

## **Implementation of Relationship Marketing Strategy in the Foodservice Industry to Retain Customer Loyalty**

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**Abstract:** Foodservice providers must identify the necessary steps for ensuring the effective implementation of a relationship marketing strategy. With global competition intensifying and greater pressure from rival operators, these providers need to devise distinct strategies to enhance their competitiveness. Additionally, in today's world of imitation, where products and services are nearly identical, and customers are inundated with numerous choices, maintaining a leading position poses significant challenges for foodservice providers. Therefore, the ongoing focus on establishing and sustaining a robust customer-firm relationship is pivotal for achieving sustainable competitive advantages in the marketplace and retaining valuable customers. Customers who forge a strong rapport with a firm are more likely to repurchase and less inclined to switch to competitors. This loyalty is rooted in the confidence they've developed in the firm, the social benefits they have gained, and the special treatment they have received.

**Keywords:** Relationship Marketing, Foodservice Industry, Customer Loyalty

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### **1.0 Introduction**

The importance of relationship marketing in gaining and enhancing customer loyalty is widely acknowledged. Numerous studies, including those by Ndubisi (2007), Ekiyor et al. (2010), and Alrubaiee & Al-Nazer (2010), validate the positive and significant impact of relationship marketing on customer loyalty. Empirical evidence from studies conducted by Bolton et al. (2000), De Wulf et al. (2001), and Verhoef (2003) consistently demonstrates the favorable influence of relationship marketing on customer loyalty and subsequent retention. Colgate and Danaher (2000) examined the consequences of successfully implementing relationship marketing strategies on customer satisfaction and loyalty. Their findings indicate that skillful use of these strategies leads to heightened levels of customer satisfaction and loyalty, while improper implementation results in negative customer perceptions and unmet performance targets. Ndubisi (2007) argued that the foundations of relationship marketing positively impact customer loyalty, emphasizing that loyalty can be nurtured through marketing plans prioritizing building trust, demonstrating service commitment, timely and reliable communication, and efficient conflict resolution. However, it's essential to acknowledge that customer loyalty is not guaranteed. The customer's commitment to a loyal relationship depends on the firm's ability to anticipate future needs and offer solutions ahead of competitors (Kandampully and Duddy, 1999). In summary, a consensus among various researchers supports the positive connection between relationship marketing and customer loyalty. Given the lack of investigation in the foodservice industry, this thesis aims to explore and validate the existence and strength of this connection.

### **2.0 Research Methodology**

This study establishes a connection between the four dimensions of relationship marketing—namely, trust, communication, empathy, and commitment—and customer loyalty. Criterion validity was employed to evaluate the performance of the measure against certain criteria. Criterion validity involves assessing the alignment of a measure with a criterion measure, a known, and preferably standard, measure of the same concept (Ping, 2004). Multiple regression analysis, the most widely utilized multivariate technique, was employed primarily for predictive purposes. The objective in regression analysis is to construct a statistical model capable of predicting the values of dependent variables based on the values of at least one independent variable. Additionally, it enables the determination of the effects of predictors on the dependent variable. However, it is essential to note that the presence of high correlations, specifically those reaching 0.90 and above, among independent variables can potentially impact regression results and their interpretations (Tabachnick and Fidell 1996).

### 3.0 Research Findings and Discussions

#### 3.1 Criterion-related validity

In this study, criterion-related validity was established by correlating the construct scores with customer loyalty. Table 1 indicates that all the constructs have significant positive correlations with customer loyalty. Hence, criterion-related validity is established for all the four factors.

Table 1: Criterion Validity

Dimension	Customer Loyalty
Communication	0.58*
Trust	0.59*
Empathy	0.56*
Commitment	0.57*

All correlations are statistically significant at the 0.01 level.

#### 3.2 Multiple Regression Analysis

Multiple regression analysis was used in this study to determine the overall effect of the four dimensions of relationship marketing on customer loyalty (or how well the four dimensions predicted customer loyalty) and to assess the relative importance of the individual dimensions. The regression model considered customer loyalty as the dependent variable and the relationship marketing scores for the individual dimensions as the independent variables. A multiple regression analysis was subsequently conducted to evaluate how well the four dimensions predicted customer loyalty.

The linear combination of the four dimensions has significantly related to customer loyalty,  $R = 0.65$ ,  $R^2 = 0.42$ , adjusted  $R^2 = 0.41$ ,  $F(4, 1564) = 282.81$ ,  $p = 0.01$ . The sample multiple correlation coefficient was 0.65, indicating that approximately 42% of the variance of customer loyalty in the sample can be accounted for by the linear combination of the four dimensions. According to Hair *et al.*, (1995) regression equation based on 1000 observations with about five independent variables requires  $R^2$  value at least 2% for the relationship to be deemed statistically significant with a power of .80 if the significance level is set at 0.01. The above findings indicated that the dimensions of relationship marketing are positively associated with customer loyalty. This result is consistent with some previous studies (e.g. Ndubisi, 2007; Ekiyor *et al.*, 2010). Therefore, the foodservice providers can foster and increase customer loyalty through communication, trust, empathy and commitment.

There have been attempts to examine the relative influence of individual relationship marketing dimensions in order to figure out which dimensions are important to increase customer satisfaction and loyalty. Table 2 shows the results of the regression analysis where the dependent variable was customer loyalty measured on a scale ranging from 1= Not at all to 5 = very frequent. The resultant output had an adjusted  $R^2$  of 0.41 ( $p = 0.01$ ) and yielded four dimensions contributing significantly towards explaining the variance in the customer loyalty. All the bivariate correlations between the four dimensions and the customer loyalty were positive, and all the dimensions were statistically significant ( $p < 0.01$ ).

Table 2: Relative Importance (Customer loyalty as dependent variable)

Dimension	Standardised Coefficients ( $\beta$ )	Rank
Trust	0.213*	1
Communication	0.177*	2
Empathy	0.169*	3
Commitment	0.168*	4

\* Significant at 0.01 level.

Trust emerges as the most pivotal dimension of relationship marketing within the foodservice industry, significantly influencing the variation in customer loyalty, followed by communication, empathy, and commitment. According to Ndubisi (2007, p.104), trust stands out as a "critical ingredient in firm-customer relationships and, ultimately, in the development of loyalty, both in Malaysia and elsewhere." Berry (1983, p.1) underscores this point by asserting that "trust is the basis for loyalty," implying that customer loyalty is inherently tied to the level of trust placed in the service provider. Considering the sample's representativeness, it is reasonable to conclude that customer satisfaction and loyalty are likely when the foodservice outlet can be trusted, communicates reliably and efficiently, demonstrates empathy and reassurance, and is committed to providing excellent service. The positive sign of the estimates indicates that the higher the extent of these dimensions, the more elevated the level of customer loyalty. Consequently, all elements of the research

proposition are robustly supported. In summary, heightened trust in the foodservice outlet, coupled with reliable and timely communication, empathetic and reassuring interactions, and a strong commitment, correlates with increased customer satisfaction and loyalty.

#### **4.0 Conclusions and Recommendations**

The study contributes valuable insights to the existing literature by empirically establishing a connection between the four comprehensive dimensions of relationship marketing and the dependent variable, customer loyalty. The multiple regression analysis results, from a theoretical standpoint, offer compelling evidence that the dimensions of relationship marketing not only influence but are also positively correlated with customer loyalty. This suggests that heightened trust in foodservice operators, coupled with effective communication and a strong commitment, correlates with increased customer loyalty. Consequently, foodservice operators should prioritize communication, empathy, commitment, and, ultimately, trust to foster and enhance customer loyalty. Among the four dimensions, the trust dimension emerges as the most impactful on customer loyalty, with customers perceiving trust as more critical than other dimensions in determining their loyalty to foodservice operators. However, the findings suggest that foodservice operators should not exclusively focus on the trust dimension but should also emphasize the other three important dimensions of relationship marketing. It is crucial for these establishments to provide satisfactory service across all dimensions and then assess which dimensions may require greater attention. In terms of communication, foodservice providers should prioritize clear and understandable communication, providing helpful advice, appreciating customers, and demonstrating knowledge and competency in addressing customer queries. Regarding empathy, employees should exhibit sympathy and reassurance, offer individualized attention, understand specific customer needs, maintain consistent pleasantness, courtesy, and friendliness, making customers feel special and ready to respond to their requests. Concerning commitment, customer loyalty is more likely when foodservice operators show genuine commitment and hard work to provide excellent service, establishing and maintaining long-term customer relationships.

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