

Exploring the Impact of Relationship Marketing (RAI) on the Performance of Small and Medium scale Enterprises in South East Nigeria

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Abstract

Relationship marketing is a strategy designed to foster customer loyalty, interaction, and long-term engagement. It aims to build lasting relationships with customers and as well boost the performance of small and medium scale enterprises. The objectives of this study are to evaluate the extent of the acceptance and application of Relationship Marketing Concept (RMC) and to explore its impact to the growth of SMEs in southeastern Nigeria. Relevant The study anchored on Network Theory which views relationships in the context of a broader network of interactions, emphasizing the importance of relationships not just with customers, but also with other stakeholders like suppliers, partners, and employees. The study adopted Sequential Exploratory survey research design which enabled the use of semi-structured interviews and observation. The study was carried out in southeastern part of Nigeria. It covers 50 SMEs within Abia, Anambra, Imo, Enugu and Ebony state. Data was analyzed using quantitative method with frequency tables and simple percentage. The results showed that over 90% of SMEs in the five sample states in southeastern Nigeria adopted and used the relationship marketing concept. That the adoption of RM concept has impacted greatly to the growth and suitability of the SMEs in the states. The study recommended that Small businesses need to continually invest in developing new relationship marketing strategies; Continuous participation in seminars, trainings and lectures on new RM strategies will improve a company's ability to remain competitive, respond quickly to customer needs and provide high-quality services; SMEs should hire competent and highly energetic managers and employees those who are familiar with modern relationship marketing practices.

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1. Introduction

According to Gordon (2011), Relationship Marketing (RM) is not a completely separate philosophy, but is based on traditional marketing principles. This view suggests that while the fundamental focus on customer needs still applies, the way marketing is done has changed to focus on building, maintaining and sustaining customer value and long-term relationships (Christopher et al. 2006). Customer value is the difference between the value a customer gets from owning and using a product and the cost of acquiring that product (Kotler, 2008). If RM is indeed a descendant of traditional marketing, a good starting point for creating a definition of Relationship Marketing would be to look at the traditional perception of marketing. This traditional view can be succinctly summarized in the words of the Chartered Institute of Marketing (CIM 2008) as *the management process of identifying, anticipating and satisfying customer requirements profitably*. This definition includes a number of assumptions that are important in the discussion of relationship strategy development.

While recognizing that customer acquisition was, and would remain part of a marketer's responsibilities, this viewpoint emphasized that a relationship view of marketing implied that retention and development were of equal (or perhaps even greater) importance to the company in the longer term than customer acquisition.

There are many Small and Medium Enterprises (SMEs) in Nigeria and around the world that have contributed significantly to the economic growth of the country. There are many definitions of SMEs but in Nigeria it is generally accepted that an enterprise has total assets between 1 million and 200 million naira excluding land cost and has between 10 and 100 employees, which falls under the classification of SME (Small and Medium Enterprises) (Alawe, 2004). Small and Medium Enterprises in Nigeria are almost exclusively the domain of local entrepreneurs. Well managed Small and Medium Enterprises (SMEs) have been used as a veritable vehicle for industrialization and economic growth, especially in developed countries. Nigeria has been relatively successful in realizing the full potential of SMEs despite efforts by various tiers of government to stimulate SMEs and provide them with the necessary resources for their growth (Ayozie, 2004).

1.2 Statement of the Problem

While Marketing and Relationship Marketing are clearly being utilized in developed countries in the USA and Europe, Nigerian SMEs have not been able to explore, adopt and leverage its benefits as entrepreneurs have little education and rely mainly on traditional,

indigenous and in most cases primitive methods of customer engagement and retention. Rules of thumb and family-driven strategies have been the norm. Relationship Marketing (RM) has not been fully integrated into the regular marketing and business strategies of Nigerian businesses. SMEs have yet to fully understand the benefits of customer retention and loyalty compared to customer acquisition. RM is underutilized by Nigerian SME entrepreneurs. Most small businesses invest a lot of time in acquiring customers, but in a short time, they lose them to their competitors or their own products. Customer acquisition by companies and their managers has been like searching for a needle in a haystack, finding it, throwing it away, and searching again. If a company cannot retain and keep its customers for the long term, it is not worth investing time and money in acquiring them.

The importance of customer loyalty is such that there is strong evidence that customer loyalty is directly related to profitability. The longer a customer stays with you, even if it's a one-time purchase, the more likely they are to do more business with the seller/manufacturer. Additionally, these loyal customers are likely to be less costly to serve and less price motivated.

1.3 Objectives of the Study

1. to examine the extent of acceptance and application of the relationship marketing, among the SMEs in southeastern part of Nigeria
2. To evaluate the impact of relationship marketing to the growth of SMEs in southeastern Nigeria

1.4 Research Questions

This study aims to provide answers to the following questions:

1. To what extent do SMEs apply and use the relationship marketing?
2. To what extent has relationship marketing concept impacted on the growth of SMEs?

1.5 Scope of the Study

The study is concerned with 50 SMEs, in five states of southeastern Nigeria (Abia, Anambra, Imo, Enugu, and Ebony) 10 SMEs was strategically selected from each of the aforementioned five states. The selection of the SMEs was equally based on their nature of business, location and economic strength. The captured SMEs in the following filed: Construction, manufacturing, agriculture, finance and insurance, retail, technical, transportation, education, utility wholesale trade, food and beverage, services, Automobile spare parts sales, Electronic sales, Pharmaceuticals and Medical sales. These SMEs types were used because of the involvement of Nigerians as entrepreneur managers and sales people, and the ease in locating and interacting with their customers and managers in the states and cities chosen as the case study. The seven states were chosen because they have a large SME population.

2. Review of Related Literature

The Definition, Domain, and Dimension of Relationship Marketing

The emergency of relationship marketing is to create value not only from the sporadic contact between the customer and the company at the time of purchase but to create an ongoing relationship between the two to maximize shared value. (Gummesson, E. 2002). He opined that a shift in marketing should focus towards relationship marketing in the new economy, emphasizing the role of networks and customer relationships

Marketing is founded on a criticism of pure transaction focused on marketing Critics (Gummesson, 1999). Payne, (1995) claim that traditional marketing concepts and methods developed over decades are exclusively based on transaction

Juttner and Wchrl, 1994).RM is not only a strategic marketing approaches, but also cooperative marketing instruments (e.g. product merchandising, pricing, sales promotion etc) are accordingly aimed at the initiation of transactions with customers

Relationship marketing is not in itself a new concept, rather it is a refocusing of traditional marketing with a greater emphasis being placed upon the creation of customer value (Payne et al, 1995).

Customer value is the summation of all the positive effects that a supplier has upon the customer's business, or in the case of end users, their personal satisfaction. The fundamental principles upon which relationship marketing is founded is that the greater the level of customer satisfaction with the relationship, not just the product or service, then the greater the likelihood that the customer will stay with us (the company and the product).

Relationship Marketing Concepts

Most of the concepts, ideas and developments discussed above are present in Gronroos (1994) definition of RM, in which he describes the objectives of RM as to:

Identify, establish, maintain, enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met, and this is done by mutual exchange and fulfilment of promises.

No definition will ever be perfect and it may well be that other ideas and concepts may in times also require inclusion. For the purposes of introducing RM, however, this definition will, for the moment, suffice. These may be seen to include six dimensions that differ significantly from the historical definition of marketing, (Gordon 2008). These are that:

- RM seeks to create new value for customers and then share it with these customers.
- RM recognizes the key role that customers have both as purchasers and in defining the value they wish to achieve.
- RM businesses are seen to design and align processes, communication, technology and people in support of customer value.
- RM represents continuous cooperative effort between buyers and sellers.
- RM recognizes the value of customers' purchasing lifetimes (i.e. lifetime value).

RM seeks to build a chain of relationships within the organisation, to create the value customers wants, and between the organisation and its main stakeholders, including suppliers, distribution channels, intermediaries and shareholders.

Importance of Relationship Marketing

Among the importance of Relationship marketing are:

- Customer Retention and Loyalty
- Increased Customer Satisfaction
- Enhanced Trust and Commitment
- Improved Communication and Feedback
- Competitive Advantage
- Customer Lifetime Value (CLV)
- Customer Advocacy and Word-of-Mouth

3. Methodology

The researcher used a semi-structured interview which enabled her have direct telephone and physical conversation with the respondents and the respondents' opinion is also sought accordingly.

Population of the study

The study is concerned with 50 SMEs, in five states of southeastern Nigeria (Abia, Anambra, Imo, Enugu, and Ebony) 10 SMEs was strategically selected from each of the aforementioned five states. The selection of the SMEs was equally based on their nature of business, location and economic strength. The captured SMEs in the following filed: Construction, manufacturing, agriculture, finance and insurance, retail, technical, transportation, education, utility wholesale trade, food and beverage, services, Automobile spare parts sales, Electronic sales, Pharmaceuticals and Medical sales. These SMEs types were used because of the involvement of Nigerians as entrepreneur managers and sales people, and the ease in locating and interacting with their customers and managers in the states and cities chosen as the case study. The seven states were chosen because they have a large SME population. The representation is in line with the opinion of Owojori (2000), Yomere and Agbonifo (1999), which recommended at least 10% sample size for scientific studies.

Sample Size

The sample size of this study is as follows

50 SMEs, 10 SMEs strategically selected from each five states of the southeastern states of Nigeria. 150 respondents comprising the managers and the sales and marketing officers across the selected 50 SMEs. Therefore, the total sample size is 150 respondents

Method of Data Analysis

Quantitative method of data analysis was employed to analyze the data. Frequency tables and simple percentage was employed in analyzing the data

4. Data Presentation and Analysis

The data generated from the 150 respondents through semi-structured interview across the 50 SMEs in the 5 states were presented, analyzed and interpreted. Therefore, the analysis is based the data relevant to research questions

Research Question One: To what extent do SMEs accepted and applied the relationship marketing?

Table 1 Response on do you give discounts, incentives and gift items to your customers

options	Frequency	Percent
1-3 No	15	10
4-6 not regular	40	27
7-10 regular	95	63
Total	150	100

Source: Field Survey, 2024

The table above indicates that 95 respondents representing 63% regularly give discounts, incentives and gives gift items to their customers, 27% don't give regularly, and 10% don't give at all

Table 2 Response on do you engage with your customer on social activities like calls, birthday wish etc

options	Frequency	Percent
1-3 No	15	10
4-6 not regular	45	30
7-10 regular	90	60
Total	150	100

Source: Field Survey, 2024

The table above indicates that 90 respondents representing 60% regularly engage with their customer on social activities like calls, birthday wish, 20% don't regularly engage, and 10% don't engage at all.

From the tables 1 and 2 above, it clearly implies that SMEs in southeastern part of Nigeria do apply and uses the relationship marketing in their business with the acceptance of 95 respondents representing 63% who regularly give discounts, incentives and gives gift items to their customers, and the indication of 90 respondents representing 60% who regularly engage with their customer on social activities like calls, birthday wish

Research Question two: To evaluate the impact of relationship marketing to the growth of SMEs in southeastern Nigeria

Table 3 Response on how will you rate the growth of your business with customers you often give discount and incentives and other gift items

options	Frequency	Percent
1-3 low	10	7
4-6 high	45	30
7-10 very high	95	63
Total	150	100

Source: Field Survey, 2024

The table above indicates that 95 respondents representing 63% experienced very high growth of business with the customers they give discounts, incentives and other gift items 30% experienced high, and 7% experienced low.

Table 4 Response on how will you rate the constant patronage with customers you often share business ideas and advice

options	Frequency	Percent
1-3 low	15	10
4-6 high	45	30
7-10 very high	90	60
Total	150	100

Source: Field Survey, 2024

The table above indicates that 90 respondents representing 60% experienced very high constant patronage with customers you often share business ideas and advice, 30% experienced high, and 10% experienced low.

From tables 3 and 4 above, it clearly implies RM has a very high positive impacts on the growth of SMEs in southeastern part of Nigeria. This is indicated by the 95 respondents representing 63% who experienced very high growth of business with the customers they give discounts, incentives and other gift items and the 90 respondents in table 4 representing 60% who experienced very high constant patronage with customers you often share business ideas and advice,

5. Discussion of findings

Acceptance, Adoption, and application of the Relationship Marketing Concept is the diagnostic stage. It involves identifying the compelling environmental and recent societal factors that make the adoption and application of the relationship marketing concept inevitable, and recognizing that the relationship marketing concept is the major solution to the problems of declining customer base, low sales, profits, and customer loyalty. It involves recognizing that for the SMEs to have a competitive edge in the market place, and to have many loyal customers, it has to enthrone the customers as a king, queen, sovereign and the pivot point of all activities, and identifying that a loyal customer is more preferable than a new one (Payne et al, 1995). The 'new' IBM slogan says it will reap greater rewards from long lasting relationships with customers, and commercial banks everywhere in Nigeria, now claims that they can pursue strategies to strengthen the relationships with their customers (Payne et al, 1995); Kotler (2004) state that the cost of attracting new customers is rising. That it cost seven times as much to attract a new customer then it does to keep a current one satisfied; (Drucker, 1954), an early proponent of the marketing concept, says that marketing is the whole business seen from the point of view of its final result, that is, from the customer's point of view. The essence of the relationship market concept is understanding customer needs and wants, and satisfying them over a long period of time at a profit. If a company offers goods and services that satisfies needs, and creates value for the customer, offers customer satisfaction, and the right customer perceived quality, then the company stands the best chance of success.

The Impact of Relationship marketing Concept on SMEs

From the data analysis, over 90% of the respondents acknowledge the fact that RMC has at a very higher rate and measures impacted greatly to the growth and success of their business, it has equally drowned them closer to their customers and help them to understand each other. It has built a long lasting strong bound and even grant them the advantage over their competitors.

However, in the actual implementation of the RM concept, the SMEs, have some constraints. For example, with regard to the value of assets which is dependent in the amount of the financial resources at the disposal of the company. The smaller SMEs have a major financial handicap, in the size of their business, and in the amount of capital it can raise from banks, family members and other financial institutions so as to start the business

Implications of Research Findings for SMEs

The findings of this research confirm the following;

- That the SMEs in particular, and Nigerian SMEs in general, are very much aware of the relationship marketing concept orientation.
- That majority of the SMEs have accepted and adopted the principles of the relationship marketing concept as a mechanism to cope with increasing competition and a means of developing a competitive advantage in the market place.
- That overtime, there is a gradual shift from the product and sales orientations as shown by Kilby (1965) to the more sophisticated and rewarding relationship marketing concept (Bruhn, 2003); Palmer, 2000); Buttle, 2008); Gronroos, 2008); Payne et al, 1995).

Summary of Findings

1. That over 90% of the SMEs in the five sample states in southeastern Nigeria, accept the use and the application of relationship marketing concept directly (knowingly) or indirectly (unknowingly)
2. That Relationship Marketing concept has a very high positive impacts on the growth of SMEs in southeastern part of Nigeria.

Policy Recommendations

Based on the findings of this study the following recommendations were made;

1. Managers and employees need to become more familiar with modern management and relationship marketing strategies. Small businesses need to continually invest in developing new relationship marketing strategies. Our findings reported by Palmer (2008), Peck et al. (1995, 1999) indicate that the majority of employees and managers have their own knowledge of theoretical and practical understanding of relationship marketing concepts. Continuous participation in seminars, trainings and lectures on new RM strategies will improve a company's ability to remain competitive, respond

quickly to customer needs and provide high-quality services. As Nigerian small and medium enterprises (SMEs) become increasingly competitive, the need to learn new strategies through training and experience is paramount when considering strategies for long-term growth and survival.

2. SMEs must realize that adopting and leveraging new RM strategies based on customer needs provides them with the opportunity to remain competitive in a turbulent business environment. Since satisfying customer needs and wants is the essence of starting a business, SMEs must constantly develop new customer-centric strategies. Profitably considering customer needs must be part of every company's mission statement.
3. With the growth and financial condition of SME businesses, new strategies for SMEs need to be developed. The initial financial handicaps of the companies that limit the effective implementation of RM strategies need to be adequately compensated by strengthening the financial base. To meet the new competitive trends in the market, it is necessary to hire competent and highly energetic managers and employees who are familiar with modern relationship marketing practices. Kotler (2004) and Cannic (1996) argued that any size of company can compete and win in the market as long as it maintains its competitive edge.
4. Ongoing further education and training through seminars, conferences, business lunches etc. will increase the competence, awareness and experience of managers. Gone are the days when illiterate or poorly educated people have to run expanding companies, making way for a younger and more dynamic workforce who must constantly adapt to new business trends.

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