

THE EFFECTIVENESS OF RELATIONSHIP MANAGEMENT AND SERVICE QUALITY ON SERVICE DELIVERY

Reuben Kinyuru Njuguna & Susan Mirugi

Abstract

To gain competitive advantage and retain their customers organisations need to take care of their prized assets which is their customers. This can only be achieved by efficient relationship management and service quality. This paper aims to study the effectiveness of service quality and relationship management on service delivery. Design/methodology/approach – This study uses a questionnaire and statistical analytical techniques to explore the effectiveness of service quality and customer relationship management (CRM) on service delivery. Findings – The results indicated that service quality has a positive influence on service delivery and relationship management enhances service delivery. Practical implications – The results found that service delivery aspects such as service processes, quality improvement, and value enhancing is indeed an important source of competitive advantage. Hence, enterprises should acquire valuable service processes in order to enhance the relationship with customers, as well as enhance their service quality. Furthermore, this research is expected to provide enterprises with valuable suggestions for management practices.

Keywords: relationship management, Service quality, Service

Introduction

Customer satisfaction is imperative, as this will facilitate repeat purchase, and reduce the cost of acquisition. In a globalized economy organisations need to ensure a healthy relationship with the customers. Customer Relationship Management (CRM) is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between customers and organizations. It is a business strategy that provides the enterprise with a complete, dependable, and integrated view of its customer base (Kotler and Keller, 2006). The main aim is to find, attract, and win new clients, nurture and retain the ones the company already has, entice former clients back into the fold, and reduce the

costs of marketing and client service. CRM describes a company-wide business strategy including customer-interface departments as well as other departments, (Meroz, 2006). As a result of customer relationship management organisations understand the needs of the customer thus customize their service offering to gain a competitive advantage.

Service Delivery

Service marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance to world economies (Zeithaml and Bitner, 2006). As technological advancement has equalized most production processes, one of the few remaining strategies that can set one company apart from others is customer service. Chandler (1962) stated that strategy determines the basic long-term goals of an enterprise, the

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adoption of courses of action and the allocation of resources necessary for carrying out these goals.

The service environment has evolved due to the following factors: changing patterns of government regulation, technological innovations, the service quality movement, pressures to improve productivity, relaxation of previous professional association, restrictions on marketing, internationalization and globalization etc (Lovelock *et al*, 1996). This has caused a lot of dynamism in the service sector and especially the aviation industry: competition has increased and consumers are exposed to more information. To survive, service companies have to differentiate themselves mainly by being as close to the customer as possible; this has led to an over emphasis in the area of service marketing to enable marketers in developing service strategies to respond to the market.

Service providers need to have the capacity to interpret the demand and to identify the type of services which is appropriate to support the different clients. In a pluralistic environment where there are multiple service providers to be contracted, it is important at this level to assess the performance of the different possible providers and the quality of their services in order to identify who can best do the job. Isolated services on specific issues might not be effective (Zeithaml and Bitner, 2006).

Effectiveness of Customer Relationship Management System on Service Delivery

The concept of customer relationship management evolved because it places emphasis on understanding customer needs and then solving problems or delivering benefits that create demonstrable customer value (Dowling, 2002). The role of information technology is important in this style of customer relationship management, as it is designed to support rather than drive the customer relationship. The types of relationships that develop here are often deep

and meaningful, both for the firm and the people involved (Dowling, 2002). A long-term and profitable customer relationship is the most valuable asset for the company. When providing services in service companies' customers always interact with the service provider. But the type of interaction differs from business to business. In some businesses, the service process continues for a long period of time, including a large number of contacts and interactions. When there is a service process, the process leads to cooperation between customer and service provider hence the emergence of customer relationship (Grönroos 2000).

In the past, companies assumed that customer satisfaction is one of the most important factors for a strong relationship. But the latest research concludes that customer satisfaction is a crucial but not sufficient condition for a relationship to be strong (Storbacka & Lehtinen 2001). Ability to satisfy a customer who has purchased once and induce him to buy again or more is a difficult task. By knowing some of the principles and used methods it is easier to learn about customer needs, monitor them, affect them and most of all know how to create satisfied customers.

The globalized world is changing very fast. As business conditions continually change, mid-market enterprises are forced to constantly realign their business strategy to maintain profitability and growth. Faced with the increased infiltration of companies that offer equal satisfaction levels to customers in the market, Aviation companies are compelled to come up with appropriate means of presenting their services so that brand preference, consumer loyalty and rightful perception in regard to product attributes among other objectives are realized.

Competition in the aviation industry demands organization to continuously seek means to gain customer loyalty. However, although firms realize the value of keeping customers loyal, no one

knows for certain how to do it (Wright & Sparks, 2004). Companies measure customer satisfaction, and hope that if the satisfaction scores are good, the customers will stay with the firm. But the truth is that even satisfied customers leave for the temptation of competitors' offers (Peck *et al.*, 2004). Loyal customers bring several advantages. They usually lead to increased revenues for the corporation, result in predictable sales and profit streams, and are more likely to purchase additional goods and services (Gremler & Brown, 2002). The link between customer relations management systems and service delivery has become increasingly recognized in marketing strategy, and the increasing interest in customer relations strategies is a result of the recognition that generating more business from existing customers usually are cheaper and more effective than just trying to attract new ones (Wright & Sparks, 2004).

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Methodology

This study was qualitative in nature and describes the airline sector in the term of impact of Organizational Commitment on individual bank employee Job performance. 2.1 Regression: Regression analysis is useful for identifying the main factors associated with, the problem or more independent variables that affect any of the dependent variable. According to our theoretical framework in which the dependent variable, job performance affected by independent variables, that is organizational commitment and its three dimensions. The dependent variable in the regression equation worked as the function of the independent variable, corresponding parameters "constant" and an error term. Error term represents the unexplained variation in the dependent variable. The unknown parameters are denoted by β .

Service Quality

The study sought to determine the extent to which service quality affects service delivery.

Table 1.4: Extent to Which on Service Quality Influence Service Delivery

Opinion	Frequency	Percentage
Very Great Extent	14	29.2
Great Extent	25	52.1
Moderate Extent	9	18.8
Less extent	0	0
Not at all	0	0
Total	48	100.0

From the study findings, majority of the respondents indicated that service quality influence service delivery to a great extent as shown by 52.1%, 29.2% of the respondents indicate to a very great extent while 18.8% of the respondents indicated to a moderate extent.

These findings show that service quality affects service delivery to a great extent.

The study further sought to establish the respondents' level of agreement with some statements relating to the influence of service quality on service delivery.

Table 1.5: Statements Relating to the Influence of Service Quality on Service Delivery

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	DeviationStd
improving service quality entails creating better service processes and outcomes to improve customer satisfaction	7	31	4	5	1	2.208	0.490
The task of value enhancing requires quality-improvement programs to deliver and continuously enhance the benefits desired by customers	12	25	6	4	1	2.104	0.362
Service quality is a major determinant of customer loyalty in any business	8	27	7	3	3	2.292	0.386
Productivity improvement efforts must seek to reduce the associated costs so as to generate maximum profits	10	32	3	1	2	2.021	0.522

Majority of the respondents agreed that productivity improvement efforts must seek to reduce the associated costs so as to generate maximum profits, as shown by a mean of 2.021; the task of value enhancing requires quality-improvement programs to deliver and continuously enhance the benefits desired by customers, as shown by a mean of 2.104; improving service quality entails creating better service processes and outcomes to improve customer satisfaction, as shown by a mean of

2.208; and that service quality is a major determinant of customer loyalty in any business, as shown by a mean of 2.292. These findings were found to concur with the findings of Kotler (1999) who noted that a service firm may win by delivering consistently higher quality service than competitors and exceeding customer's expectations. He further noted that after receiving the service, customers compare the perceived service and expected service and this determines their loyalty.

Table 1.3: Extent to Which on Managing Relationships Influence Service Delivery

Opinion	Frequency	Percentage
Very Great Extent	15	31.3
Great Extent	29	60.4
Moderate Extent	4	8.3
Less extent	0	0
Not at all	0	0
Total	48	100.0

From the study findings, majority of the respondents indicated that managing relationships influence service delivery to a great extent as shown by 60.4%, 31.3% of the respondents indicate to a very great extent while

8.3% of the respondents indicated to a moderate extent. These findings show that managing relationships affects service delivery to a great extent.

Table 1.4: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 Constant	4.902	0.453		10.821	.001
Relationship management	0.398	0.143	.014	2.783	.003
Service Quality	0.431	0.153	.132	2.817	.006

From the above regression equation it was revealed that holding customer segmentation, feedback management, managing relationships and service quality to a constant zero, service delivery would be at 4.902, a unit increase in managing relationships would lead to an increase in service delivery by a factor of 0.398 and a unit increase in service quality would lead to increase in service delivery by a factor of 0.431.

Summary of the Study

The study revealed that Customer Relationship Management System affects service delivery, these findings were found to be consistent with the findings of Hokkanen *et.al.* (2002) who argued that segmenting is successful if the people inside the certain group are similar and should also differ from target groups of the competitors. Similarly, Hooley *et.al.* (2004) noted that segmentation is a particularly useful approach to marketing for the smaller company since it allows target markets to be matched to company competencies and makes it more likely that the smaller company can create a defensible niche in the market.

The findings unfolded that managing relationships affects service delivery to a great

extent. The findings also unfolded that customer equity management is a an approach to marketing and corporate strategy that finally puts customers first, customers increase the value of the firm in the event of a sale, a fundamental relationship exists between strategies intended to bring about a single transaction and those designed to create extended relationships with customers and that customers are an important financial asset to the firm. These findings are consistent with those of Lovelock, Wirtz & Chatterjee (2006) who asserted that customers are an important financial asset to the firm as they increase the value of the firm in the event of a sale. They also noted that customer equity management is a new approach to marketing and corporate strategy that finally puts customers, and more important, strategies designed to grow the value of each other, at the heart of the organization.

The study found out that service quality affects service delivery to a great extent. The study findings also found out that productivity improvement efforts must seek to reduce the associated costs so as to generate maximum profits, the task of value enhancing requires quality-improvement programs to deliver and continuously enhance the benefits desired by

customers, improving service quality entails creating better service processes and outcomes to improve customer satisfaction, and that service quality is a major determinant of customer loyalty in any business.

Conclusion

In conclusion the findings revealed that customer segmentation affects service delivery to a great extent and that the most basic and often used method of segmenting a market is demographic approach. The study thus concludes that customer segmentation results in improved service delivery if the people inside the certain group are similar but at the same time differing from the target group of the competitors.

The study further established that feedback management affects service delivery to a great extent. Therefore, the study concludes that proper feedback management improves customer satisfaction by encouraging feedback and hence improves service delivery. The study further concludes that customer satisfaction can also be achieved by managing the relationship between the organization and their customers.

Further conclusions are drawn that in order to improve service delivery, an organization must be

in a position to improve on its productivity. To achieve this organization must ensure quality-improvement programs are put in place so as to deliver and continuously enhance the benefits desired by customers.

Recommendations

There is need for organizations to identify distinct segments as sizable groupings of consumers or business customers with similarities that respond to marketing efforts. This is because customers are different, and treating them all as if they were the same, results in poorly targeted offers, lower sales and dissatisfied customers.

The study recommends that organizations need to establish close relationship with their customers since when customers are highly involved with a service; they give feedback to try and contribute toward service improvement.

There is need for organization to carry out frequent research that finds out what customers expect. This is essential in providing quality feedback and marketing research the key to understanding customer expectations and perceptions of the service.

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