A Review of the Factors Off-Putting the Application of Relationship Marketing in Nigeria (Pp. 89-103)

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Abstract
The current dominance of relationship marketing (RM) literature does not imply that its application in modern business operations is without limitations. In fact, its successful application by firms in some advanced economies does not mean that its application is guaranteed in developing countries. Observing this, this study sought to ascertain the factors that hamper the application of RM in Nigeria. Drawing from past empirical substantiations, it was argued that lack of trust, commitment and promise fulfillment, low level of technical development, lack of internal marketing and loose competitive states of Nigerian business environment are the leading factors restraining the application of RM in Nigeria. To facilitate the implantation of this new marketing tradition in Nigeria, the authors reinforces that there is need for Nigerian firms to invest more in technology
to assist them track the revolutions in the contemporary business environment, build trust and commitment-based relationship.

**Key words:** Application; Banks; Marketing; Nigeria; Relationship marketing (RM).

**Introduction**

Even though the relationship marketing philosophy seems to have dominated current marketing thinking, its application especially in a developing country like Nigeria suffers manifold limitations. Albeit such Nigerian organizations as banks, hospitality businesses, accounting firms and so on are gradually realizing that the relational approach to marketing can be a viable marketing alternative in the face of everlasting competition, eroding customer loyalty and technology dynamics (Izogo, 2010), it is still difficult for Nigerian firms to embrace it in its entirety because of some militating factors.

Even in developed continents like Europe and America where this new marketing orientation was first conceived, pragmatic evidences have shown that the application of this new marketing theory cannot be without difficulties. A study of the U.K relationship marketing and airline loyalty schemes by Gilbert in 1996 yielded a similar result. Equally, according to a survey by Gartner, Inc., the world’s largest technology research and advisory firm, as captured in Satoshi (2006), more than 50 percent of CRM implementations are considered failures from the company’s point of view. Satoshi (2006) equally went further to corroborate that the CRM retail Study 2004, a survey conducted by the National Retail Federation in the United States for its more than 100 member companies, showed that only about 30 percent of that year’s respondents agreed that their CRM initiatives are fully meeting or exceeding their expectations at this point. Also, Gilbert (1996) examined the emerging concept of relationship marketing in an accessible way through an explanation of airline loyalty schemes in United Kingdom. It provides evidence that success from relationship marketing schemes is not easily achieved. This is because of the proliferation of loyalty schemes and the build up of rewards to be redeemed which has affected levels of profitability and effectiveness.

Furthermore, within a banking context, Keltner (1995) found that German banks, in contrast to American banks, managed to maintain a stable market position during the 1980’s and early 1990’s as a consequence of relationship oriented banking strategies.
Drawing from these evidences as well as comparable empirical verifications from other countries, this paper argues that the application of relationship marketing in Nigeria is fraught with miscellaneous restraints. The study is significant because despite the numerous literature littered on this subject in other continents like Europe, America and Asia, African scholars especially Nigerians are yet to wake up to the challenge of scarce indigenous literature on the subject.

**Critical Assessment of the Assumptions of RM**

The relationship marketing philosophy is driven by a number of assumptions proffered by seasoned academics who have explored its relative significance in both conceptual and empirical write-ups. Zeithaml and Bitner (2000) in their work maintained that relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers, rather than acquiring new customers. This philosophy assumes that consumers prefer to have an ongoing relationship with one organization than to switch continually among providers in their search for value. This assumption can only be applied in the marketing of some industrial products and services. In his own explications, Satoshi (2006) citing Frederick (2003) argued that the essential qualification for implementing customer relationship management (CRM) is a high “frequency of customers’ purchases”. In furtherance of this spat, he maintained that without frequent interaction, it is difficult for companies to maintain a dialogue with its customers in order to persuade them to buy more of its products.

In a different view, Morgan and Hunt (1994) argued that one of the axioms of relationship marketing is that mutual cooperation as opposed to competition and conflicts leads to higher value creation. They drew this axiom as a challenge to the classical marketing models which believes that competition and self-interest are the drivers of value creation. Maintaining cooperation renders the pursuit of competitive advantage useless. Yet, it is unthinkable that firms can surmount the competitive pressures permeating the contemporary business milieu without seeking to achieve competitive advantage.

Another fundamental assumption underpinning this perspective of marketing is that instead of leaving the marketer-consumer relationship solely in the hands of the marketer to manage, both parties contribute equally to the relationship. This was rightly captured in Heide and John (1992) and
Williamson (1985) when they argued that relationship marketers, therefore, believe that interdependencies reduce transaction costs and generate higher quality while keeping governance costs lower than exchange marketing. Even though this may appear credible, observations has shown that not all the customers want to be actively involved in determining the terms of exchange relations between the buyer and the seller. Kotler and Keller (2006) asserted that, “not all customers want a relationship with the company, and they may resent knowing that company has collected much personal information about them”. Hui (2006) in his own argument held that organizational policy and empowerment of staff determine whether the customer is a co-producer of the service. According to him, where organizational policy strangulates staff latitude to change the contents of the service upon receipt of customer feedback because of rigid organizational policy, then the customer cannot be a co-producer.

More so, it is believed that “it is five to ten times more expensive to acquire a new customer than obtain repeat business from an existing customer” (Paul & Jongbok, 2001; Kotler, 1997; Wilson & Gilligan, 1997). This assumption lacks empirical backing because to the best of my knowledge, no study has been able to demonstrate its practical reality. Kotler and Keller (2006) reacting contemptuously to this axiom of RM affirmed, “It may not be the case that it costs less to serve more loyal customers. High-volume customers often know their value to a company and can leverage it to extract premium service and/or price discounts.

**Comparable Empirical Evidences on RM**

Relationship marketing has attracted copious publications from researchers the world over especially in America, Europe, Asia and Australia. Earlier studies focused on the need for firms to transit from the transactional marketing approaches to the relational marketing paradigm. But an unfortunate implication of the propositions of these early studies is that researchers informed firms to embrace a marketing construct whose empirical implementation was yet undefined. More recent studies have focused on theorizing the strategic implications of RM, model development as well as its application especially in services marketing. The application of this new marketing theory in Nigeria remains the dominant focus of the present study.

Jochen (2003) used the six-market model introduced by Christopher, Payne and Ballantyne (1991) to assess the extent to which Dell, one of America’s
most admired companies, conducts relationship marketing methods constituting its recent success. Findings indicate that within the six-market model constraints, DELL is effective in recognizing the importance of these relationships. Hedley and Tim (2009) explored the marketing-led enterprise change management initiated by a major UK contractor as a contrast to procurement-led changes to projects driven by clients. Results indicate that application is producing early results in terms of increased client satisfaction, consequential repeat business, inducing greater cross-functional communication and collaboration within the firm resulting in cross-selling opportunities between market segments.

To enable research to be conducted into the validity of the relationship marketing paradigm, Steve and Suzanne (1998) developed a model which allows researchers to test the characteristics of the relationship at any point in time. This model is rooted in the biological sciences and is based around the concept of symbiosis. It was adapted to offer a five part classification of relationships and used during an on-going research programme into affinity credit card relationships. The results of the research indicate that the majority of the “relationship managers” employed by a sample of charities with affinity credit cards perceive their relationship with their credit card issuer to be of equal benefit to both organizations, and thus fit the classification of the model. Boedeker (1997)’s investigation on the characteristics of the regular customer cards of four major Finnish retail organizations in the daily product sector with respect to the basic characteristics of (customer) relationship marketing yielded somewhat similar results. Summarily, if one examines meticulously, these studies favouring the application of relationship marketing in America, one will decipher that the results of these studies are based on the following assumptions;

- Relationship marketing can thrive well in a business environment characterized by stiff competition, eroding customer loyalty and technology dynamics.
- For relationship marketing to survive, the relationship between organizations and their customers must be trust-bound, promise fulfillment-oriented and commitment-driven.
- To successfully implement relationship marketing, investment in sophisticated technologies is highly necessary.
For RM programme to succeed, the customer must be a co-producer of the product or service in question.

On the contrary, for the fact that the degree of competition among firms in America is much more pronounced than that which is observed among Nigerian firms makes the application of RM somewhat difficult in the later country. This is so because in Nigeria, the demand for most goods and services lags the supply of the same. Again, in Nigeria, most firms producing goods or rendering services are not trustworthy. A good example of this can be found among transportation services providers, banks and even hospitals. You can find such inscriptions as, “luggage at owner’s risk”, “cars are packed at owner’s risk”, in transits and banks respectively. Also, such inscriptions as, “No refund of money after payment” are very common among transporters. Even in hospitals, patience are not attended to as at when due. At times doctors demand certain amount of deposits before they can attend to their patients. All these portray absolute disregard of the value of customers and lack of commitment to relationship building among firms in Nigeria. Equally, the level of technological development in America cannot in any way be compared with that of Nigeria. While America is highly advanced technically, Nigeria is still developing. Again, this shows that Nigeria is not yet fully ready for RM. Even when firms expend frantic efforts to build lasting relationships with their customers, these efforts are defeated because an average Nigerian consumer is highly price sensitive and may not afford the cost of relationship services. Once more, in the US, companies make and fulfill their promises, but promise fulfillment is the least thing any consumer can expect from most Nigerian organizations.

A number of studies relating to the application of RM have equally been conducted in Europe. For instance, Andreas and Veronica (2003) investigated the relationship marketing (RM) strategy of a retail bank in Finland in order to discover whether the implementation of the strategy has had the intended strengthening effect on customer relationships. The results indicate that the case bank is pursuing a worthwhile strategy since the levels of perceived customer relationship satisfaction and loyalty are relatively high and the customers have perceived improvements in the banking relationship since the RM strategy was launched. Thierry and Stefanie (2009) examined how low cost airlines in Europe deal with tools of relationship marketing and the effects those tools have on generic strategies. The results show that relationship marketing tools are used in a different extent by the airlines. The authors could not find evidence that using relationship marketing tools is the
single solution to compete more successfully than without. It was further argued by the authors that RM is just one aspect strengthening the generic strategy in order to gain sustainable competitive advantage. In a study conducted by Srinivas, Bollampally and Kumar (2007) using case studies of two Swedish banks with the aim of gaining a better understanding of the benefits of E-CRM to customers and organization in the banking industry, it was found that Swedish banks are well aware of the benefits and applications of the electronic relationship marketing (E-CRM) and use the system to maintain good relationships with their customers. Findings equally indicate that with the implementation of E-CRM and the latest technologies, banks have ensured full security for the transactions of their customer's. E-CRM facilitates the organizations to provide one to one services and also maintain the transaction security of the customers. Once more, for the fact that the European business environment differs greatly from that of Nigeria makes the findings of these studies unfit for our industrial players. Again, in terms of consumers’ taste and preferences, Europeans are more sophisticated than average Nigerian consumers. Thus, while a Finnish consumer may want the firm with whom it is transacting business to deliver the products at his door step at any cost, an average Nigerian will like to visit the market in search for a slight reduction in price due to the low level of his/her purchasing power. Furthermore, the consolidation exercise going on in the Nigerian banking industry has hardly given the surviving banks any opportunity to really think of customers as being of top priority.

Brian and Rongmei (2006) evaluated the applicability of the stakeholder relationship marketing model, to Chinese businesses. Results show that the performance of the two Chinese businesses is in line with the 57 Western businesses in the Future Research Group stakeholder performance appraisal benchmark database, and that the stakeholder relationship marketing model is applicable to the Chinese context both philosophically and practically. This study has only succeeded in conceptually revealing that stakeholder relationship marketing model is applicable to the Chinese context both philosophically and practically without empirical proof of a firm or company that has successfully applied this model, hence, making the practicability of the result of this study in Nigeria, doubtful. IBRC (2005) studied the practices of RM in Bangladesh and highlighted the growing needs for such approach in the current competitive milieu as the practice of this marketing theory in the country was still sporadic and low.
Building on the synthesis of existing literature on satisfaction and relationship marketing, Jham and Khan (2008) explored the satisfaction variables within the banking industry. The key findings of this empirical research are based on the data collected from 555 customers. Systematic methodology, including design and validation of questionnaire, factor analysis and regression analysis were utilized to enhance reliability of the findings. The study reinforces that customer satisfaction is linked with performance of the banks. The authors demonstrated how adaptation of satisfaction variables can lead to better performance. The results of Pantea (2008)’s empirical study on the impact of customer relationship marketing on market performance among Iranian telecommunication service providers is not different from the above position. Even though customer satisfaction is strongly correlated with performance of banks, the workability of RM in Nigeria is still questionable because the consumers want high quality services at a very low cost. As a result of this, firms resort to offering stripped down versions of services at commensurate prices and reduced cost; hence concentrating more on individual transactions (volume of sales) than relationship-oriented (wallet share) marketing approaches.

Roya (2008), conducted a feasibility study of Customer Relationship Management (CRM) application in the hotel industry and found that determining effects of implementation of customer relationship management (CRM) on guest satisfaction, loyalty and retention showed that this implementation in the form of gathering information for personalization of services, using one to one marketing plans, improving guest services and support and using IT for giving more services in hotels will increase guest satisfaction, loyalty, and retention. Personalization of services, one-to-one marketing and high quality services in a society where consumers are highly price sensitive and can easily switch to low cost vendors can be very difficult to realize.

Jai-Beom and Paul (1999) in their study of the individual buyer-supplier relationships of the four major Japanese automobile manufacturers found that Japanese automakers have more likely pursued different supplier relationships based on, for instance, their size and profitability. Japanese firms, irrespective of the types of relationship, exhibited substantially high means on three factors related to trust: confidential information sharing; reverse-opportunism; and, trust in the automaker's fairness. A survey by the Fair Trade Commission (1993) and Phallapa (2010) yielded similar results. A major feature of the Japanese market is that it is characterized by trust which
is a basic element in relationship building. This makes the findings of this study unfit for the Nigerian market which is characterized by lack of mutual trust between producers and consumers. Even at this, studies have shown that the practice of RM in Japan is very low relative to US (Satoshi, 2006). Apart from this, unethical business practices are a dominant feature of the Nigerian market and this hinders the applicability of RM in Nigeria.

Peter (2005) examined the key relationship factors that should be considered when selecting a construction service in Australia. Findings indicate that RM has many attributes that should be applied to construction; indeed several aspects of RM are currently being applied in alliance projects. The particular form that RM takes in alliance projects is in the relationship development of the stakeholders. These stakeholders eventually become the virtual team who manage the project. In particular the development of trust, commitment and mutual goals in alliance projects form a close parallel with similar constructs in RM. Four themes were discovered to make a difference in relationship development in construction. They were the process of the relationship development workshop; the underlying attributes associated with the development process, in particular trust, trust building, commitment and communication; the outcome for the team; and organizational issues associated with individuals in the relationship development workshops. In Nigeria where construction contracts are given on the basis of nepotism, the practice of RM in this sector is a mirage. Second, research shows that successful, continuing relationships are characterized by trust and commitment (Morgan & Hunt, 1994), which to a large extent is lacking in Nigeria. Third, given that most Nigerian contractors are not marketers, it may not be easy to instill in them relationship orientation as they even think of themselves as being superior to marketers, and as such seem to jettison marketing advices. Finally, for a company to successfully implement RM it must maintain frequent interaction with its customers, this seems to nullify the tenability of the research result.

**Practical Implications for Nigerian Organizations**

Relationship marketing as an anticipated replacement of the exchange marketing theory is a philosophy of business which authors (Pantea, 2008; Hui, 2006; Gronroos, 2004; Smith & Higgins, 2000; Morgan& Hunt, 1999; Sheth & Parvatiyar, 1995) have championed in recent years the world over especially in America, Europe, Asia and Australia. But despite its growing significance, its application in a developing country like Nigeria is not as straightforward as it is in theory. This study provides the necessary inputs...
for justifying this position and advances ways of making this marketing theory operational in Nigeria. First, before implementing RM programmes, a company should formulate its strategy and clarify the purpose for this strategy. In other words, a traditional and well-thought-out marketing strategy concept is necessary. After establishing the goals of its strategy, the company should revamp its organization and/or business processes accordingly. This includes not only external operations with customers but internal systems, such as job descriptions, performance measures, compensation systems, training courses, etc. If such reforms are implemented, employees will be able to recognize the nature and benefits of the new strategy. Given that tribalism has dominated our recruitment programmes in Nigeria, which makes the delivery of goods and services deeply affected by ethnic loyalties, it is necessary that the above affirmation be heeded by Nigerian firms.

Second, given that most Nigerian organizations have betrayed the confidence which consumers ought to have on them, a change of attitude by firms and reorientation of the consumers is highly necessary. This can be achieved if organizations can desist from deceptive advertisements and sales promotion and over exaggeration of product benefits and move towards a more credible itinerary such as confidence building and promise fulfillment.

Third, the external environment for organizations is rapidly changing (Child & McGrath, 2001). This requires learning about how to collaborate, how to have more trusting and open communications, how to deal with dependency in relationships, how to gain the commitment of subordinates, and how to design organizations with flexible boundaries (Schein, 1996). Due to the increased uncertainty within the environment, especially from more discerning customers, firms are expected to produce an improved quality performance with a more professional, flexible and focused workforce. Values, such as trust, creativity and honesty, have become of equal or greater importance than traditional economic concepts such as efficiency or return on investment (Dolan & Garcia, 2002). Nigerian managers have a lot to learn from the above.

Fourth, the fact that customers may resent knowing that a company has collected much personal information about them highly demands that Nigerian marketers must be concerned about customers’ attitudes towards privacy and security. Accordingly, Satoshi (2006) confirmed that the recognition of privacy has increased in today’s society, and companies
should handle personal information with extreme care. The point is that they should establish contact only with individuals who have a real interest in their company and/or products. When they approach the wrong people, they can be perceived as stalkers and lose potential customers (Satoshi, 2006).

Since the competition in most Nigeria industries is still loose, there is need for government to design policies that will heighten the competitive tempo of business activities in Nigeria. This is highly pertinent because studies have shown that the degree of relationship is robustly linked with the level of competition as relationship intensity increases significantly when competition is high (Naidu et al., n.d.). This they can achieve by encouraging entrepreneurship through the provision of basic amenities such as good roads, water, and electricity and so on and increasing the latent capacity of the poor for entrepreneurship through the provision of microfinance services to enable them engage in economic activities such as production of goods and services.

Moreso, erecting switching barriers and ensuring sustained customers’ satisfaction can help Nigerian firms to dislodge the transactional marketing practice which is built on the exchange theory and build their investment more on few high net worth customers. According to Kotler (1997), there are two ways to strengthen customer retention. The first approach is to erect high switching barriers. Customers are less inclined to switch to another supplier when this would involve high capital costs, high search costs, and the loss of loyal-customer discounts and so on. The better approach is to deliver high customer satisfaction. This makes it harder for competitors to overcome switching barriers by simply offering lower prices or switching inducements.

Finally, Nigerian organization should invest more money to keep abreast of the changing dictates of technology especially in the area of equipments used for database management. While doing this, they should ensure that technology did not dominate customer understanding.

**Conclusion**

Despite the enchanting assumptions of the relationship marketing theory, this study has proved that its application in Nigeria is encountering a barrage of upheavals. This ranges from the uneven supply-demand relationship which has affected the level of competition significantly to lack of trust, commitment and promise fulfillment which are the real drivers of relationship building among firms. The rising concern for security and privacy which make customers to resent knowing that an organization has
collected much data about them is equally a setback. The unsound recruitment programmes and inadequate internal marketing strategies have equally contributed to the quagmires encountered by Nigerian organization in trying to apply RM.

However, the study has conversely proved that all hope is not lost. It is anticipated that if Nigerian organizations can abstain from deceptive adverts and sales promotion and move towards building trust and commitment-based relationships with their customers, if the competitive cadence of Nigerian industrial players can be heightened and finally, if Nigerian firms can concentrate more on investing in technology to help them track the changes in contemporary business milieu, embracing RM in the near future will not be difficult for them.

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