

The Effects of Rapid Environmental Change on Competitive Strategies

An Organizational Learning Perspective

*Taiwo Akinyele &
Folashade Olugbenga*

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A THEORETICAL APPROACH

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CUSTOMER SATISFACTION AND RETENTION STRATEGY IN MARKETING

Adedoyin HASSAN

Abstract

The marketing efforts of the present day business is not just geared towards meeting the consumer's needs at a price, but ensuring good customer satisfaction, and strategizing on how to retain such customers. Customer satisfaction and retention is achievable through the co-ordination of the marketing mixes, Product, Price, Promotion and Place; Relationship Marketing; After-Sales Service; Rebates/Discounts/Price reduction policy and Total Quality Management (TQM). A first-hand customer, If well satisfied, will become a company's repeat customer proceeds to become a client and goes further to become an advocate of the company by applauding the company's products/services and encouraging others to buy from it. It is the objective of this paper therefore, to guide business organization on how to enhance customer satisfaction, and retain existing customers as a means of long-term survival in marketing. The responses of 72 randomly selected Marketing personnel spread across three (3) food and beverage companies in Nigeria were analyzed. One hypothesis was tested using a one-way analysis of variance (anova) statistical tool, and it was discovered that Relationship marketing contributed to organization *and* growth.

KEYWORDS: Customer Satisfaction, Retention Strategy, Customer Retention, Relationship Marketing, Total Quality Management

INTRODUCTION

The Marketing concept emphasizes customer orientation and coordination of marketing activities to achieve the organizations performance objectives. Sometimes, marketing as a concept is simply stated as a customer orientation, as expressed in the words of Wal-Mart, (Cited in Etzel, Walker and Stanton, 1997) "There is only one boss; the customer". It is important here, therefore, to stress on customer satisfaction.

The Marketing concept is based on three beliefs; one, all planning and operations should be customer- oriented. i.e every department and employee should be focused on contributing to the satisfaction of customer needs. Two, All marketing activities should be co-ordinated. This means that marketing efforts (Product Planning, Pricing, Distribution, and Promotion) should be designed and combined in a coherent and consistent way and, three, Customer-oriented and coordinated marketing, which is essential to achieve organizational objectives.

Relationship Marketing strives to build personal, long-term bonds with Customers, but most recently, the notion of establishing relationships has been extended beyond customers, to all the groups an organization interacts with; these include, suppliers, employees, the government, and even competitors.

Mass customization has come to replace mass marketing for the purpose of developing, producing, and delivering affordable products with enough variety and uniqueness that nearly every potential customer can have exactly what he or she wants. Through this firms are able to learn a lot more about their current and prospective buyers Market according to (Osuagwu 2002) has been viewed as an organic function of management evolved from a business belief which recognizes the importance of the customer or client to the success of the organization. Marketing therefore requires an evaluation of customer needs and wants through market research and the direction of all the activities of an organization towards customers /clients' satisfaction

Although marketing is about meeting needs profitably, understanding customer needs and wants is not always a simple task (Kotler 1997), some customers have needs of which they are not fully conscious, or they cannot articulate these need, or they use words that require some interpretation. What does it mean when the

customer asks for an “inexpensive” car, a “powerful” lawn mower, “attractive” bathing suite, or a “restful” hotel?. Customer oriented thinking requires the company to define customer needs from the customer’s point of view.

It is the task of the organization therefore, to ensure customer satisfaction and retention, settlement of conflicts (if any) in order to achieve organizational success.

Customer Satisfaction

Whether the buyer is satisfied after purchase depends on the offer’s performance in relation to the buyer’s expectations. Customer satisfaction can be defined as “a customer’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to such customer’s expectations”.

Satisfaction $S = F(\text{perceived performance Vs Expectations})$ $S = F(PP \text{ Vs } Es)$

If the performance falls short of expectations, the customer is ‘dissatisfied’. If the performance matches expectations then he is ‘satisfied’. If the performance exceeds expectations, the customer is highly satisfied or ‘delighted’. Firms aim for high satisfaction because customers who are just satisfied still find it easy to switch when a better offer comes. Those who are highly satisfied are much less ready to switch. High satisfaction or delight creates an emotional infirmity with the brand, not just a rational preference. The result is high customer loyalty. The expectations of a customer are determined by such customers’ past buying experience, friends, associate’s advice, marketers and competitors’ information and promises.

Successful companies match a product’s performance with consumer expectations. These companies are aiming for Total Customer Satisfaction (TCS). For customer-centered companies customer satisfaction is both a goal and a marketing tool. Companies that achieve high customer satisfaction ratings make sure that their target market knows it.

Tools for Tracking and Measuring Customer Satisfaction

The sole aim of a customer-centered firm is to achieve customer satisfaction and maximize it. This can be done through:

- Lowering prices and increasing service quality and intensity.

- Improvement of manufacturing processes and/or investment in R&D
- Satisfaction of other Stakeholders within the constraints of a firm's resources. Such stakeholders are employees, dealers, suppliers, and stockholders.

The tools for tracking and measuring customer satisfaction are:

- Erection of customer complaint and suggestion systems.
- Customer satisfaction survey (Market Research)
- Ghost shopping the firm should hire people to pose as buyers and report findings on strong and weak points they experienced in buying the company's and competitor's products. Managers can be made to eavesdrop on customer complaint
- Lost customer analysis companies should contact customers who have stopped buying or have switched to other products

The Cost of Lost Customers

A firm should pay adequate attention to its customer defection rate (i.e the rate at which they lose customers). The four steps involved are: (a) Definition and measure of the company's retention rate. b). Distinguish the causes of customer withdrawal and identify those that can be managed better (c). Estimation of lost profit as a result of losing a customer; and. (d). Estimation of what it would cost to reduce the defection rate (Kotler, 1997)

Customer Retention

The cost of attracting a new customer is estimated to be five (5) times the cost of keeping a current customer happy. It takes a great effort on the part of a firm, to make a satisfied customer to switch away from its current brand. Most marketing theory and practice center on the art of attracting new customers rather than retaining the existing ones, but a good firm should aspire to keep the existing customers as well as attract new ones.

The Key to Customer Satisfaction and Retention

1. A co-ordinated weave of the marketing mix elements. Product, Price, Promotion and Place.
2. Relationship Marketing. This is an attempt at enlarging the role of customer/client service in an organization by integrating customer or client service with quality and marketing management functions. It has the binary

goal of getting and keeping customers and clients. (Bank, 1992) (cited Osuagwu 2002). Relationship marketing can be seen from the following perspectives: one, attracting, maintaining and enhancing customer relationships, two, creating and maintaining lasting relationships between an organization and its customers/clients that are rewarding to both sides. Three, It is a strategy where the management of interactions, relationship and networks are fundamental managerial issues

3. Effective After-Sales Service-Follow-Up
4. Rebates/Discounts/Price reduction policy for existing customers. (special concessions)
5. TQM Total Quality Management

Note; A satisfied customer stays loyal longer, buys more as the company introduces new products and upgrades existing ones, talks favourably about the company and its products, pays less attention to competing brands and advertising, less sensitive to price, offers/product/service ideas to the company, costs less to serve than new customers because transaction is routinized.

Managing Staff/Customer Relationship

The basic tool for managing staff or employee and customer relationship is through 'Relationship Marketing'. Kotler (1997) presented relationship marketing as a practice of building long-term satisfying relations with key parties customers, suppliers, distributors in order to retain their long-term preference and business. Smart marketers try to build up long-term, trusting, "win-win" relationships with valued customers, distributors, dealers and suppliers. Companies accomplish this by: (i) promising customers of high quality; (ii) Delivering such high quality; (iii) Good service; (iv) Fair pricing. Relationship marketing results in strong economic, technical and social ties among the parties; the firms (through its employees/staff and the stakeholders

The company hopes to convert many of its qualified prospects into First time Customers and then convert those satisfied first time customers into repeat customers. Repeat customers can be converted into clients i.e. people who buy only from the company in the relevant product categories. The next challenge will be to convert the clients into advocates i.e. customers who praise the company and encourage others to buy from it.

Basis of Relation Marketing

Relationship Marketing is based on the premise that important accounts need focused and continuous attention. Sales people working with key customers must (1) do more than call when they think customers might be ready to place orders. They should call on visit at other times, (2) taking customers for dinner, (3) making useful suggestions about their business (4) monitor the key accounts, know their problems, and be ready to serve in a lot of ways the Main steps in establishing a relationship marketing programme in a company are as follows:

Step 1: Identify the key customers meriting relationship marketing. e.g the 1” 5 or 10 customers (in I terms of volume buying). Additional customers with exceptional growth can be added on the later list;

Step 2: Assign a skilled relationship manager to each key customer. (Salesperson servicing the customer should receive training in relationship marketing).

Step 3: Develop a clear oh description for relationship managers. The job description must describe the relationship managers’ reporting relationship, objectives, responsibilities, and evaluation criteria.

Step 4: Appoint an overall manager to supervise the relationship managers. This person will develop job descriptions, evaluation criteria, and resource support to increase relationship manager’s effectiveness. - (Finance the relationship managers to finance customer’s little-little get-togethers) -

Step5: Each relationship manager must develop range and annual customer relationship plans. The annual relationship plans should specify ob strategies, specifications, and required resources

Levels of Customer Relationship Building

- i. Basic Marketing The salesperson simply sells the product.
- ii. Reactive Marketing Customer questions/complaints/comments after sales are allowed by salesperson. (Customer is encouraged to call)
- iii. Accountable Marketing The sales person phones the customer a short time after sale to check whether the product is meeting the customer’s expectations. This will help the company-to continually improve its performance.

- iv. **Proactive Marketing** The company's salesperson contacts the customers from time-to time with suggestions about improved product uses or helpful new products.
- v. **Partnership Marketing** The company works continuously with the customer to discover ways to effect customer savings or help the customer perform better.

Social Bond with Customers

The company's personnel or salesperson work on increasing their social bonds with customers by individualizing and personalizing their customer relationships. (attached sales person to Majok Limited From Cadbury sometimes help to sell non-moving stale products in areas where the salesperson sense a big need' essence, thoughtful companies rum their customers into clients

Structural Ties with Customers

The company may supply customers with special equipment or computer linkages that help customers manage their orders, payroll, inventory and so on. (Networking, and Consultancy in areas of administration).

Managing Employee/Customer Conflict

Listening to customer complaints is not just enough, the company must respond constructively to their complaints. (Company sales-reps should not be so temperamental to use abusive of undesirable words in tackling customer complaints. It causes conflicts between the 'sales person and the customer, which may let the latter switch to another brand where attention maybe given to him when he complains). "Of the customers who register a complaint, between 54% and 70% will do business again with the organization if their complaint is resolved. The figure goes tip to a staggering 9 if the customer feels that the complaint was resolved quickly. Customers -who have complained to an organization and had their complaints satisfactorily resolved to tell an average of five people about the treatment they received "(Kotler 1997). -

Some customers/ firm conflict may bean account of the customer accusing the sales person/ agent of intruding into the customer's privacy. Marketers' objectives are not sinister They simply desire information to more efficiently target their prospects and customize their messages, but the consumers believe they have the right to make inquiries, purchase products , and interact with

business without having personal information collected and used by the selling company. (Some customers may not trust companies in the areas of keeping some facts about the customer's secret, without telling some other (rival) customers who may be competing for the attention of the selling company. A major key to tackle employee / customer conflict is through an effective Total Quality Management. (TQM).

Total Quality Management (TQM).

Total Quality Management (TQM) is an organization-wide approach to continuously improve the quality of all the organization's processes, products, and services, (Korler 1997). TQM strategy is a business management strategy or tendency that sees the organization's customers/clients as the vital key to organizational success (Osuagwu, 2002). Quality is the totality of features and characteristics of product or service that bear on its ability to satisfy stated or implied needs. However, some Nigerian companies define quality by engineering standards. Effective TQM strategy entails that the product/ service quality must go beyond acceptability for a given price range. It must involve every staff in the organization and every department. It expresses the conviction that, in order to improve quality; the organization must regularly conduct surveys mostly from its customer/clients (internal and external customers and clients) to evaluate its quality improvement programmes and strategies.

Pursuing a TQM Strategy (TQM and Marketing)

In TQM, marketing managers must have 2 responsibilities in a quality centred company; Firstly, they must participate in formulating strategies and policies designed to help the company win through total quality excellence; and, Second, They must deliver marketing quality alongside production quality. Marketing activity, marketing research, sales training, advertising, customer service etc must be performed to high standards. One implication of TQM is that marketing people must improve internal and external marketing. TQM (Total Quality Marketing) strategy requires recognizing following premises about quality improvement. (Kotler 1997): Quality must be perceived by customers; quality must be reflected in every company activity, not just in product; Quality requires total employee commitment; Quality requires high quality partners; Quality can always be improved; Quality improvement sometimes require quantum leaps; Quality is necessary, but may not be

sufficient; A quality cannot save a poor product i.e. a quality drive cannot compensate for product deficiencies.

Level of Product Quality

The level of product quality is the degree to which a product/service is equal to or greater customers'/clients' expectations. i.e. $LPQ > CE$

Where LPQ = Level of Product Quality, and CE = Consumer/Client's Expectations.

The TQM Process

Step I; Total Commitment and exploration stage, during which organization management makes a commitment to total assurance and business researchers explore the needs and beliefs of external and internal clients and customers. Identification of internal and external customers' and clients' problems and desires are necessary at this stage:

Step II: Benchmarking stage. Business research must establish measures that can serve as benchmarks or points-of-comparison to evaluate future efforts. The research must establish initial measures of overall satisfaction, frequency of customer problems, quality ratings for specific attributes. It is essential to identify the company's or brand's quality position relative to those competitors. .

Step III: Initial Improvement (IQI) Stage. Here, the company must establish quality improvement processes within the organization management, and staff must translate quality issues into the internal language and culture of the organization.

Step IV: Continuous Improvement stage requires that Management allow its staff to solve problems without a lot of red tape. Organizational staff should be able to initiate prompt communications with customers/clients. Management must reward staffs that diligently work towards quality improvement (i.e. meeting up with set standards in quality)

Note: It is worthy of note that TQM strategists should measure performance against customers/clients standards, not standards determined by the company's quality engineers.

Symptoms of Non-Practice of TQM Strategies In Nigerian Firms

Internal tensions are high and usually growing leading to stronger feelings of mistrust, blames and recriminations (accusations). - Loss of faith within the Senior Organization staff and the organization's efforts become less coordinated as organizational staff do things in order to satisfy their own vision of the future or personal goals. Existence of ignorance group. No adequate customer orientation. Decisions are illogical and management style is incoherent, Low morale (internally), often with glimmering discontent: High level of scraps and re-works are accepted, considered much better than they used to be. No well written procedures, methods tend to be traditional. Everyone accepts the impossibility of doing any better.

Principles of TQM

Choppins (1995) listed the following principles of TQM.

1. Highest Priority to total Quality.
2. Quality Definitions, which must be inline with customer satisfaction.
3. Customer Definition. Concept of customers includes organizational staff/investors employee/stockholders/ suppliers/the Community interpersonal relationship.
4. Customer Satisfaction (a priority)
5. Well articulated total Quality Aim
6. Communication of principles/beliefs/values/mission statement/policy for quality, openly and clearly (See Company's Mission Statements).
7. TQM is intrinsic to every activity, decision and action. It is an embodiment of the organization's Values/Beliefs/ethos.
8. Values: The highest levels of integrity, honesty, trust and openness are essential ingredients of TQM
9. Mutual Respect & Benefit of all stakeholders involved.
10. Health, Safety and environmental issues have a high priority within a TQM-oriented firm.
11. Commitment.
12. Participation and Ownership of all individuals.
A feel of ownership, the opportunity to participate in activities is a sense of good TQM.
13. Continuous Improvement
14. Performance: TQM requires consistent, predictable, accurate, and precise performance to high standards in all areas of the organization. Therefore, measurement, assessment and auditing are common TQM activities.

15. Resources are better u to achieve greater success.
16. Investment TQM will always require sufficient and appropriate investment to ensure that planned activities occur.

Satisfying both Employees and Customer

Excellently managed some companies believe that employee relations will reflect on customer relations. Management carries out internal marketing and creates an environment of employee support and rewards for good service, performance. Management regularly audits employees' satisfaction with their jobs. Kotler (1997) quoted Karl Albrecht as "observing unhappy employees with the likelihood of becoming terrorists". As the customer is placed on a high esteem, the employees should be placed even higher, if the company hopes to truly satisfy its customers. An important part of satisfying employees is helping them cope with the demands of lives outside the office. As employees pay good attention to having quality time with their families, smart companies are going out of their ways to accommodate employee needs and flexible work schedules.

Relationship marketing with a focus on customer retention and customer commitment as well as on share of the customer business instead of market share has generated a lot of research interests. (Parvatiyar and Sheith, 2002). Numerous papers have been presented on relationship marketing as a topic. (Patvatiyar and Sheith, 2000).

Many companies such as airlines, banks, insurance, telephone and direct marketing companies including the catalogue companies, have begun to implement one-to-one marketing and loyalty programs with their end user customers. (Breshnahan, 1998).

Economies of the world are beginning to adopt Total Relationship Marketing ('TRM strategy, which is based on relationships, networks and interaction, recognizing that marketing is embedded in the total management of the networks of the selling organizations, the market and society. (Gummesson, 2002).

For Services, relationship marketing is applicable when there is an on-going or periodic desire for the service and when the customer controls the selection of a service supplier and has alternatives from which to choose. The concept is critical for those service firms vulnerable to customer loss due to intensifying intra-type and or intra-type competition. (13erry An initial study was carried out

and it was confirmed that service companies have achieved sustained excellence and success due to the application of relationship marketing strategy (Berry, 1999).

Relationalism

The concept of 'relationalism' has been posited to capture a more cooperative and symbiotic business climate as against the traditional competitive, market-driven and sometimes adversarial relations with upstream and or downstream business partners, which in no doubt will extend to the customers. Some past studies have perceived relationalism to be a panacea for many business problems.(Webster,1992., Vomack, Jones and Roos 1991., 1-leide andjohn,1990., Noordewier, John and Nevin, 1990).

Research Findings

A study of the relationship marketing practices in the Food and Beverage industry, of which Cadbury Nigeria Plc, Nestle Nigeria Plc and Friesland p Lagos, Nigeria were used as case studies revealed the responses of 72 randomly selected marketing officials. A 2-section questionnaire was used to chcit information from the respondents. Section A asked core questions on relationship marketing practices, while section B measured the demographic characteristics of the respondents. One hypothesis 'vas tested, using a one-way analysis of variance (anova) statistical tool. The respondents consisted of 30 males and 22 females, 36 married, 29 single, 5 separated and 2 left their marital status information blank. The mean age of the respondents was 26.8 years, while 26, 35,8 and 3 of them had Masters, B.sc/TIND, A level/OND/NCE and WASC/GCE respectively. The latter information imply that the respondents were knowledgeable enough to cope with the academic expectations of answering enquiries for this research. The research instrument reliability coefficientO.86 cronhach alpha suggests that the findings of the study is suitable for factor analysis. Stewart (1981).

Table 1: Analysis of data on relationship marketing practices

S/N	Extent Research Variables	No Extent 1	Low Extent 2	Average Extent 3	High Extent 4	Total
1.	Customer retention through relationship marketing	-	2	18	52	72
2.	Achievement of an encouraging level of profitability through relationship marketing strategy	-	3	20	49	72
3.	Relationship marketing has created client/customer satisfaction	-	2	15	55	72
4.	Achievement of a long-term relationship with clients/customers	-	5	20	46	72
5.	Increase in Sales Volume as a result of relationship marketing	-	10	17	45	72
6.	Improved strategic positioning due to relationship marketing	-	9	12	51	72
7.	Increased market share as a result of relationship marketing	-	1	8	63	72
8.	Image boost as a result of relationship marketing	-	2	12	58	72
9.	The degree to which the company analyze her level of commitment to serve the needs and wants of the customers/clients	-	-	7	65	72
10.	Constant measure of customer/client satisfaction	-	-	4	68	72
11.	Maintenance of regular contacts with customers/clients	-	4	9	59	72
12.	Fulfillment of promises made to customers/clients	-	-	3	69	72
13.	Relationship marketing-attributed growth	-	6	18	48	72
14.	Avoidance of conflict with customers/clients	-	5	19	48	72

Test 0 Hypothesis

The following hypothesis was tested, using a one-way analysis of variance (anova) statistical tool.

Ho: Relationship marketing contributes to organizational profitability.

Hi: Relationship marketing does not contribute to organizational profitability.

F calculated=0.286 and F1 tabulated 3.63at 0.05(alpha) and

F2 tabulated 4.18 at 0.01 (alpha) Thus, F tab.> F cal,

Criterion: If the critical value of F at 0.05 (alpha), is greater than ($>$) the F-ratio calculated, we Accept H_0 and Reject H_1 . But if otherwise, we Reject H_0 and Accept H_1 .

But here, $F_{tab} > F_{cal}$. We accept H_0 . and reject H_1 . Therefore,

Relationship marketing contributes to organizational profitability

The above analysis reveal that the adoption of relationship marketing in the selected food and beverage companies has increased their pace of growth, improved their profitability enhanced the satisfaction and retention of their customers/clients in recent times.

Conclusion

Concerted efforts should be made by organizations to fashion their strategies towards the attraction of potential customers, and ensure the retention of existing ones, through a well coordinated customer- oriented operation, in order to achieve the set organizational objectives. All these have become necessary because a satisfied customer will not only stay longer with the company, but will stay in constant patronage, talk favourably about the company and its product/service, pay less attention to competing brands and advertisements, less sensitive to price, offer product/service ideas to the company, and, costs less to serve than an entirely new customer because transaction is routinized. The organizations used in this study have succeeded over the years because of their unparalleled approach to relationship marketing practice.

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