

THE EFFECT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY: THE CASE OF CEBUANA LHILLIER - AC ALABANG

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ABSTRACT

The purpose of this research is to describe the effect of relationship marketing on customer loyalty among the clients of Cebuana Lhuillier - AC Alabang. In this paper, the relationship between demographic factors (i.e. sex, age, marital status, educational attainment, residential location, estimated monthly household income, purpose of visiting Cebuana Lhuillier, and length of being a Cebuana Lhuillier customer), relationship marketing and customer loyalty is exposed in Cebuana Lhuillier - AC Alabang. The researcher did the study by (1) identifying the demographic profile of the respondents; next (2) determining the effect of relationship marketing through its underpinnings namely trust, commitment, communication and conflict handling; then, (3) determine the level of customer loyalty of the respondents by the use of survey questionnaires; and, (4) test if there is a significant relationship between relationship marketing and customer loyalty; lastly, (5) test if there is a significant difference between relationship marketing and customer loyalty when grouped according to their demographic profiles. The study was based on a structured questionnaire with 100 respondents and given through the use of quota sampling method. Majority of the respondents of Cebuana Lhuillier were female which covers 75% of the population who were mostly single and married, and from Las Pinas and Muntinlupa. Majority of the respondents were high school and college graduates with salary less than 10,000 up to 20,000 respectively and on for a remittance transaction. The study concludes that that relationship marketing and customer loyalty is interconnected with one another and confirmed that relationship marketing strategies has a significant effect to customer loyalty.

Key words: *relationship marketing, customer loyalty, quota-systematic sampling method*

INTRODUCTION

As the fast paced global competition arises, many companies are thinking of tactics and strategies in order to arrive at the fact of gaining a competitive advantage against competitors. And one of the most important strategies that could be considered as base tactic for every company is to come up on developing a strong relationship to keep customers. Building a strong customer relationship is a key functionality to retain customers and gain new ones that could also create a mutually satisfying long term collaborative relationship between company and customers.

Thus, Relationship Marketing is a relationship-type strategy that focuses on creating a favorable relationship between the company and customers that results in continuous patronage of customers in the organization that leads on sharing their satisfying and favorable experiences to other people which can create a positive effect on the organization, and as well as customer loyalty. Customer Loyalty is the baseline and very important part in marketing since it has a positive result on long term success and profitability. Hence, these strategies is done mainly on businesses whose operation includes front line employees who deals directly with customers.

Pawnshops is one of a great example of these, thus, it lends money to customers in exchange of a thing with higher or lower value and offers lower interest rates which makes it an attractive good alternative source of credit. Customers of this type of business are mainly people who are in need of urgent and upfront need of cash. Furthermore, it also provide auxiliary services such as remittance and bills payment facilitation, insurance loans, mobile banking services, and money changing which requires more employee performance to develop a deep and strong relationship with customers.

Aligned with this, the researchers have come up in identifying the effect of relationship marketing on customer loyalty among the clients of Cebuana Lhuillier - AC Alabang, situated in the southern part of Metro Manila whose operation is on its 30th year. Apparently, this study is for the purpose of determining the effect of relationship marketing strategies that drives loyalty among customer that drives the profitability of the company.

Literature review

Raza and Rehman (2012) found all relationship marketing tactics to be absolutely interrelated with relationship quality and customer loyalty. It is very essential for the organizations to have a long term cost-effective relationship in order to attain the maximum level of customer loyalty, and it can be done by ensuring high level of relationship quality while interacting with the customers.

Hence, the research of Alrubaiee and Al-Nazer (2010) assessed the impact of various demographic variables in association with relationship marketing on customer loyalty. Factor analysis was done to pull out the fundamental factors of relationship marketing and then various regression analyses was performed to clarify dyadic relationship between relationship marketing and customer loyalty and to measure the impact of demographic variables on relationship marketing – customer loyalty relationship.

Apparently, according to Abtin and Pouramiri (2016), today, only those trading that just focus on the value of the marketing mix elements can shift their track towards relationship marketing and creating effective relationship management with customers. On the other hand, according of Chakiso (2015), several relationship underpinnings, such as trust (Gupta and Sahu, 2015), commitment (Fallon, 2012), Communication, (Theron and Terblance, 2010) and Conflict Handling (Chakiso, 2015).

Accordingly, the study of Chakiso (2015) suggests that businesses who want to retain and develop customer loyalty must gain the trust of customers since trust is essential in customer loyalty. On the other hand, just like trust, commitment is constantly used in the majority of customer relationship studies and discuss that this dimension is essential in building long-term relationships between customer and an important indicator of relationship performance (Abdullah and Kanyan, 2013).

In addition, one of the essential elements of service marketing is communication (Husnain and Akhtar, 2015). Thus, the study of Wright (2011), define communication as an important element in relationship marketing since it can create shared values that could build trust, as well as, customer loyalty. Moreover, the study of Malhotra (2014), same as trust, conflict management have also demonstrated positive effects on loyalty (Gilaninia et al., 2011). Thus, an efficient

conflict management directs in to customer satisfaction that will eventually turn into customer loyalty (Beverland et al., 2010).

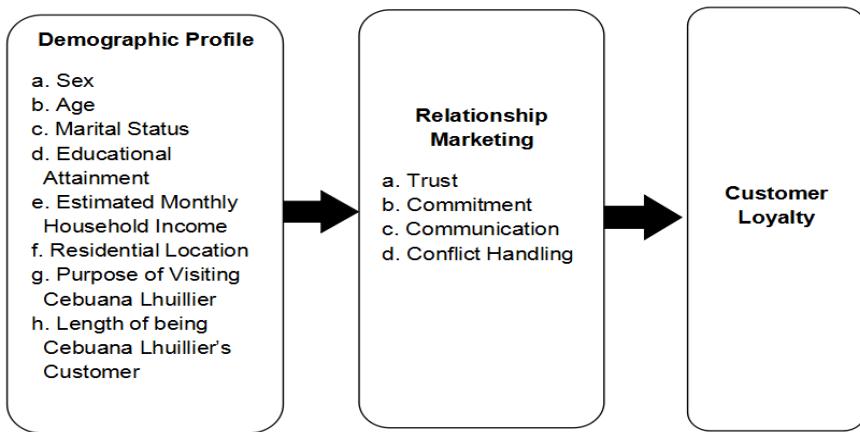
According to Abtin and Pouramiri (2016), customer loyalty is considered as the greatest asset of every company, it is also an important factor that contributes to organization's earning and profits (Chakiso, 2015). Cultivating customer loyalty is one of the most vital drivers for long term economic performance of the organizations as it results to increased market share (Alrubaiee and Al-Nazer, 2010).

The study of Husnain and Akhtar (2015) has been confirmed that the measurements of underpinnings of relationship marketing (i.e. trust, commitment, communication, and conflict handling) can forecast customer loyalty. Accordingly, the study furthermore discusses the relationship of trust, commitment, communication, and conflict handling to customer loyalty. Whereas, in terms of commitment, it is stated that commitment is significant to customer loyalty since an affective commitment leads to loyalty, thus the researchers suggests that in order to increase customer commitment, the company must ensure that customers are safe and sound, and that there is a minimal risk that awaits. The researchers also continue discussing by stating that communication influenced customer loyalty by means of giving useful, precise, accurate information and, providing guidance to the customers, since employees are expected to have a wide knowledge about the business. On the other hand, the researchers also state the importance of cooperation of commitment and trust in the success of relationship marketing. Thus, the researchers further added that without commitment, conflict may arise due to the lack of trust. Conflict can be destructive or constructive, for instance, if conflict arise, and the situation is handled properly and resolve in an unbiased manner before it creates a problem, then customer loyalty will boost in (Malhotra, 2014).

Conceptual framework

Figure 1 shows the conceptual framework of the research. Apparently, this study is to measure the impact of relationship marketing on customer loyalty depending on the demographic profile of the respondents. In accordance with these set of variables, the respondents will be assessed and grouped according to their demographic profiles. Next, the researchers will measure the impact of

relationship marketing through its underpinnings such as trust, commitment, communication, and conflict handling. Apparently, the researchers are also going to assess customer loyalty by determining the level of loyalty of the respondents. As a concept, the study is aimed to demonstrate the inter-connectivity of these set of variables and see if there is constructive relationship between relationship marketing and customer loyalty, and if there is a significant difference between relationship marketing and customer loyalty when grouped according to their demographic profiles.



Objectives of the study

The researchers aimed (1) to describe the demographic profile of the respondents in terms of sex, age, marital status, educational attainment, estimated monthly household income, purpose of visiting, length of being a customer of Cebuana Lhuillier, and residential location; (2) to determine the effect of relationship marketing in trust, commitment, communication, and conflict handling; (3) to determine the level of Customer Loyalty; (4) to test if there is a significant relationship between Relationship Marketing and Customer Loyalty; (5) to test if there is a significant difference between Relationship Marketing and Customer Loyalty when grouped according to profile variables.

METHODOLOGY

The researchers used the descriptive research design to determine the relationship of the variables of the study. Survey was used to collect data without manipulating the environment, since it only describes “what exists” with respect to the variables (Posinasetti, 2014).

The company chosen as subject for this study was Cebuana Lhuillier – AC Alabang Branch located in Alabang, Muntinlupa City. Cebuana Lhuillier, formally established in 1988, is the largest non-bank financial services provider in the Philippines which is currently managed by PJ Lhuillier Group of Companies, a multi-industry company that operates businesses related with financial services. Apparently, Cebuana Lhuillier AC – Alabang is one of the most visited branch located at the Southern part of Metro Manila which has been for 30 years of operation. According to the branch manager of Cebuana Lhuillier, approximately, there are 200 clients visiting the branch a day.

The researchers used the combination of quota sampling and systematic random sampling technique in order to get samples in the population and to get the participants of the study. Quota sampling is technique in assembling samples that could represent a population while Systematic Random Sampling is a division of statistical population in which each member of the division does not have an equal probability of being chosen, and are selected at a regular interval (Alvi, 2006).

For instance, since the population size was 200 and the quota sample was 100, then the interval size was two. In this case, the first respondent of this study would be the second customer then the next respondent would be every after two customers until it reached 100 respondents. The combination of Quota Sampling and Systematic Random Sampling is used in this study in order to have an assembled sample as the representative of the whole population because it was not possible to know who were going to visit Cebuana Lhuillier at every moment.

The researchers used survey questionnaires as the primary data gathering tool of the study. The questionnaire consisted of a preliminary part which gave details about the rationale of the study as well as, the intention of the researchers of determining the impact of relationship marketing strategies on customer loyalty. The survey

questionnaire was adapted from the study of Husnain and Akhtar (2015) about the evidence of relationship marketing and customer loyalty in a banking sector in Pakistan. However, the questions are modified in order to fit the study.

Variables	Cronbach's Alpha	No. of Items
Relationship Marketing	0.7814	10
Customer Loyalty	0.8337	10

The table above shows the result of Cronbach's Alpha that identifies the internal consistency, reliability and validity of the questionnaire. With the results of 0.7814 in relationship marketing variable and 0.8337 in customer loyalty variable, it was found that the questionnaire is consistent, reliable and valid.

The survey questionnaires were hand over to each and every respondent personally by the researchers simultaneously with the support and authorization of the management of Cebuana Lhuillier – AC Alabang Branch. The collection of data included the distribution of a questionnaire which was separated in two sections: the demographic profile section and the relationship marketing – customer loyalty section. Hence, all questionnaires were filled up willingly by the respondents, so all explanation and rationalization required by the respondents were tackled at the same time. The questionnaires were recovered the day after its distribution through the support of clients, employees and management.

The collected data were tallied and calculated using different statistical measures, and encoded and summarized using tables and graphs. The data were tabulated and analyzed using reliability test or Cronbach's Alpha, frequency distribution and percentage, weighted mean, standard deviation, coefficient of variation, Pearson correlation, p-value, t-test independent sample, and Anova f-test.

RESULTS AND DISCUSSION

Demographic profile of the respondents

Based on the findings, the result revealed that in terms of sex, there were more female respondents (75%) than the male (25%). In terms of age, 22% were 18 – 27 years old, 23% were ages 48 and above, 25% were ages 28 - 27, and 30 were 38 – 47 years old.. On the other hand, in terms of the marital status, it shows that respondents were mostly married (48%).

As to educational attainment, result shows respondents were mostly college graduates (44%). High school graduates comprised 34% of the respondents. Moreover, most of the respondents earned minimum wage, thus, 47% of the respondents earned 11,000 to 20,000, followed by less than 10,000 with 28%. These respondents were mostly from Muntinlupa (60%) and Las Pinas (12%), and mostly went to the branch for remittance (57%) and pawning (21%). However, in terms of their length of being a customer, result shows that most of the respondents were new with 3 - 5 years (42%) or less than 2 years (40%) accordingly.

Effect of relationship marketing in trust, commitment, communication and conflict handling

Table 1 shows the results on the effect of relationship marketing on trust, commitment, communication, and conflict handling. The results proved that when it comes to relationship marketing, all statements had a CV of 14% - 17%. It also shows that there was an agreement that respondents were taking more consideration when it comes to trust, communication and commitment. However, the conflict handling statement “The pawnshop openly discusses solutions when problem arise” had the lowest ranking, which indicates the statement that the clients least agreed to.

Table 1. Effect of relationship marketing on trust, commitment, communication, and conflict handling.

Relationship Marketing Statements	Mean	Std. Deviation	CV
The pawnshop is concerned with security of my transaction.	3.64	0.50292	14%
Cebuana Lhuillier gives me a trustworthy impression.	3.63	0.50562	14%
The pawnshop personnel have throughout knowledge of services and policies.	3.62	0.52762	15%
The pawnshop makes its services easy to transact.	3.58	0.53522	15%
The pawnshop is confidently reliable in providing quality service.	3.57	0.55514	16%
The pawnshop can be relied upon to keep promises.	3.56	0.51874	15%
The pawnshop make sure that customers are satisfied.	3.54	0.55814	16%
The pawnshop is politely respecting complaints.	3.51	0.54114	15%
The pawnshop routinely keeps in touch to notify issues that may affect me.	3.41	0.58767	17%
The pawnshop openly discusses solutions when problem arise.	3.38	0.56461	17%

(Legend: 15% - 25% rating to passed Coefficient of Variation)

Level of customer loyalty

Results revealed that respondents would want to transact services to Cebuana Lhuillier and at the same time recommend it to their family, friends and colleagues. Results further indicated that respondents would least agree to the statements that say Cebuana Lhuillier first comes to their minds in terms of pawning transactions, and considering it as the first choice of pawnshop in the area. But, frankly, despite of those rankings, the overall coefficient of variation of each statements that ranged from 13% - 17% signified that there was an agreement that respondents statistically approved results of the specific area of the study.

Relationship of relationship marketing and customer loyalty

Table 2 presents the result on significant relationship between relationship marketing and customer loyalty

Table 2. Relationship between relationship marketing and customer loyalty

Correlations			
		Relationship Marketing	Customer Loyalty
Relationship Marketing	Pearson Correlation	1	.615**
	Sig. (2-tailed)		0
	Decision		Significant
Customer Loyalty	Pearson Correlation	.615†	1
	Sig. (2-tailed)	0	
	Decision	Significant	

**. Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 2, relationship marketing and customer loyalty had a significant relationship with p-value of 0.000 lower than 0.05, and correlation of 0.615. Thus, this results indicates a highly significant positive relationship between relationship marketing and customer loyalty.

The study also revealed that there was a significant positive correlation between trust, commitment, communication and conflict handling, and customer loyalty, with a p-value of 0.000 lower than 0.05. In other words, trust ($r=0.534^{**}$), commitment ($r= 0.48$), communication ($r = 0.498$), and conflict handling ($r = 0.465^{**}$) and customer loyalty were related with a moderately significant relationship.

Differences in relationship marketing and customer loyalty when grouped according to demographic profiles

As presented in Table 3, there was no significant difference in relationship marketing and customer loyalty when respondents were grouped according to sex, age, marital status, estimated monthly

household income, residential location, purpose of visiting and length of a Cebuana Lhuillier customer. However, it was also shown that educational attainment had a significant effect on relationship marketing and customer loyalty. Therefore, above all of the demographic profiles used above, it was true and confirmed that educational attainment was one of the determinants where relationship marketing and customer loyalty strategies would be successful.

Table 3. Difference in relationship marketing and customer loyalty when respondents were grouped according to profile

Demographic Profile	F	p-value	Interpretation
Sex	0.473	0.493	Not Significant
Age	0.16	0.923	Not Significant
Marital Status	1.269	0.29	Not Significant
Educational Attainment	2.912	0.0038	Significant
Estimated Monthly Household Income	0.976	0.408	Not Significant
Residential Location	0.969	0.471	Not Significant
Purpose of Visiting	0.967	0.46	Not Significant
Length of being a Cebuana Lhuillier Customer	0.206	0.892	Not Significant

CONCLUSION

This research has shown that majority of the respondents of Cebuana Lhuillier were female, aged 18 years old and above, married and single, high school and college graduates, and earned less than 10,000 up to 20,000, respectively. Most of the respondents were from Muntinlupa and Las Pinas, and were there for remittance and pawning. Thus, most of these respondents were new customers and were on the 2nd to 5th year of being a customer.

Moreover, the study revealed that trust, commitment, and communication are primary factors to be considered in building a strategically long term relationships. These underpinnings of

relationship marketing had a great effect on relationship marketing strategies.

In terms of customer loyalty, the research has shown that the level of loyalty of the respondents was high to the point that customers will transact services again to Cebuana Lhuillier and at the same time recommend it to their family, friends, relatives and colleagues. However, these respondents claimed that Cebuana Lhuillier - AC Alabang was not their top choice of branch in the area and in terms of pawning.

Relationship marketing and customer loyalty were interconnected with one another and this study confirmed that relationship marketing strategies had a significant effect on customer loyalty. Hence, trust, commitment, communication and conflict handling had an effective and efficient effect on having a loyal customer.

Finally, the study also concludes that educational attainment had a significant effect on relationship marketing and customer loyalty. Success in relationship marketing and customer loyalty may therefore be based on the educational attainment of the customers.

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