beni etkiler.					
14. Sürekli alışveriş yaptığım marketi çevreme tavsiye ederim.					
15. Sürekli alışveriş yaptığım marketin benimle uzun vadeli ilişki kurmaya çalışması hoşuma gider.					
16. Satılan ürünler aynı kalitede olduğu sürece, başka bir marketten de alışveriş yapabilirim.					
17. Uzun süredir aynı marketten alışveriş yapıyorum.					
18. Evime yakın olan marketten alışveriş yapmayı tercih ederim.					
19. Müşteri olarak kendimi sürekli alışveriş yaptığım markete bağlı hissediyorum.					
20. Alışveriş yaptığım market tarafından adıma düzenlenmiş müşteri kartı marketten yaptığım alışveriş miktarı üzerinde etkilidir.					
21. Adıma müşteri kartı düzenleyen marketlerden alışveriş yapmayı tercih ederim.					
22. Sürekli alışveriş yaptığım marketin beklentilerime göre bana özel hizmet sunması beni marketin bağlı müşterisi haline getirir.					
23. Müşteri kartlarına ait kampanyalar, indirimler, promosyonlar, birikmiş puanlar, çekilişler ve aktiviteler ile ilgili tanıtımlar yeterlidir.					
24. Müşteri kartlarının sunduğu özel kampanyalar, promosyonlar ve indirimler ihtiyaca yönelik değildir.					
25. Sürekli alışveriş yaptığım marketin bir müşterisi olarak, daha kaliteli ürün ve hizmet için daha fazla harcama yaparım.					
26. Alışveriş yaptığım marketin fiyatları biraz artsa da buradan alışveriş etmeyi sürdürürüm.					

Appendix–2: Questionnaire, English Version

QUESTIONNAIRE

Dear Participant,

This questionnaire is a part of the master thesis study carried out in order to investigate relationship marketing activities and building customer loyalty in Dokuz Eylül University Social Sciences Institute, Department of Business and will be used for scientific purposes. For this reason, the validity of the obtained information will be possible if the answers you give to the questions reflect the real situation. We appreciate your contribution to the study with the answers you will give to the questionnaire.

Yours faithfully.

Öznur BİLGİLİ

PART ONE

1- Gender:

( ) Male ( ) Female

2- Age:

( ) 18–24 years ( ) 45–54 years

( ) 25–34 years ( ) 55 years and over

( ) 35–44 years

3- Education:

( ) Primary education

( ) HSC/Diploma

( ) Associate degree

( ) Degree

( ) Graduate degree

4- Monthly income:

( ) 500 TL and less ( ) 2001–3000 TL

( ) 501 – 1000 TL ( ) 3001 TL and more

( ) 1001 – 2000 TL

PART TWO

Please identify your acceptation level to the given statements below considering the market, supermarket or hypermarkets you shop (**1-**Strongly disagree, **2-**Disagree, **3-**Neither agree nor disagree, **4-**Agree, **5-**Strongly agree).

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	**2**	**3**	**4**	**5**
1. I like it when the personnel of the market I shop from knows my expectations, needs and acts accordingly.					
2. I change my market when I find the product or brand that I need in another market at a better price.					
3. It is important to me that the market personnel behaves concerned and kind to the customers.					
4. It affects me if the market personnel of the market I shop from have knowledge about the products.					
5. The approach of the personnel is important for me when I face a problem in the market I shop from.					
6. I like it when the market I shop from ask my opinions regarding its products or services from time to time.					
7. I like it when the officials, sales person of the market I shop from recognize me and address me by name.					
8. It is important for me if the attention of market personnel I shop from towards me stays the same at all stages (before, during and after the purchasing).					
9. It is important for me when the market I shop from has additional customer services (technical service, virtual market, price determination machine, kids' playroom etc.).					
10. I use the customer cards (Migros Club Card, CarrefourSA Plus Card, Pehlivanoğlu Service Card etc.) that are arranged to my name by the market I shop from at my shopping.					

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	**2**	**3**	**4**	**5**
11. I like it when the market I shop from sends me greeting card or message at special days (festival, birthday etc.).					
12. I like it when the market I shop from informs me about the new products, promotions etc.					
13. It affects me if the market I shop from consistently makes special discount and gives gift, coupon, and promotion.					
14. I would recommend the market I shop from to friends and acquaintances.					
15. I like it if the market I shop from consistently tries to build a long-lasting relationship with me.					
16. I might shop from another market as well, as long as the products are at the same quality.					
17. I have been shopping from the same market for a long time.					
18. I prefer to shop from the market that is close to my house.					
19. I feel myself connected to the market I shop from consistently as a customer.					
20. The customer card that is arranged to my name by the market I shop from is effective on the quantity of my shopping.					
21. I prefer to shop from the markets that arrange customer cards to my name.					
22. It makes me a committed customer of the market I shop from consistently when it provides special service to me regarding my expectations.					
23. The introducing of the campaigns, discounts, promotions, accumulated credits, lotteries and activities that belong to the customer cards are sufficient.					
24. The special campaigns, promotions and discounts that the customer cards present are not oriented to needs.					

25. As a committed customer of the market I shop from, I would spend more to receive more qualified product and service.					
26. I would continue to shop from the market I shop from even if the prices increase slightly.					