

# Customers' Perception of Relationship Marketing As a Strategic Tool in The Nigerian Food And Beverages Industry

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*This study investigates the familiarity of customers, of multinational and indigenous companies in the food and beverages industry, to relationship marketing; it explores their views on the companies' use of relationship marketing as a strategic tool ; and it determines the relative importance of the relationship marketing variables, from the customer's perspective. Further, the relationship marketing variables are weighted in relative importance using the Analytic Hierarchy Process. The sampling frame was customers of both indigenous and multinational companies in the food and beverages industry, as listed by the 2007 Nigerian Business Directory. Four hundred questionnaires were administered, 94% were returned.*

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## INTRODUCTION

To be competitive and survive, all business organizations must adapt to the changing business environment, and continuously design and improve marketing strategies. Relationship marketing is one of such contemporary marketing strategies employed in both developed and developing economies. It includes all the marketing activities designed to establish, develop, maintain, and sustain a successful relational transaction with a view to gaining the maximal value of customers who can contribute to long-term organizational profitability. Adopting relationship marketing effectively tends to give an organization distinctive or comparative advantage over competitors, because it will enable them to communicate effectively with the customers, know what they need and want, why they continue to patronize the organization's products and services, why some leave the organization, and the strategies to use to manage such relationships effectively. The strategy is relevant to the Nigerian context because it emphasizes enduring relationships, and the Nigerian culture promotes enduring relationships. Culture affects what Nigerians do: Nigeria is a tradition driven society (Achumba and Osuagwu 1994, Achumba 1996). This implies that the Nigerian marketer needs to recognize the business principle that winning and keeping customers and clients requires more than producing (products or services) and sending organizational sales personnel to close sales. The Nigerian marketer, like any other marketer, has to devote time to build relationships with the customers in order to gain repeat patronage (Brondmo 2002).

## OBJECTIVES OF STUDY

This study is an important first step in research on the relationship marketing practices in Nigeria and proposes to gain a better understanding of the relationship marketing concept as perceived by the customers in the Nigerian food and beverages industry. It aims to quantify the importance of the relationship marketing variables by using the Analytical Hierarchy Process, which may prove helpful to management in comparing what customers prioritize versus what is prioritized by the companies. Further, this study identifies the proportion of customers who are aware of the practice of relationship marketing, and compare the marketing activities that were most likely to attract them to patronize

indigenous companies with those that would attract them to patronize multinational companies in the Nigerian food and beverage industry.

## **LITERATURE REVIEW**

Several scholars have conducted studies on customer perceptions. For instance (Vogel, Evanschitzky and Ramaseshan , 2008) investigated the effects of customer perceptions of key marketing actions on customer attitudes and actual customer behavior as reflected by future sales. Verhoef (2003) in his study linked customer relationship perceptions and relationship marketing instruments to customer behavior. Rust, Zeithaml, and Lemon (2000) developed a model that related a company's perceived marketing strategy and marketing investments to the customers' reactions to these investments and to the economic output generated by the related customer behavior. Also, a study by Chao (2008) revealed that when retail customers have a positive perception of the wholesaler's personnel performance and the store's physical appearance, they are likely to visit the wholesaler more frequently.

Oliver (1999) conceptualized customer loyalty as having four loyalty aspects such as cognitive, affective, conative and behavioral. Chao (2008) conceptualized customer loyalty as including both psychological and behavioral dimensions. Basically, customer loyalty refers to the tendency of customers to select one company or product over another so as to satisfy a particular need. It also describes the behavior of repeat customers hence loyalty is observed through the actions of the customers (Novo, 2008; Wikipedia, 2008b). Dagmar (2006) noted that a loyal customer is more than a customer who frequently purchases from a company but one that is also emotionally bonded with the organization. However (Dick and Basu, 1994) argued that brand loyalty should not be regarded as mere repurchase behavior, but rather as a combination of purchase behavior and attitudes. Accordingly, true brand loyalty requires repeat purchase behavior in addition to a significant psychological attachment to the chosen brand. Oliver (1980) considered customer loyalty to be transient in that the loyal customers of today might not be so loyal in the future. Though customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes (Wikipedia, 2008; Al-Wugayan, Pleshko and Baqer, 2008) added that customer loyalty is also based on factors such as, price, special deals, or customer relationships. Hence, customer loyalty can be built through effective communication, customer service, employee loyalty, employee training, customer incentives, product awareness, reliable service provision, flexibility in solving customer problems or complaints, customer service, and knowledge of names of regular customers (Businessstow, 2008; Wikipedia, 2008b). Thus, relationship marketers need to note that a key to winning customer loyalty in competitive industries is to view interactions with customers not as one-time transactions but as a means to establish a long-term relationship and also being customer centric (Srikrishna, 2008).

## **METHODOLOGY**

To achieve these goals, this study adopted exploratory research using both qualitative and quantitative approaches. The population of the umbrella study was 130 indigenous and multinationals companies in the Nigerian food and beverages industry based in Lagos. The sampling frame was customers of both indigenous and multinational companies in the food and beverages industry, as listed by the 2007 Nigerian Business Directory and NAFDAC (2007). Through Snowball sampling, questionnaires were administered to a sample of 400 customers of these companies. This sample size was considered adequate for the study, and is also in agreement with the views of (Dillman, 2000; Hill, Brierley, and MacDougall ,2003), who stated that a sample size of 100 and above is sufficient to provide good representation of the population or organization or any subject investigated and also, present good concise research findings.

Questions for this study were generated by making use of variables identified from previous empirical studies that can be used to measure the five relationship marketing variables, namely: Trust, Relationship Commitment, Communication, Internal Marketing and Support and Cooperation, as well as questions to identify the respondents' characteristics or demographics, buyer information, and familiarity with

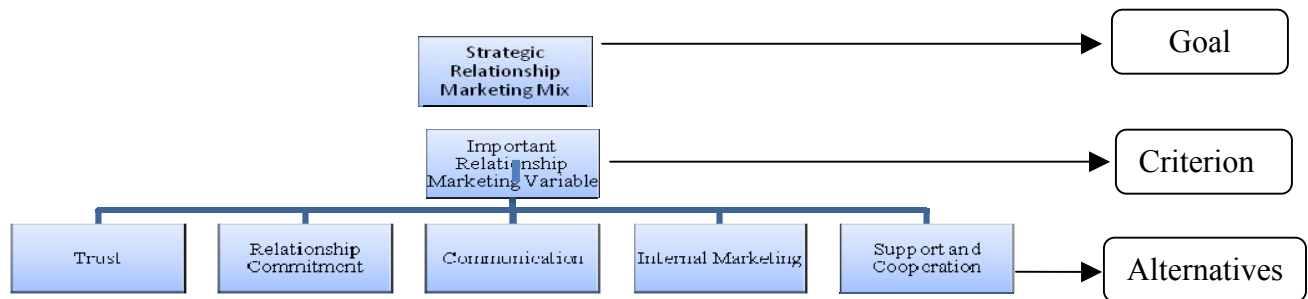
relationship marketing and the Analytic Hierarchy Process (AHP). The instrument was pilot tested twice, once with marketing experts and then retested on 40 respondents consisting of customers of the companies in the food and beverage industry in Lagos metropolis. The instruments were validated through the pilot studies by using experts and a sample of respondents for content validity (Hahn *et al.* 2000). Five research assistants were employed to administer the instrument; they collected the data face to face over a period of five months in five different locations in Lagos, and 376 (94%) respondent cooperated.

**Model.** One tool for analyzing relationship marketing is the Analytical Hierarchy Process (AHP). This tool that was first developed by Saaty (1980, 1994, 2000, 2001) is a technique that is designed to solve complex problems involving multiple criteria. The process requires the decision maker to provide judgments about the relative importance of each criterion and then specify a preference for each decision alternative to each criterion. The output of Analytical Hierarchy Process is a prioritized ranking indicating the overall preference for each of the decision alternatives. One advantage of the Analytical Hierarchy Process is that it is designed to handle situations in which the subjective judgments of individuals constitute an important part of the decision process. It is designed for situations in which ideas, feelings, and emotions affecting the decision process are quantified to provide a numerical scale for prioritizing the alternatives (Taha 2006).

The Analytic Hierarchical Process (AHP) is used in this study because as (Liedtka, 2005) points out, it is “simple to employ and is based upon the well established and theoretically sound techniques of: Hierarchical structuring of problems; Reduction of complex judgments into a series of pair-wise relative comparisons; Assessment of participant consistency using redundant judgments; Derivation of weights using an eigenvector method.”

To adapt the Analytic Hierarchical Process to this study required identification of the goal. The goal was: description of the selection of key relationship marketing variables used by multinationals in the Nigerian food and beverages industry. There was only one criterion in this model: the relative importance of the relationship marketing variables. The alternatives were the five relationship variables previously identified: trust, relationship commitment, communication, internal marketing and support and cooperation (Liberatore and Nydick, 2003) model as presented in Figure 1.

**Figure 1: Company Strategic Relationship Marketing Mix Hierarchy**



*Source: Designed for the current study as an adaptation from Liberatore and Nydick [2003]*

**Computer Programs/Analyses.** Data was entered, and descriptive analyses performed in SPSS. Z tests of proportions were performed by hand. The Expert Choice software (EC8) was used to analyze the relative importance scaled statements; it simplifies the implementation of the steps and the automation of the many computations involved in analyzing such data (Goh 1997; Liberatore and Nydick 2003; Liedtka 2005; Timor and Tuzuner 2006).

## RESULTS

**Demographic Description.** The descriptive analysis showed the respondents to be fairly evenly spread in terms of age: 33% are in their twenties and 35% are of middle age, between 30 and 50. Their marital status heavily favored the non-married: only 25% were married, while 33% were single and 39% were divorced, separated or widowed. Most were Christian and most identified themselves as Yoruba; however there were substantial Muslim and Igbo minorities, 37% and 27%, respectively. Most respondents did not indicate any higher education status, 55%. Of those that did respond, 54% had a B. Sc or equivalent.

**Results of Familiarity with Relationship Marketing.** The majority of the respondents (66.2%) are not aware of the practice of relationship marketing. About 25% of those that were aware chose to describe their perceptions. The most common descriptors were: “It is a way of getting closer to customers through marketing”: and “The coming together of the organization and their customer towards effective business.”

**Results of Views of Use of Relationship Marketing.** When asked what relationship marketing activities were most likely to attract them to patronize multinational companies they listed relationship satisfaction the highest (3.89/5.00), Table 1. The strategy that most attracted them to patronize indigenous companies was effective communication systems, 3.97, Table 2. The neutral range of this scale would be approximately 2.5 to 3.5. Customers rated all strategies above that range but no strategy was highly rated, above 4.0. This is interesting and may indicate that there are other more important drivers in their purchasing decisions. Another interesting point is that the top ratings of relationship satisfaction for multinationals and communications systems for indigenous may be indicative of what customers believe would draw them to the respective groups. For multinationals they may be looking for more connection or relationships, which perhaps they already have with indigenous companies; and for indigenous companies they are looking for improved communication.

**TABLE 1: VIEWS ON RELATIONSHIP MARKETING STRATEGIES**  
**By MULTINATIONALS**

| Relationship Activities                 | Rating |
|---|--------|
| Relationship Satisfaction               | 3.89   |
| Communicating Frequently with Customers | 3.81   |
| Fulfilling Contractual Obligations      | 3.81   |
| Investing in Communication Systems      | 3.77   |
| Believing Relationships are Assets      | 3.62   |

**TABLE 2: VIEWS ON RELATIONSHIP MARKETING STRATEGIES  
By INDIGENOUS**

| Relationship Activities                  | Rating |
|--|--------|
| Effective Communication Systems          | 3.97   |
| Communicating Frequently with Customers  | 3.83   |
| Relationship Satisfaction                | 3.77   |
| Fulfilling their Contractual Obligations | 3.64   |
| Believing Relationships are Assets       | 3.62   |

**Results on Relative Importance of Variables-AHP Model.** The AHP aims at quantifying relative priorities for a given set of alternatives on a ratio scale, based on the judgment of the decision maker; it stresses the importance of the intuitive judgment of decision-makers and also the consistency of the comparison of alternatives in the decision making process (Saaty 1980).

AHP makes assessments prioritization and selection among options more readily measurable (Goh 1997). The relative importance scale is useful because it allows the decision maker to refine judgments by selecting numbers between 0 and 9. In this study the scale was from equally important to extremely more important. Several other advantages of this scale over other methods of recording judgments include: humans are more capable of making relative judgments than absolute judgments; and the relative importance judgments yield ratio scale data. This is particularly advantages because ratio-scale is the highest level of scale, it is more flexible and meaningful than nominal, ordinal and interval scales and it is amenable to all statistical analysis (Asika 1991).

Table 3 presents the results of the respondents' pair-wise comparison of the relationship variable concepts of trust, relationship commitment, communication, internal marketing and support and cooperation. The variable trust is clearly regarded as the priority when compared against any of the other variables, by the majority of the respondents. The results in order of relative importance yield the following: trust, relationship commitment, communications, internal marketing and support and cooperation. Placement of the remaining variables was consistent as well. Table 4 presents the weightings. Trust and Relationship Commitment received similar weightings, twice as high as the next variable, Communication.

**TABLE 3: Frequency Tables of Relative Importance (Ranking) of Each Relationship Marketing Variable Customers' Group**

| Variables               | Level 1    | Level 2    | Level 3    | Level 4 | Level 5 | Total |
|-------------------------|------------|------------|------------|---------|---------|-------|
| Trust                   | <b>179</b> | 135        | 9          | 1       | 0       | 324   |
| Relationship Commitment | 140        | <b>167</b> | 16         | 1       | 0       | 324   |
| Communication           | 5          | 12         | <b>292</b> | 15      | 0       | 324   |

|                         |   |   |   |            |            |     |
|-------------------------|---|---|---|------------|------------|-----|
| Internal Marketing      | 0 | 1 | 6 | <b>239</b> | 78         | 324 |
| Support and Cooperation | 0 | 0 | 0 | 78         | <b>246</b> | 324 |

**TABLE 4: SUMMARY OF RELATIVE IMPORTANCE**

| Variables               | Mean Ranking | Standard Deviation |
|-------------------------|--------------|--------------------|
| Trust                   | .3756        | .10645             |
| Relationship Commitment | .3434        | .10481             |
| Communication           | .1566        | .05448             |
| Internal Marketing      | .0709        | .02832             |
| Support and Cooperation | .0535        | .02362             |

### CONCLUSION AND IMPLICATIONS

The customers of food and beverage companies are not for the most part familiar with the term relationship marketing. For those who considered themselves aware the consensus was that it was a way to get closer to the customers. This is most interesting in light of the relative importance they placed of the relationship marketing activities, as practiced by the indigenous companies versus the multinationals. For the multinationals the strategy that was most likely to get them to patronize those firms was to focus on relationship satisfaction, while for indigenous companies it was effective communication systems. This is very helpful information for the companies. Multinationals may have better developed communication tactics but are lacking in building relationships in Nigeria. Indigenous companies, on the other hand, may need to focus on better communication systems and more frequent communication with their customers. Another interesting finding, which is revealed through the AHP process, is that the customers value trust and relationship commitment as the most important relationship variables by mean weightings that are double the next closest relationship marketing strategy. These rating combined with the aforementioned finding would indicate that indigenous companies are already attractive to the customers in these areas while multinationals are not.

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