

Impact of Relationship Marketing on Customer Loyalty: Evidence from Indian Automobile Industry

Kunal Gaurav

Associate Dean (Strategic Research), ICBM – School of Business Excellence, Hyderabad, India

Abstract

With growing number of organizations offering wide range of choices across the industry made today's market more competitive than ever before. Fueled with LPG (Liberalization, Privatization and Globalization), the entry of multinationals encouraged the domestic organizations to move from sellers' driven marketing to buyers' driven marketing approach. Cultivating customer loyalty is often considered as the key driver for organization's long term sustainable marketing success. Of late, Relationship Marketing has emerged as one of the most powerful marketing tools to cultivate customer loyalty, interaction and long-term engagement. Now a day, Organizations across the industry are depending upon relationship marketing to broaden their market share by strengthening customer relationships and building customer loyalty. Taking evidence from Indian Automobile Industry, this study is intended to empirically investigate the impact of relationship marketing on customer loyalty.

1. Introduction

With the advent and dominance of LPG (Liberalization, Privatization and Globalization), marketing across the industry has become more competitive than ever before. We are witnessing the customer-driven marketing, where all the organizations operating in the industry are trying to attract new set of customers and retain existing customers in lot many ways even while offering similar products and services on similar price. It is natural for most of the businesses to lose 15-20% of its customers every year (Reichheld& Sasser Jr, 1990). Vilfredo Pareto (1848–1923), a French-born Italian economist argued that a business derives 80% of its income from 20% of its customers (also known as the 80:20 rule). In order to ensure sustainable growth in the market, the organization should be intended not just to attract new troop of customers but also to acquire customer loyalty; their patronage both for present and future. The challenge for today's organizations is not to attain first position, but to be there for long time and this would be possible only if organization can ensures loyalty among its customers. Winning organizations, irrespective of the nature of their business or size, have one thing in common; the loyalty of their customers.

Organizations capable of providing trust and commitment to their consumers are the organizations that stay on top of the market with their loyal customers (Fallon, 2012).

Long term customers often provide free advertising by talking positive about the organization and its business for years. The tendency of loyal customers to provide new customers to the organization on gratis - is mostly beneficial as a company grows, particularly if it operates in a mature industry (Reichheld, 2003). Customers' recommendation leads to increase in organizations' overall profit as it reduce the cost of attracting and retaining customers. Loyal customers' base is often considered as a vital asset to the organization as it can be leveraged in both good and bad times. Reichheld& Sasser Jr (1990) claimed that “Companies can boost profits by almost 100% by retaining just 5% more of their customers”. Alrubaiee& Al-Nazer (2010) noted that cultivating customer loyalty is one of the most important drivers for long term financial performance of the organizations as it leads to increased market share & higher sales at lower cost. Rai & Srivastava (2013) noted that in the market that is characterized by intense competition and intensifying customer expectations, cutting on

defection and building long lasting relationship with the customers seem to be the only way of achieving sustainable profitable growth.

The knack of the organization to understand the desire of the customers and offer the products and services to satisfy them is vital for the success of the organization in the market that is characterized by clutter and cut throat competition. This led organizations to move from product centric marketing orientation to customer centric marketing orientation. In order to build customer loyalty, organizations should maintain a good relationship with their customers so that organizations would be in the position to understand the customers' needs, wants & expectations for delivering desired value in a way that is better than their competitors (Sachro&Pudjiastuti, 2013).

Automobile Industry in India has emerged as one of the key drivers of Indian economy as it plays a key role in developing transportation sector and helping economy to grow faster by generating significant number of employment opportunities. Today's Automobile customers are well informed and have wide range of choice while buying a vehicle. With little differentiation among automobile products in the same price band and availability of wide range of models and variants often encourage customers to switch from one automobile brand to another one very easily (Ambekar, 2013). Pursuit for high market share coupled with global competition encouraged sellers, vendors and customers to get into long term relationship that finally resulted in greater interdependence. The automobile industry is pioneer in embarking on developing relationship with their vendors to ensure quality and to reduce inventory cost (Mulki& Stock, 2003). In order to understand their customers, automobile organizations often make use of relationship marketing strategy to collect and analyze important information to help identify the best fit between automobile products and customers. Grönroos (1994) argued that relationship marketing effort should be regarded as investment

in customers. The main intention of implementing relationship marketing in an organization is to capitalize on customer loyalty (Raza &Rehman, 2012).

At this backdrop, this study is intended to extract various constructs of relationship marketing and empirically investigate their impact on customer loyalty taking evidence from Indian Automobile Industry.

2. Literature Review

The extant literature review for the present research study has been divided into three broad sections i.e. Relationship Marketing, Customer Loyalty, and Relationship Marketing - Customer Loyalty Relationship.

2.1 Relationship Marketing

In recent past, marketing has witnessed paradigm shift in marketing orientations. Alet (2000) supported the fact that the complexity attributed by technological development and intensification of competition in fast changing market making it difficult to manage business effectively. Fierce competition and rising customer expectations across the industry forced marketers to adopt customer centric marketing stratagem. "Relationship marketing acknowledges that a stable customer base is a core business asset" (Rowley, 2005).

The literature revealed that the marketing has moved from "transaction marketing to relationship marketing" (Lindgreen, 2001). While transaction marketing does believe in "*sale it and forget it*" approach; relationship marketing does involve interactions, relationship and networks (Gummesson, 1991). The later approach of marketing intends not only at acquiring new customers but also at retaining existing customers for long period of time. At one hand transaction marketing approach is based upon the concept of exchange (Bagozzi, 1974); at another hand 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” (Grönroos, 1990).

Kotler (1994) propounded a service marketing triangle that stands for triangular marketing relationships on which service managers must focus their attention. The service marketing triangle advocates three aspects of marketing relationships i.e. external marketing, internal marketing, and interactive marketing. Whereas external marketing does deal with the relationship between the customer and the organization, internal marketing undertakes the relationship between the company and its employees. The relationship between the employees of the company and its customer is referred as interactive marketing. It is very evident that relationship is the heart of marketing and success of the organization is highly influenced by its ability to maintain relationship with its employees and customers.

One of the most widely accepted definitions of relationship marketing given by Morgan & Hunt (1994) describes it as “that which refers to all marketing activities directed at establishing, developing and maintaining successful relational exchanges”. The concept of relationship marketing goes beyond transactional exchange as it is based on the intention of organizations to deliver superior value by emphasizing customers' perspectives as the focal point of relationship building activities. O'Malley & Tynan (2000) noted that Relationship Marketing would work effectively when customers are highly involved in the good or service; there is an element of personalization; and customers are interested to be the part of relationship building activities. Relationship marketing implies that consumers enter into relational exchanges with organizations only when they think that the benefits derived from such relational exchanges exceed the costs (Hunt et al., 2006). By building and maintaining strong and profile relationship with customers, organizations also gain valid information source for effective

marketing intelligence in order to formulate marketing strategies for their target market. In addition to helping organizations understand their customers, relationship marketing helps organizations to improve their market share and profitability and simultaneously reduce their cost of serving customers. It has been noted that the cost of attracting one new customer is five to six times more than the cost of serving one loyal customer (Ndubisi et al., 2009).

Marketers are extensively using relationship marketing to make customers loyal in order to ensure that the customers will come back to service provider again and again for the similar service requirement; Customer Loyalty is central to the relationship marketing. Relationship marketing by design will not guarantee long lasting customer relationship; in fact, customers would demonstrate relationship with varied closeness and intensity. In order to develop effective relationship marketing strategies, organizations should improve customers' perceived benefits of getting into relationships (O'Malley and Tynan, 2000).

2.2 Customer Loyalty

In today's competitive market, an organization's success is heavily depends upon its capability to develop and enhance long term customer relationships through offering amazing customer experience. Earlier research revealed that cultivating loyal customers can lead to increased sales and customer share at lower costs and thus improve the profitability of the organization (Rusbult et al., 1988; Anderson et al., 1994; Grönroos, 2000; Reinartz & Kumar, 2000).

Reichheld (1993) argued that “when a company consistently delivers superior value and wins customer loyalty, market share and revenue goes up, and the cost of acquiring and serving customers goes down”. Rusbult et al. (1988) argued that the probability that an individual will exhibit loyalty, exit, or voice depends on the degree of former satisfaction with the relationship, the magnitude of the person's investment in the relationship, and an

evaluation of the alternatives one has. Grönroos (2000) indicated that loyal customers are willing to pay a premium price that, in turn, improves the organization's profitability. The focal point of service organizations is to delight customers and to ensure customer loyalty, i.e. retaining customers and generating repeat orders. Customer relationship profitability takes place in the course of attracting and retaining high quality customers with low cost of maintenance that also lead to increased revenue for the organization (Anderson & Mittal, 2000).

Although there is not a single universally accepted definition of customer loyalty; researchers tried to define customer loyalty in various ways. Loyalty refers to the “favorable attitude towards a brand in addition to purchasing it repeatedly” (Day, 1969). Jacoby and Kyner (1973) explained “loyalty as the biased (i.e. non-random), behavioral response (i.e. purchase), expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. decision making, evaluation) processes”. Jones & Sasser Jr (1995) opined that the customer loyalty is “a feeling of attachment to or affection for a company's people, products, or services”.

Dick & Basu (1994) viewed customer loyalty “as the strength of the relationship between an individual's relative attitude and repeat patronage”. They have also noted that the customer loyalty has two dimensions i.e. attitudinal and behavioral dimension. Both the attitudinal as well as behavioral measures were used to define customer loyalty. From an attitudinal perspective, Czepiel & Gilmore (1987) viewed customer loyalty as a definite desire to maintain the relationship with a service organization for long term. Neal (1999) considered behavioral perspective and defined customer loyalty as “the proportion of times a purchaser chooses the same product or service in a category compared with his or her total number of purchases in the category, assuming that acceptable competitive products or services are conveniently available”.

One of the most acceptable definitions of customer loyalty is given by Oliver (1999) who defined customer loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior”. Customer loyalty can also be defined as a commitment to continue doing business with an organization on an on-going basis. Loyalty is something that consumers may exhibit to brands, services, stores, product categories and activities (Uncles et al., 2003).

Considering the above definitions, Wong & Sohal (2003) noted that customer loyalty takes place when customers:

- Come for repeat purchase for the specific good or service over a period of time; and
- Have positive attitudes towards the good or service; or towards the organizations offering the good or service.

Reichheld (2003) noted that “Loyalty is the willingness of someone—a customer, an employee, a friend—to make an investment or personal sacrifice in order to strengthen a relationship”. Loyal customers not only come for repeat purchases, they do talk good about company to their family and friends.

Butcher et al., (2001) identified four different dimensions of customer loyalty apart from repeat purchase i.e. positive word of mouth communication; unwilling to switch for competitors' offerings; associate well with the service offered by the organization; and fondness towards specific service provider.

2.3 Relationship Marketing - Customer Loyalty Relationship

Dekimpe et al., (1997) regarded loyal customers' base as a competitive asset; and it can be used as a barrier to new entrant in the business and often considered as a basis for charging price premium

(Aaker, 1996). Too et al. (2001) conducted dyadic exploratory research of clothing store managers and their customers to link relationship marketing implementation with customer loyalty in the context of retailing. This study revealed that actual relationship marketing implementation may not be as important as the customers' perception towards relationship marketing effort to the development of customer loyalty. At the same time, customers' perceptions were found to improve the customers' trust towards the retail store as well as customer commitment to the relationship with the store, which will ultimately lead to enhanced customer loyalty. It can be interpreted that the customers' perceptions towards relationship marketing effort of the organization are vital to the enhancement of customer commitment and loyalty.

Generally, there are two dimensions of customer loyalty i.e. salesperson loyalty (person-to-person loyalty) and store loyalty (person-to-organization loyalty). Salesperson loyalty refers to the dependability demonstrated by customers on the salesperson; whereas store loyalty occurs when customers repeatedly patronize the specific organization/store for their requirements. Salesperson loyalty often leads to store loyalty (Beatty et al., 1996). When a customer is loyal to a salesperson, the probability that the customer will be loyal to the organization who employs the sales person will be very high.

Foster & Cadogan (2000) examined how customers' loyalty is influenced by their relationship with organization at two different levels; specific relationship between customers with the sales person; and the overall relationship customers share with the organization. Mail survey for business customers of a large New Zealand office products organization was undertaken for the purpose of data collection. Only those customers were considered for the study who had earlier interaction with company's sales personnel during the month prior to the survey. The results of the study showed that the relationships that customers experience with sales people play a vital role in ensuring their long term relationship with

the organization. In this study, relationships at both the levels were found to impact positively on the probability of customers exhibiting behavioral loyalty.

Liang & Wang (2005) developed and empirically tested a conceptual model in order to examine the connection between relationship bonding tactics, customer satisfaction, trust/commitment and customer behavioral loyalty in a relationship marketing system financial services industry in Taiwan. The study is based on data collected from customers of different department of the selected bank viz. 396 from the loans department, 431 from the deposits department and 216 from the credit cards department. First, confirmatory factor analysis (CFA) was performed to evaluate the construct validity regarding convergent and discriminate validity. In the second stage, path analysis was performed to test the research hypotheses empirically. The study's findings suggested that financial products with different product attributes will benefit the most from individual types and levels of relationship investment that can be applied directly to each product.

Peng & Wang (2006) indicated that organizations today have moved their strategic focus from attracting new set of customers (targeting switchers) to retaining existing customers (keeping loyal customers) with the intention of gaining sustainable competitive advantage. As a result of liberalization and deregulation, competition across the industry has increased more than ever before and customers became demanding. The main idea behind designing and implementing a relationship marketing strategy in an organization is to maximize customer loyalty. Raza & Rehman (2012) found all relationship marketing tactics to be positively related with relationship quality and customer loyalty. It is very vital for the organizations to have a long term profitable relationship in order to achieve the utmost level of customer loyalty, and it can be done by ensuring high level of relationship quality while interacting with the customers. Apart from relationship

quality, trust and satisfaction were also found to be positively connected with customer loyalty.

Ndubisi (2006) investigated the role of gender in the association of relationship marketing underpinnings (namely trust, commitment, communication, and conflict handling) with customer loyalty and found the tendency of women to become more loyal than men, and older people more so than younger people. Moreover, there is the tendency for higher-income customers to receive better attention from banks, at least in Malaysia, because of their higher net worth and the larger volume of business they generate for the banks. This may encourage high net worth people to become more loyal towards the service banks than other income group people.

Ndubisi (2007) demonstrated that measurement of the “underpinnings” of relationship marketing can predict customer loyalty. Therefore organizations intended to nurture customer loyalty must pay close attention to various aspect of relationship marketing viz. trust, commitment, communication and conflict handling. In the same line of thought, Alrubaiee & Al-Nazer (2010) examined the impact of various demographic variables (viz. sex, education & income) in association with relationship marketing on customer loyalty in Amman, Jordan. The study was done on 450 bank customers using convenience sampling and the data for this exploratory research was collected using structured questionnaire. Two step statistical analyses of data was undertaken; Factor analysis was performed to extract the underlying factors of relationship marketing and then multiple regression analysis was performed to elucidate dyadic relationship between relationship marketing and customer loyalty and to examine the impact of demographic variables on relationship marketing – customer loyalty relationship. This study argued that the measurement of relationship marketing variables can predict customer loyalty very well in the case of Jordanian banking customers. At the same time, it was observed that both sex and income has significant influence on relationship marketing – customer loyalty

relationship.

Kiyani et al., (2012) made an attempt to understand the connection between brand trust, customer satisfaction and customer loyalty in automobile sector. With the help of regression analysis, the study noted that the independent variables viz. customer satisfaction and brand trust have significant impact of the dependent variable i.e. customer loyalty. It was observed that the customers who derive high level of satisfaction are more likely to come for repeat purchase.

3. Research Methodology

3.1 Research Design

The study undertakes a combination of exploratory research and causal research. Exploratory research design has been used in order to gain in-depth insights into the research area and comprehension of various issues related with relationship marketing and customer loyalty. At the same time, causal research design was used to examine the impact of relationship marketing on customer loyalty.

3.2 Sources of Data

For the purpose of conducting research, both primary as well as secondary sources were utilized to collect data. Primary (first hand) data was collected directly from the respondents by administering structured questionnaire prepared for data collection. As the study is intended to appreciate customers' perspective with reference to the Impact of Relationship Marketing on Customer Loyalty, the primary data was collected only from the respondents who own either a two wheeler or a four wheeler for their personal use. EBCO and Emerald were two major research databases utilized by researcher to collect desired research papers and articles.

3.3 Scale Development

In line with the study conducted by Ndubisi (2007);

Gaurav (2008); and Alrubaiee& Al-Nazer (2010) this study relies upon a structured questionnaire as a measurement instrument. In this study the design of the questionnaire was mainly based on multiple item measurement scales derived from the previous research studies. The various items were identified from previous research and further adapted according to the requirement of this study. In the questionnaire, all the selected items related to Relationship Marketing and Customer Loyalty were presented in the form of statements along with five-point likert scale (from 1 = strongly disagree to 5 = strongly agree) in agreement of the statement.

3.3.1 Measurement Scale for Relationship Marketing Constructs

Contrary to Transactional Marketing, Relationship Marketing aims at enhancing profitability of the organizations while offering expected service to the customers and maintaining long term relationship with them. O'Malley & Tynan (2000) argued that the relationship marketing works well when customers are highly involved in the goods or services. Customers are interested to be engaged in relationship building activities if an element of personal interaction is present. Relationship marketing can be considered as an exit from traditional transaction behavior in order to develop the customers as partners. In order to appreciate customers' perspectives towards relationship marketing strategy of automobile organizations, 31 items were identified from previous research (Morgan & Hunt, 1994; Leverin&Liljander, 2006; Ndubisi, 2007; Gaurav, 2008; Alrubaiee& Al-Nazer , 2010) and included in the questionnaire as statements along with likert five-point scale anchored by 1 = strongly disagree to 5 = strongly agree.

3.3.2 Customer Loyalty Measurement Scale

Customer Loyalty communicates the intended behavior of customers with special reference to the specific product and service (Bei&Chiao, 2001). In general term, Customer Loyalty has been

described as Repeat purchasing frequency or relative volume of same-brand purchasing. 16 items were identified from existing literature (Butcher et al., 2001; Leverin&Liljander, 2006; Gaurav, 2008) and subsequently adopted in the questionnaire in the form of statements. A likert five-point scale ranging from “Strongly Disagree” to “Strongly Agree” was used to assess the customer loyalty.

3.3.3 Reliability and Validity

Reliability of a scale can be understood as the extent to which a scale produces consistent results if repeated measurements are made (Malhotra, 2007; Moser & Kalton, 1972). In the present study, internal consistency reliability analysis was undertaken as the measurement scale here is a summated scale where several items are summed to form an overall score. Cronbach's (1951) α (alpha) is a coefficient of internal consistency and often used as an estimate of reliability of a measurement and it can be referred as “the average of all possible split-half coefficients resulting from different splitting of the scale items” (Malhotra & Dash, 2009).

The validity of a scale can be defined as the extent to which differences in observed scale scores reflect the true differences among objects on the characteristic being measured rather than systematic or random error (Malhotra, 2007). A scale is assumed to have perfect validity when there is no measurement error. In this research study, content validity of the measurement scale was assessed by asking three domain experts to scrutinize the scale and provide relevant comment. Accordingly the changes were made and scale was revised in line with the suggestions given by the domain experts.

3.4 Sampling Design

3.4.1 Sampling Method

Saunders, et al. (2009) opined that the use of probability sampling is preferred to non-

probability sampling in survey research. Systematic sampling, a probability sampling method was employed to identify the sample for the present research study. In systematic sampling, first unit of the sample is selected randomly with the help of a random number table, and the rest are selected automatically according to a pre-determined pattern (Srivastava &Rego, 2011).

3.4.2 Sampling Frame

In order to develop the sampling frame for the present research study, the list of two wheeler owners and four wheeler owners were obtained from the automobile organizations (automobile dealers) based at Hyderabad. The sampling frame in this research study includes two wheeler owners and four wheeler owners who have purchased their vehicle during the FY 2011-12. Initially, the automobile dealers refused to give the details of their customers; after getting convinced that the data will be used purely for the research purpose, they agreed to share the details of their customers who purchased vehicle during FY 2011-12.

Originally, the sample frame had the details of 3250 vehicle owners; the number of two wheeler owners was 2000, whereas the number of four wheeler owners was 1250. In accordance with Srivastava &Rego (2011), first unit of the sample for both the categories of two wheeler and four wheeler owners were selected randomly and subsequently with the sample interval of five, every fifth unit of the sample frame was selected. It was decided to collect data from the sample including 650 respondents identified with the help of systematic sampling. The survey was conducted at Hyderabad; “Hyderabad has been a cosmopolitan city attracting people from across the country” (Srivastava & Chand, 2011).

3.4.3 Sample Size

Roscoe (1975) proposed a simple thumb rule for selecting appropriate sample sizes based on an analysis of acceptable confidence levels in behavioral research studies. A sample size in the

range of 30 to 500 is recommended for quantitative studies. Comrey & Lee (1992) offered a rating scale for selecting adequate sample size for the research studies that employ factor analysis: 100 = Poor, 200 = Fair, 300 = Good, and 500 = Very Good. They advised researchers to obtain a sample size of 500 or more to carry out extensive data analysis.

The sample size considered in this research study is 510, and the owners of two wheelers and four wheelers at Hyderabad were considered as sampling units in the sample. At the time of data collection, due care was taken in administering structured questionnaire to avert bias from the view point of any specific demographic group. Respondents for the study were contacted at different automobile show rooms and service centers of various automobile companies located at Hyderabad.

3.5 Data Collection

The survey of respondents was undertaken and data for the research was collected by administering structured questionnaire. All the items (31 for relationship marketing and 16 for customer loyalty) were measured by responses from respondents on a five-point likert scale in agreement of the statements, anchored by 1 = strongly disagree to 5 = strongly agree. The responses from respondents were taken directly by the researcher in person. The respondents were advised to give their responses against various statements on the basis of their experience with the single automobile organizations. In the case, where respondents own more than one vehicle, they were asked to consider one of the vehicles while giving their response.

3.6 Plan for Data Analysis

In line with the data analysis strategy adopted by Ndubisi (2007); Gaurav (2008); and Alrubaiee & Al-Nazer (2010), this study has employed a two-step data analysis strategy. In the first stage, Exploratory Factor Analysis was conducted considering correlation coefficient matrix of each

measurement item to identify the constructs for relationship marketing. In the second step, multiple regression analysis was employed to comprehend the connection between the constructs of relationship marketing and customer loyalty.

4. Data Analysis

4.1 Exploratory Factor Analysis

For this study, Exploratory Factor Analysis was employed to extract the underlying factors of relationship marketing. In this research study, Exploratory Factor Analysis was conducted using SPSS 20.0, a software package used for statistical analysis. Principle Component Analysis along with Varimax rotation was employed to identify the underlying factors for relationship marketing and factor loading of 0.30 or above on the items was taken into consideration. Exploratory factor analysis considered all the 31 items related to relationship marketing.

The Kaiser–Meyer–Olkin (KMO) value of 0.959 strongly supports the appropriateness of factor analysis in this research study (Refer Table 1). On the basis of highly significant Bartlett's Test of

Sphericity the null hypothesis that “the variables are uncorrelated; correlation matrix is an identity matrix” was rejected and concluded that there are correlations among variables that are appropriate for factor analysis. Both the Kaiser–Meyer–Olkin (KMO) Measure of Sampling Adequacy and significant Bartlett's Test of Sphericity strongly recommended the use of factor analysis in order to extract various constructs of relationship marketing in automobile industry in India. In line with Kaiser (1960), the factors were identified after computing the Eigen value for the correlation matrix and number of factors were determined and retained on the basis of factors having Eigen Value greater than one. With the help of exploratory factor analysis four factors encompassing thirty one variables, all having Eigen values of one or above were extracted. A factor should explain at least as much of the variance if not more, than a lone original variable. With the help of exploratory factor analysis, four factors were extracted and in unison all the four factors explain 53.992 percent of variance. The very first factor extracted with the help of factor analysis has the Eigen value of 13.009 and it explained maximum amount of variance in the data. The other three factors were also retained with its Eigen value of 1.477, 1.185, and 1.067 (Refer Table 2).

Table 1: Result of KMO Measure of Sampling Adequacy & Bartlett's Test of Sphericity

Kaiser–Meyer–Olkin Measure of Sampling Adequacy.		.959
Bartlett's Test of Sphericity	Approx. Chi–Square	7975.072
	df	465
	Sig.	.000

Source: Developed by the Researcher

Table 2: Exploratory Factor Analysis

S No.	Factor Name	Eigen Value	Variance Explained (Percentage)	Reliability (Cronbach's Alpha)
Factor 1	Customer Centricity	13.009	41.964	0.884
Factor 2	Commitment	1.477	4.765	0.858
Factor 3	Trust	1.185	3.821	0.876
Factor 4	Communication	1.067	3.442	0.784
Total Variance Explained (Percentage)				53.992

Source: Developed by the Researcher

With the help of Exploratory Factor Analysis, following four independent set of underlying factors associated with relationship marketing was extracted and described for further analysis;

Customer Centricity

Factor analysis revealed that 'Customer Centricity' is the most important aspect of relationship marketing for customers of Indian Automobile Industry. 10 out of 31 items loading on this factor relate to different aspects of customer centricity dimension of relationship marketing. Customer Centricity had the greater significance among all the constructs of relationship marketing, according to the results of the factor analysis, with 41.964 percentage of the total variance. At the same time, this factor was also found extremely reliable with Cronbach's Alpha value 0.884. Customer Centricity deals with the placement of the customer at the center of everything an organization does. It's all about doing everything with the customer in the mind. In today's aggressive business environment, customer centricity is not aspirational – it's essential (Gavan, 2012) and it advocates for designing and delivering products and services from the customer's perspective.

Commitment

The factor that was second in significance was named as 'Commitment'. It explained 4.765 percentage of the total variance and it includes 8 out of 31 items that are related to commitment an organization shows towards fulfillment of customers' needs and wants. As far as reliability of this factor is concerned, with Cronbach's Alpha value of 0.858 this factor was found to be highly reliable. Parasuraman et al. (1991) stated that “relationships are built on the foundation of mutual commitment”. Commitment has been defined by Moorman et al. (1992) as “an enduring desire to maintain a valued relationship”.

Trust

The items loading on this factor relate to Trust as well as reliability dimensions automobile organization exhibits while dealing with its customers. 8 out of 31 items are loading on this factor and this factor accounts for 3.821 percentage of variance. This factor is named as 'Trust' and was found highly reliable with Cronbach's Alpha value 0.876. Morgan and Hunt (1994) opined that the 'trust' is one of the most a vital element of relationships. Trust can be understood as “the willingness of the party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trust or, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995).

Communication

While the first three factors relate to Trust and Customer Focus, the very last factor extracted by exploratory factor analysis was found to be associated with different aspects of communication. Communication plays very important role in 'relationship building and maintenance', the crux of relationship marketing. 5 out of 31 items associated with relationship marketing are loading on this factor and accounts for 3.442 percentage of variance. If an organization wants to build and maintain long-term relationship with the customers, it should provide timely and trustworthy information to them. This factor is labeled as 'Communication' and its reliability was high with Cronbach's Alpha value 0.784. Duncan & Moriarty (1998) considered communication as the foundation of the new customer focused marketing efforts. Communication is an interactive dialogue between the organization and its customers during the pre-selling, selling, consuming and post-consuming stages (Anderson & Narus, 1990). Organizations should personalize or deliver such communication in a person-to-person format in order to develop and maintain long effective relationship with their customers (Ball et al.,

2004).

4.2 Multiple Regression Analysis

Multiple Regression Analysis (MRA) is a statistical technique used to study the relationship between one dependent variable and one or more independent variables. This technique is very helpful in quantifying the impact of various simultaneous influences upon a single dependent variable. In this study, multiple regression analysis was employed in order to examine the impact of relationship marketing on customer loyalty.

Factor analysis revealed four underlying constructs of relationship marketing. In this multiple regression analysis, Customer Loyalty was taken as dependent variable and different constructs of relationship marketing viz. Customer Centricity, Commitment, Trust, and Communication were taken as independent variables (Refer Figure 1). Customer Loyalty score was estimated by computing the arithmetic mean for the various items associated with customer loyalty. This study relies upon customer loyalty score as dependent variable and factor scores for various constructs of relationship marketing as independent variables.

The following multiple regression equation was developed in order to examine the impact of relationship marketing on customer loyalty;

Figure 2: Equation for Multiple Regression Analysis Model

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Source: Developed by the Researcher

Where,

Y represents Customer loyalty;

The α coefficient represents the intercept;

$X_1, X_2, X_3,$ and X_4 represents different constructs of relationship marketing viz. Customer Centricity, Commitment, Trust and Communication;

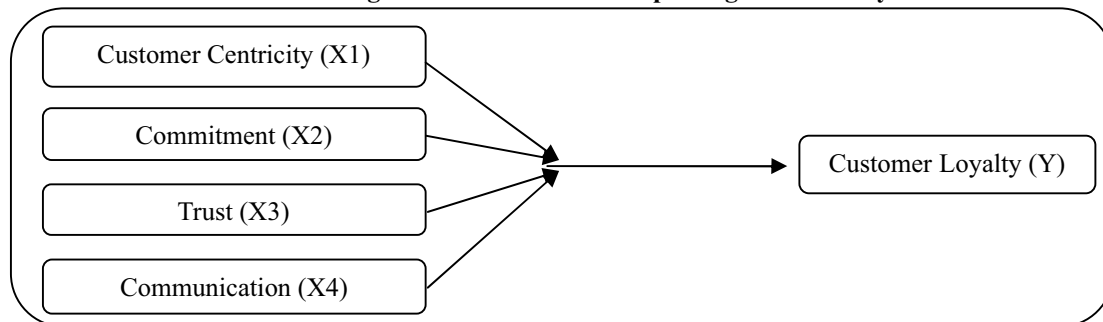
$\beta_1, \beta_2, \beta_3,$ and β_4 denotes strength of different constructs of relationship marketing viz. Customer Centricity, Commitment, Trust and Communication;

e represents the error term.

The overall multiple regression model was found to be significant ($F = 92.984, p < 0.0$) (Refer Table 3) at 5% level of significance. This implies that all the independent variables considered in this multiple regression model are significant in determining customer loyalty.

In addition to F Value, Significant ANOVA test robustly supported the employment of multiple regression analysis to appreciate the impact of relationship marketing constructs on customer loyalty. In simple words, it can be said that the multiple regression analysis employed here effectively estimates the degree of influence

Figure 1: Schema for Multiple Regression Analysis



Source: Developed by the Researcher

relationship marketing constructs have in determining customer loyalty.

The first measure in the Model Summary (Refer Table 4) is R, commonly known as multiple correlation coefficient. R is a measure of how well independent variables predict the dependent variable. Normally, the value of R ranges from -1 to 1. The absolute value of R represents the strength of the relationship between independent variables and dependent variable, whereas the positive or negative sign of R indicates the direction of relationship. In this multiple regression analysis, R value of 0.651 indicates stronger relationship between the constructs of relationship marketing and customer loyalty.

R^2 stands for Coefficient of determination signifies the amount of variation in the dependent variable explained by the regression model. R^2 is a statistic that gives vital details about the goodness of fit with reference to a multiple regression model. If R^2 value is 1, it indicates that the regression line perfectly fits the data. Although R^2 value ranges from 0 to 1, R^2 value 0.3 and above considered as good model in case of multiple regression

analysis. In this case, the value of R^2 is 0.424 and Adjusted R^2 is 0.420; the multiple regression model employed is very much appropriate to understand the impact of various constructs of relationship marketing on customer loyalty. The R^2 value multiplied by 100 tells the percentage of variance in dependent variables accounted for by the independent variables.

In this case, the R^2 value is adjusted for potential errors to 0.420 and it implies that the joint effect of various relationship marketing constructs viz. Customer Centricity, Commitment, Trust and Communication predict 42 percentage of the variance in customer loyalty. Considering this multiple regression analysis, it can also be said that 58 percentage of variance in customer loyalty is explained by something other than the relationship marketing constructs.

Durbin-Watson test was used to detect the presence of autocorrelation in the residuals from a regression analysis. As a rough rule of thumb, if Durbin-Watson is less than 1.0, there may be cause for alarm. In this multiple regression, the value of Durbin - Watson 1.479 indicates that there is no

Table 3: ANOVA and F Statistics

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.987	4	37.997	92.984	.000 ^b
	Residual	206.361	505	.409		
	Total	358.347	509			
a. Dependent Variable: Customer Loyalty						
b. Predictors: (Constant), Customer Centricity, Commitment, Trust and Communication						

Source: Developed by the Researcher

Table 4: Model Summary of Multiple Regression Analysis

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.651 ^a	.424	.420	.63925	1.479
a. Predictors: (Constant), Customer Centricity, Commitment, Trust and Communication					
b. Dependent Variable: Customer Loyalty					

Source: Developed by the Researcher

problem of serial autocorrelation in the data.

The variance inflation factor (VIF) was used to detect the problem of Multicollinearity. Computationally, it is defined as the *reciprocal of tolerance i.e. $VIF = 1/Tolerance$* . A VIF of 5 and above indicates a problem of multicollinearity. On the basis of the VIF values, it can be said that there is no problem of multicollinearity in this multiple regression and all the parameter estimates are stable.

In this multiple regression analysis, all the four constructs of relationship 'marketing viz. Customer Centricity, Commitment, Trust and Communication were found to be statistically significant at 5% level of significance in explaining customer loyalty (Refer Table 5). The beta coefficient is measured in 'standard deviation' units, and is a measure of how robustly the independent variable influences the dependent variable. The higher the value of beta coefficient more is the Contribution of the independent variable in explaining and predicting the dependent variable.

On the basis of the result of multiple regression analysis, multiple regression model can be written as follows and is significant at 95% confidence level;

Customer Loyalty = 3.605 + 0.190 (Customer

Centricity) + 0.397 (Commitment) + 0.265 (Trust) + 0.187 (Communication)

Unstandardized B Coefficients have been considered to derive the equation of multiple regression analysis. On the basis of the analysis of multiple regression result, it can be said that the relationship between the independent variables (viz. Customer Centricity, Commitment, Trust and Communication) and dependent variable (i.e. Customer Loyalty) is significant at 5% significance level.

The positive sign of all the four estimates (beta coefficients) confirms that the greater the extent of these relationship marketing constructs, higher the level of customer loyalty. Among all the four relationship marketing constructs, 'Commitment' with its beta coefficient value of 0.473 has emerged as the most important relationship marketing construct in predicting customer loyalty. At the same time, Communication with its beta coefficient value of 0.222 was found having least impact on customer loyalty.

Therefore, on the basis of the multiple regression analysis made, it can be said that the automobile customers in India tend to be very loyal if the automobile organization elucidates customer centricity while dealing with its customers; stay committed; remain trustworthy; to serve the customers in the best possible way; and

Table 5: Coefficients

Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
		B	Std. Error	Beta			
I	(Constant)	3.605	.028		127.358	.000	
	Customer Centricity	.190	.028	.226	6.705	.000	1.000
	Commitment	.397	.028	.473	14.012	.000	1.000
	Trust	.265	.028	.316	9.343	.000	1.000
	Communication	.187	.028	.222	6.584	.000	1.000

a. Dependent Variable: Customer_Loyalty

Source: Developed by the Researcher

communicates with them openly and regularly.

5. Conclusions

Specific objectives of the present research study were two fold that include: to identify the constructs of relationship marketing in the context of Indian Automobile Industry; and to investigate the impact of relationship marketing constructs on customer loyalty in the context of Indian Automobile Industry.

With the help of Exploratory Factor Analysis, four independent set of underlying factors associated with relationship marketing viz. Customer Centricity, Commitment, Trust and Communication were extracted. These constructs were found to be very significant in determining the strength of marketing relationships in the case of Indian Automobile Industry.

Multiple regression analysis has clearly revealed that all the four constructs of relationship marketing viz. Customer Centricity, Commitment, Trust and Communication contribute significantly to customer loyalty and predict substantial percentage of the variation in customer loyalty. With reference to the impact of relationship marketing on customer loyalty in automobile sector in India, findings of present research study was found to consistent and supports the findings of some previous researches suggesting that the constructs of relationship marketing have high influence on the customer loyalty (Ndubisi, 2007; Gaurav, 2008; Alrubaiee & Al-Nazer, 2010; Jumaev et al., 2012).

In simple words, it can be said that the automobile customers in India tend to be very loyal if the automobile organization elucidates customer centricity while dealing with its customers; stay committed; remain trustworthy to serve the customers in the best possible way; and communicates with them openly and regularly. Therefore, management of automobile organizations in India, while Designing strategies aimed to build the customer loyalty, should pay

close attention to relationship marketing variables like Customer Centricity, Commitment, Trust and Communication.

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