IMPLEMENTING RELATIONSHIP MARKETING IN THE SERVICE SECTOR – AN EMPIRICAL STUDY OF MAURITIUS

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Relationship Marketing is in vogue. Managers talk it up. Companies profess to do it in new and better ways everyday. Academics extol its merits. And why not? The new, increasingly efficient ways that companies have of understanding and responding to customers' needs and preferences seemingly allow them to build more meaningful connections with customers' than ever before. These connections promise to benefit the bottom line by reducing costs and increasing revenues.' (Fournier et al.1998)

ABSTRACT

This paper provides a comprehensive review on the concept of relationship marketing in the service sector of Mauritius, its foundation as well as its development. The various implications of using market segmentation and customer loyalty in these service companies as relational strategies are also discussed. The research also focuses on the various techniques of relationship marketing practiced in Mauritian companies. It also includes issues on the importance of adopting the paradigm shift from transactional marketing to relational marketing in the modern enterprises. The methodology used in the study consisted of a survey among 123 categories of service companies in Mauritius and the findings of the survey conducted among the service companies are analyzed. Furthermore the paper provides a discussion on the nature and scope of Relationship Marketing in Mauritius and proposes some recommendations to assist firms in Mauritius in the implementation of this new marketing concept. Finally the concluding note of this study suggests suitable techniques, which can be used to make the concept of Relationship Marketing successful among the service sector in Mauritius.

KEYWORDS: Relationship marketing, service culture, complaint handling, and customer care, training to staff, customer database, management commitment

INTRODUCTION

Successful management of services in the 1990's not only seeks to provide optimum value to the client but also establishing the commitment of clients for a stable and ongoing relationship has gained paramount importance. As we are in the 21st century, the world has indeed become a global village. Whether it is Singapore, New York or Sydney, barriers to conducting business has fallen more rapidly in the past five years. Rapid development of electronic communications networks, Internet commerce, the elimination of many trade barriers, transactional banking, efficient global logistics, and interlocked financial markets have all combined to make the 'business of business' faster, more economical and efficient than ever.

The corollary of all this progress has been the tremendous increase in global competition that all business face today. The rise of world-wide labour markets, capital movements, the speed and innovation of new products coming to market, agile new competitors and increased cost and pricing pressures have created a highly competitive, global market place for industries from airlines to telecommunications. Companies have no longer the luxury of protected markets and trade barriers to hide behind, and, in many cases subsidise inefficient operations. To avoid losing out in this competitive environment managers across the globe should realise that building and maintaining customer loyalty as a competitive strategy can lead to increased margins, profitability and market share. In addition, loyal customers can provide the foundation for growth and survival into the next century. In this study, an attempt has been made to evaluate the nature and implications of Relationship marketing among the service sector in Mauritius. A survey conducted among 123 service companies reveals various loopholes in implementing this new philosophy of marketing among counterparts in Mauritius. Suggestions and recommendations have been made to assist the service sector to cope with the challenges posed by the new millennium.

In service industries, it is recognised that quality of service is a critical factor in gaining competitive advantage. The value of the service to the client can be defined as the trade off between the benefits received by clients, service quality, the sacrifices made, and the price (Beaton & Beaton, 1995). Although service value continues to be a pivotal concept in contemporary services marketing and management, the limitations of concentrating primarily on its achievement are increasingly being recognised as a result of relationship marketing.

In essence, relationship marketing is concerned with the identification of a reliable predictor of stable, long-term relation between buyers and sellers. Commitment, highlighted as a predictor by research, can be conceptualised so as to incorporate

service value as one of its determining variables.

Relationship marketing is a new-old concept. The idea of a business earning the customers' favour and loyalty by satisfying their wants and needs was not unknown to the earliest merchants (Berry, 1995). Grönroos (1994a) cites this Middle Eastern proverb from ancient trade: "As a merchant, you'd better have a friend in every town."

Leonard Berry (1983) was the first person to use the term relationship Marketing in the services literature (Bitner, 1995). The heart of his contribution is in his identification of emerging perspectives and trends in the field of service relationship marketing: targeting profitable customers, multiple levels of relationship marketing, marketing to employees and other stakeholders, and trust as a marketing tool. Berry defined relationship marketing as "attracting, maintaining and in multi-service organisations-enhancing customer relationships" (p. 25). The author also stressed that the attraction of new customers should be viewed only as an intermediate step in the marketing process. Solidifying the relationship, transforming indifferent customers into loyal ones, and serving customers, as clients also should be considered as marketing.

Berry (1983) outlined <u>five</u> strategy elements for practising relationship marketing: developing a core service around which to build a customer relationship, customising the relationship to the individual customer, augmenting the core service with extra benefits, pricing services to encourage customer loyalty, and marketing to employees so that they, in turn, will perform well for customers

However, recognition of the need to formally market to existing customers appeared earlier. Ryans & Wittink (1977) suggested that many service firms pay inadequate attention to encouraging customer loyalty. Levitt (1981) emphasised the need for firms marketing intangible products to engage in constant reselling efforts. George (1977), Grönroos (1981), and Berry (1980, 1981) each wrote about improving the performance of service personnel as a key to retaining existing customers.

According to Copulsky et al. (1990), relationship marketing combines elements of general advertising, sales promotion, public relations, and direct marketing to create more effective and more efficient ways of reaching consumers. It centres on developing a continuous relationship with consumers across a family of products and services.

In Mauritius, providing quality service is no longer an option. The quick pace of developing technologies makes it difficult to gain strategic competitive advantage

through physical products alone. And customers are more demanding. *They not only expect excellent high-quality goods, but they also expect high level of service available with them.* Companies are finding that they need to focus on service to keep up with rising customer expectations and to compete effectively.

But some companies in Mauritius fail to understand customers accurately because they do not focus on customer relationships. They tend to fixate on acquiring new customers rather than viewing customers as assets that they need to retain. By concentrating on new customers, firms can easily fall into the traps of short-term promotions, price discounts, or catchy ads that bring customers in but are not enough to keep customers coming back.

By adopting a relationship philosophy, on the other hand, companies begin to understand customers over time and in greater depth, and are better able to meet their changing needs and expectations. Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers.

OBJECTIVES OF THE STUDY

- ♣ To assess the awareness of the concept of relationship marketing among companies in Mauritius and how far this technique helps in securing a competitive edge.
- ♣ To study the benefits of customer retention which accrue to both the customers and the organizations.
- ♣ To investigate on the process/structure of relationship marketing in companies. For example, sound database systems.
- ♣ To study the retention strategies and tactics used by Mauritian firms to build relationships and make the customers closer to the firm.
- * To understand the basics of a good relationship strategy in the service sector in Mauritius.

METHODOLOGY

In the early stages of the research, there was a lack of sufficient understanding of the problem of relationship marketing in Mauritius. An **exploratory study** was conducted to clarify concepts and techniques of Relationship Marketing among service companies in Mauritius. In sum the *exploratory study* was used for the following *purposes:*

- Formulating the problem on relationship marketing in Mauritius for more precise investigation
- · Establishing priorities for further research on relationship marketing in Mauritius.
- Clarifying concepts on the nature and scope of relationship marketing in Mauritius.

Experience surveys were also held to tap the knowledge and experience of companies in Mauritius, which are familiar with the concept of relationship marketing. Questions were asked in view of bringing to the fore the degree of knowledge of the concept by Mauritian companies, and also to develop the main hypotheses before designing an appropriate questionnaire. The experience surveys also had as objective to assess whether or not the concept was applied in the service sector of Mauritius and to what extent and in what form.

Structured-undisguised questionnaires were used and questions were presented with exactly the same wording and the same order to all service companies when collecting data. A covering letter was sent all companies explaining the objectives and purpose of the survey to elicit their co-operation.

Regarding the sample size, all the service sector companies of Mauritius consisted of the sampling <u>population</u> and were chosen at <u>random</u> among companies which were picked from the yellow pages of the Mauritius Telecom Directory 1998, Business Magazine list of 100 top companies of 1998 and restaurants of Mauritius. The *mail contact* method was chosen, as it was the most appropriate method given the limited time frame available for completion of the study. The response rate in all was 27.1% and 123 companies extended their co-operation. They were very willing to provide information elicited from them.

Regarding data analysis and interpretation of the study, the answers to questions were entered and saved using SPSS 8.0 as analytical software. The analysis had as major objective to investigate on the use of relationship marketing by companies in the service sector and obtain answers on the customer relation/retention strategies adopted by those companies. Through the statistical analysis of the data which consisted of calculation of the **frequency**, **the mean**, **the standard deviation**, **and the cross tabulations** of the various answers received, it was possible to develop a logical framework putting forward the main hypotheses that the project was actually trying to elucidate.

RESULTS AND DISCUSSION

Company profile

The empirical study mainly focused on the nature and scope of Relationship Marketing in the service sector of Mauritius. Figure 1 depicts the different types of companies in the service sector of Mauritius, which had participated in the survey. As it can be seen there were three prominent sectors namely 'aviation and shipping',' entertainment' and 'financial services' which consisted the major proportion of the sample and 42.5% of companies had more than 15 years of operation (Figure 2)

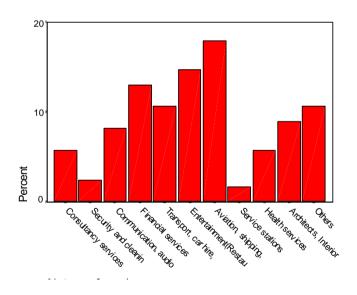


Fig 1. Nature of service

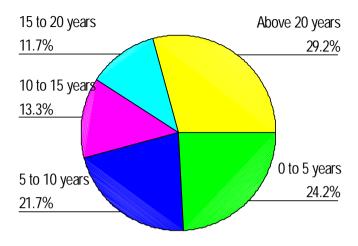


Fig 2. Number of years in operation

Initially the main focus was on *basic understanding* of the concept of Relationship Marketing among service companies. And it was interesting to note that most of firms in Mauritius (65%) were aware of the notion of 'relationship marketing' and were striving hard towards implementing this new concept in Mauritius to build lasting relationships with their customers.

As the <u>success</u> of relationship marketing rests upon the establishment of a sound system of database it was found out that of the 123 companies, which responded, 62.6% held a database of their customers. Moreover, for those companies which have a **customer database**, it was found that approximately 45.9% of these companies' databases held private/personal information on customers (income, location, tastes, preferences), 57.7% of them contained information on potential customers, and 73.4% of companies had information for transactional (daily) purposes respectively. Regarding training **of employees** which was considered as a prerequisite of Relationship Marketing **it** was perceived as important by the companies since 59% of the companies having a database train their staff in building such a database. The nature of the training given to the staff is shown in table 1.

Table 1. Nature of training given to staff

Type of training	Number of	Duration	Trainer
	companies		
Computer and software application	13	On-going process	Consultants from abroad
Customer service, care, feedback	4	<1 week	Training by local consultants firms/
technical training	5	1 week—1 month	Suppliers of software, computers
Computer and software training	15	1month-1year	In-house training
MBA	1	3 years	External source

On the other hand about 50% of these companies train their front line employees in maintaining a *good relationship with their customers*.

Concerning the **average duration of relationships with customers**, only <u>36.4%</u> of the service companies had relationships lasting <u>over 9 years</u>, while the cumulative percentage of the companies with relationships lasting between <u>0 to 9 years</u> was <u>62</u>%. As regards the main techniques of techniques of **communication** used by firms to communicate with their customers in Mauritius, the most popular method was by telephone (44.5%), 9.5% of firms used **a computerised** system; 29.4% used **letters/order forms**; and the remaining 16.6% used **order forms** as a method of communication.

So far as *communication of messages* to their customers is concerned, firms in Mauritius use *different types* of messages to customers. In <u>33.3%</u> of the cases the companies **deliver the same type of messages to all their customers** whilst only in <u>37.3%</u> of the cases **personalised/differentiated messages are sent**; and <u>29.4%</u> deliver **messages based on the behaviour and preferences of their clients**. This is illustrated in Figure 3.

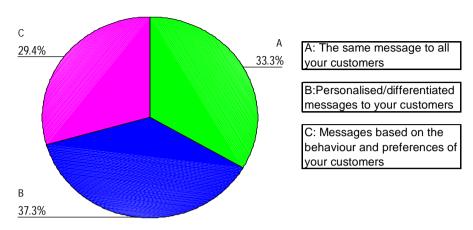


Fig 3. Types of messages delivered to customers

Whilst it is agreed that service excellence has a major role to play in attracting, maintaining and enhancing customer relationships, its key benefit for different firms in Mauritius varies. Hence for 22.8% of the companies, quality service leads to higher profitability. For 11.4% of them it leads to an increase in their market share and only 1.6% of the companies were of the opinion that the key benefit of quality service was a reduction of costs. Moreover, as high as 52.8% of companies state that the key benefit of service quality was to obtain loyal customers and repeat business. Whereas 6.5% and 4.5% thought it would enhance their corporate image and lead to higher sales of the service respectively.

During the course of the empirical study, it was significant to note that to implement relationship marketing in companies in Mauritius, <u>different</u> ratings were attributed to the bases of market segmentation. So far as **geographic segmentation** as a base is concerned, 43.2% of companies would use 'region' as an effective base of segmentation. If firms opted for a **demographic segmentation** then income (52.8%), education (32.7) and occupation (40%) became significant bases of segmentation. Life-style segmentation is also gaining popularity in Mauritius as 36.4% of firms have demonstrated their interest in a **psychographic** base of segmentation. Relationship marketing can also be successful if firms collect data on the **behavioural characteristics** of customers, and it is interesting to note that 67.6% of companies surveyed use 'loyalty' as an effective base and 61.5% take into account the 'needs and preferences' of customers. Monitoring the **changing needs of customers** was viewed as an important aspect of relationship marketing, and 67.2% of the surveyed companies stated that they carried constant monitoring.

Companies have been able to make **progress** in certain specific fields to ease the implementation of relationship marketing in their organisations. These fields would also help the firms to detect the *strengths* and *weaknesses* of their companies and remedy weaknesses, if any, before implementing the concept of <u>relationship marketing</u> in their organisations. Companies have achieved progress in areas such as customer retention; two-way customer dialogue and relationship orientation and the **problematic areas** still remain in the fields of transactional orientation and personalised messages.

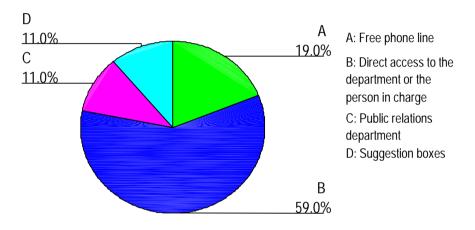


Fig 4. Complaint Handling Techniques

The empirical study also necessitated a review of the present complaint handling systems in companies and the techniques used were as follows: free phone line (19%); direct access to the department or the person in charge (59%); public relations department (11%); suggestion boxes (11%). Other techniques mentioned by the respondents are shown in Table 2

Implementing relationship marketing in the service sector

Table 2 (Other Complaint handling techniques)

Mail/courier		
Feedback		
Surveys/questionnaire		
Customer service officer		
Web-site		
Complaint forums		

In a relationship oriented organisation, when a customer makes a complaint to the company, the attitude of the staff is very important - this may determine whether the customer will *leave* the company or *return for repeat_business*. In the survey it has been seen that staff attitudes vis-à-vis complaints are as follows: there is *prompt acknowledgement* in 36.1% of companies; *professionalism of staff in* 28.6% cases; *courtesy of staff-* 15.6%; and in 19.7% of cases the personnel demonstrate *helpfulness and friendliness*.

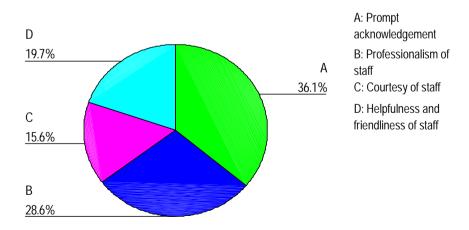


Fig 5. How do service companies deal with customer complaints in their organisations

Table 3. shows the other reactions to customer complaints in service companies of Mauritius.

Effective/immediate corrective action

consistency in service levels

Prompt interaction and follow up with the client.

Accurate information is given to the customers

One of the advantages of relationship marketing, if it is well applied, is that it leads to enhanced *customer loyalty* and <u>repeat business</u>. Hence it leads to lower costs and higher profits. Therefore the techniques used by an organisation to *enhance customer loyalty* are very important. In the service sector of Mauritius, 11.9% of companies used *price discounts and vouchers*; 22.2% of them used *competitive prices* to enhance customer loyalty. 31.6% of the companies provided a *prompt and efficient service by the personnel*; in 18.8% of companies, regular *meetings* were held with the customers; and 11.2% and 4.3% gave *gifts* and organised *social activities* for their customers respectively. To make relationship marketing a success in the service sector of Mauritius.82% of the companies believed that 'commitment of senior management' was a very important factor to facilitate the process. The establishment of 'modern information systems' (54.7%), 'effective and efficient complaint management (33.3%) and 'establishing genuine customer focus across different areas' (56.8%) were also perceived as important factors in easing relationship marketing.

Concerning the nature of relationships with their customers <u>48.5%</u> of companies in Mauritius maintain a *long term* one with *all* their customers whilst for <u>51.5%</u> of companies the long-term relationships maintained only with *selected* customers. To implement relationship marketing, there needs to be a change in the marketing culture of companies and the need to carry out the 'paradigm shift' from transactional marketing to relationship marketing.

It was seen that the <u>marketing philosophy</u> for 30% of companies surveyed were that that it was better to **increase sales** by *winning new customers*; while for 48.3% of them it was more effective to *retain existing customers*. 21.7% of firms felt that **by both** winning and retaining customers sales can be increased in a better manner.

The perception of companies regarding the level of progress made towards implementing relationship marketing in Mauritius was also recorded (figure5). Only 2.5 % of companies believed that 'no effort at all' was being made compared to 13.3% of companies who thought that' lots of efforts are being made.' 41.7% felt that' satisfactory efforts' were being made, while the highest number of companies, 42.5%, believed that 'only limited efforts 'were being made.

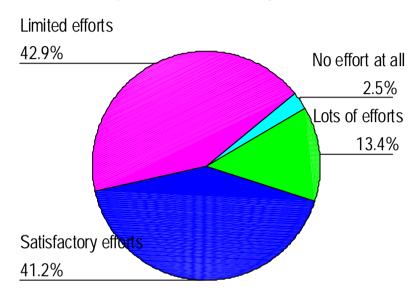


Fig 5. Progress made towards implementing RM by firms in Mauritius

Discussion and implications

Based on the study carried out on the nature of relationship marketing among service companies in Mauritius, the researcher has assessed the implications of the findings and has identified some recommendations, which can assist Mauritian firms in their quest for *service excellence* and *closer relationship building* with their clientele. It has been seen that RM is still in its 'infancy stage ' among service companies in Mauritius due to several **reasons**.

First and foremost there is a *lack of understanding of the concept of relationship marketing* among service companies and some companies have not properly understood the terms RM and hence assess the implications of this paradigm shift in the marketing practices of their companies. Also the information base system prevailing in the companies is poor in the sense that information on which the plan

is based does not reflect realities and relevant information on the needs and preferences of the customers. Transactions are collected on a routine basis and no updating of data is done in many companies Relationship Marketing as a concept is also hampered by the **lack of a proper system of communication networks** prevailing in some organisations. The **poor control mechanism** makes it difficult to measure whether the marketing plan is being put in practice properly. Other **priorities seem to be more important than Relationship Marketing and** this concept is perceived as a luxury (as compared to developing sales, service or product) not fundamental for the immediate survival of the organisation.

There is a lack acceptance of the concept of relationship marketing, as the staff believes that it is more important to hang on to the organisation's ability to attract and keep customers. Most service organisations fail to re-engineer the business processes to facilitate the implementation of RM and this implies the need to revise the existing practices and inculcate the culture of relationship building with existing customers. Moreover the absence of training given to staff on database marketing acts as an impediment to the smooth and efficient functioning of the system of relationship based management. Companies do not also use personalised and differentiated messages to different customer groups and often the same messages are targeted to different groups of customers. The existing network of relationship management also suffers from a lack of a proper system of complaint handling and follow-up procedures to enhance customer loyalty in the organisations.

Market segmentation is one of the corner stones of the marketing management approach to marketing and it has been found that service organisations do not use a segmented approach to achieve the relational context in service organisations. The starting point in this approach is the identification of the relevant market (Guiltinan & Paul, 1991) that the company is serving and the partitioning of the market into groups of customers with similar needs and/or characteristics who are likely to exhibit similar purchase behaviour (Weinstein, 1994). The segmented approach is likely to assist in sending differentiated and personalised messages to different groups of customers.

How to avoid failure in the service sector of Mauritius

It is important for companies to define their business properly, taking into account what customers say, the choices they make and the relationship that they want from the business. Companies must also make sure that the information on the customer is as 'fresh' as possible and that it comes as directly as possible from the ultimate source-the customer-or from staff who manages them. Information on competitors must come from recent reports .It has been seen that RM is treated as a luxury in most service companies in Mauritius.

Hence, relationship management must become part of the accountability of everyone who makes policy about or manages contacts with customers, and also make sure that some people in the company are totally accountable for it. The staff has to be empowered to as to manage the customer relationship efficiently. Last but not the least it is important to get top management support for the successful implementation of the concept.

How to Develop the Capability for Relationship Marketing in the Service Sector of Mauritius

- 1. **Strategy development**: It is imperative to develop an overall approach to managing customers. There is a need to link back to the overall corporate and marketing strategy of the company. This link is important as significant investment and changes in many policy areas, processes and structures are required in developing the relationship marketing capability and a link back to corporate strategy may be important to justify the investment to senior management of service companies of Mauritius.
- 2. **Customer information strategy**: There is a need for a detailed data identification, collection, analysis and interpretation of customer information to enable the detailed strategy to be implemented with confidence in the service sector. Customers are expensive to acquire and not easy to keep. The *marketing information system* must therefore give an accurate and update picture of acquisition and retention. A relationship marketing database can prove to be of great value to all marketing and sales staff. Sales staff will use it for contact management and planning, marketing staff for marketing planning and analysis. The history of the relationship can be used to calculate the costs and benefits of acquiring particular types of customers, not just for the sale but also over the life of the relationship with them. The vital *legal* considerations of holding data must also be carefully examined.
- 3. **Reduce their client list:** There is a need to *differentiate* customers by value which will allow a firm to prioritise its marketing efforts, allocating more resources to *high value customers*, while minimising the resources applied to *low value* customers. In some service companies, this strategy may even lead firm to trim the overall size of its client base.
- 4. **Planning and internal marketing**: There is a need to draw together all the analyses of the different departments to produce <u>a case for</u> changing the *way to manage customers* plus the associated investment and profit implications, and developing a project plan to manage and monitor. The concept must be carefully be 'sold' to the staff of the different organisations. It has to be borne in mind that the messages and selling 'levers' to different groups (e.g. the salesforce, finance director) will be different

- 5. Capability development: If RM is to be implemented successfully in the service sector of Mauritius then there is the necessity of developing the processes, media, systems and organisational infrastructure (organisation, staff recruitment and training) to support relationship marketing. This implies a long-term business culture change, which will reinforce the customer management strategy at the point of contact with the customer.
- 6. **Technology** can be used to speed up the routine aspects of business, freeing up people for more complex issues and increasing their job satisfaction. Consumers are happy because of the increased speed of response and the capability to access information as required. "Out of little seeds become big trees…"
- 7. **Programme development:** The planning and development of the marketing programmes and tactical activities, which are designed using customer and market data, must be effected. The data collected will be used to target individual customers and facilitate contact with customers.
- 8. **Implementation of these programmes-**Finally the programmes must be implemented in the markets including monitoring and control, and there must be feedback to the objectives and strategies adopted.

STRATEGIC CONCLUSIONS

What we are experiencing today with the growing awareness of the relationship marketing approach is a return to the 'natural' systems-oriented way of managing customer relationships that existed before marketing became a far too clinical decision making discipline, and an over-organised and isolated function (Gronroos, 1994b). What marketing deserves in Mauritius is new approaches, new paradigms, which are more market oriented and where the customer indeed is the more focal point as suggested by the marketing concept. Thoughts and actions should not be constrained by a paradigm from the 1950's and 1960's.

Relationship marketing theory has also taken a normative turn. Not only does it describe how relationship marketing is, but also how relationship marketing should be, drawing heavily on the analogy of interpersonal relationships. Moreover many organisations are retreating from the transactional view of marketing, which has been shown to be largely costly and ineffective compared to relationship marketing. Although companies in Mauritius are taking on some marketing practices, they have yet to commit themselves to the full philosophy and strategic repertoire of relationship marketing.

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