# To Study the Most Beneficial Ways to Build Customer Loyalty

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## ABSTRACT

*Building a loyalty program allows firms to keep existing customers and to search for new clientsBeing closely related to the client, in a personal way of caring, conveyed a sense of partnership to them, while applying a proper relationship marketing hip. Loyalty Program is an expression of the culture of a company. One reason that loyalty is growing rapidly, is because businesses are realizing the benefits of customer loyalty at the time of technological development. The purpose of this paper is to assess the importance of consumer loyalty in the process of building relationship marketing in the online and offline market.*

*For realization of this paper, is used marketing and social sciences literature and was chosen a sample of 446 consumers who were answering questions about the importance of consumer loyalty and its impact on relationship marketing. The choice is made randomly grouped by demographic distribution according to the region where they live, age, sex, educational*

*level and sector in which they work. The questionnaires were completed in two major Albanian cities, Tirana and Durres. The paper is based on primary and secondary data for the case of financial sector in Albania.*

*The findings of this research indicate that, based on the data we see that loyalty is important for online marketing. This is based on consumer perception data through surveys developed. So, consumer loyalty which is achieved by marketing on the Internet is important in relationship marketing.*

**Keyword**s: Loyalty, Relationship marketing, E-marketing, Customer.

## INTRODUCTION

Loyalty is a complex phenomenon, which includes aset of behaviors and attitudes. In recent years there has been a growing interest among institutions regarding the cultivation of relationships with the customer. The reason for this is that these

institutions have realized that building long-term relationships with customers provides a way to reduce their removal rates, reducing costs and increasing revenues. But while companies want to build relationships with its customers, few consumers think or perceive that they have a relationship with the companies to which are clients. Relationship marketing includes the activities of seduction, maintenance and growth of customer relationships with an organization. Building customer relationships is more than a marketing function: it is an organizational philosophy which affects the operations and processes, employees, customer service andquality. In this way, financial institutions which wishto build and maintain long-term relationships should follow a holistic approach to their behavior with the customer.

The success of a relationship will partly depend from the size of trust that exists between the customer and the provider of the product / service. Trust operates on both sides. For example, in applying for a loan, the customer needs to believe that the financial institution will provide the loan in time, while the financial institution needs to believe that the consumer will repay the loan on time according to the agreement. Trust, therefore, is a general expectation or hope that the word (and / or actions) of another to be something on which we can rely. It is proved that the length of arelationship between a customer and a company is positively related to consumer perceptions about thereliability of the company.

The customer is one of the most important factors for economic development, most companies in the four corners of the world pay extremely close attention, they even have separate departments dealing with complaints, demands, wishes, customer suggestions. But the question is how aware are consumers of the obligations that their vendors have towards them, or rather how many are aware of their rights guaranteed with the law in force for the protection of consumer rights.

How much importance given to the buyers feelings? How important are the habits, traditions of religious affiliation in the agenda of producers. Many companies across the globe tend to create and maintain strong links with their customers, which carefully managed all "sensitive points" in relation to customers in order to maximize their loyalty. Consumers today are difficult to enjoy, are wiser, more aware of quality, price, content, asking for more, forget harder and more alternatives offered by other competitors to offer thesame or even better.

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According to some economists are not difficult to acquire satisfied customers, some companies may even do this. But the challenge is to produce loyal customers and captivated. It's not enough to be able to attract new customers; the company must keep them and constantly make efforts to increase business. Many companies suffer from high customer desertion. It is like throwing money into bottomless sack unless you consider the care and preservation of the king of the company. The company should recognize the reasons of losing its customers and identify those that can manage it in the most efficient way.

## RESEARCH METHODOLOGY

The research is descriptive and explanatory aboutvariable and builds a broad picture of the relationship marketing and online marketing. Data were analyzed using different statistical methods such as multiple regressions, regression analysis with dummy variables, logistic regression, logistic regression with dummy variables and structural equation modeling (SEM) to test variables and constructs. The study explores these factors using as example the Albanian banking industry. To achieve the objective of the research, to prove or refute the main

hypothesis of the conceptual model is achieved by testing the assumptions.

- ✓ H1: Consumer loyalty is important for relationship marketing.
- ✓ H2: Consumer loyalty is important for online marketing.
- ✓ H3: Consumer loyalty that is achieved by marketing on the Internet is important for relationship marketing.

The paper consists of two parts which are alignedtogether. The first part consists of theory, for which weused the relevant literature to argue database,relationship marketing phenomenon and theimportance of loyalty factor in the marketing strategy. During this part we researched through variouspublications and studies. All publications taken into consideration are analyzed and take appropriateconclusions for each, which combined together, give an easily understandable focus on the importance ofdemographic elements in consumer data collection toidentify the importance of loyalty and implementationof relationship marketing in the online / offline marketin Albania.

The second part is built based on a survey with asample of 446 interviewees, who answered 14questions. Selection of the study sample has been donebefore, by selecting a

different age range sample(which coincides with the steps of technologicaldevelopment in Albania) and with different educationallevel, which again goes in proportion to technological development and use of the Internet, computer ormobile phone. Also, we tried to have a sample alignment between the two sexes. The selection is donerandomly and grouped according to age, gender andeducation. The questionnaires were completed in thetwo main cities of Albania, Tirana and Durres.

The research methodology used to answer thesequestions is an impact assessment of "average range".Unlike rigorous "academic" methodologies, averageranking methodologies are inclined to accept clearly areduced level of statistical validity, in order to accommodate the data collected in the field, resourceconstraints and enjoy program requirements forefficiency and usefulness.With grouped data we have built an econometric modeland statistical tests to identify how demographicfactors cross with factors which affect customer loyalty in the construction and implementation of relationshipmarketing in Albania and their statistical significances.

## RESULTS AND DISCUSION

## USED LITERATURE

Building a loyalty program allows firms to keepexisting customers and to search for new clients. Beingclosely related to the client, in a personal way ofcaring, conveyed a sense of partnership to them, whileapplying a proper relationship marketing hip. Loyalty Program is an expression of the culture of a company.

Offering a loyalty program for customers, tells themthat they are special and that the firm cares for them inparticular. The best program of loyalty tries to win a greater share of customers. Use of a stimulus is neededto keep customers, so they visit more frequently the firm and to buy its products, instead of the competitors.Companies know that they can create loyal customers when offerings of products and services are intended tosatisfy the personalized needs. This has conditionedmany online marketers to define a massive adaptation strategy, offering online customers configure theproduct or service. The interactive nature of the Internet makes "build your product" method possible,which is a partial easily to determine a purchasing option. An authorized customer base, who feels that acompany can deliver exactly what they want, is likelyto remain loyal for a long time.

Consumer loyalty is the greatest achievement for acompany that aims to be a leader or to have longevityin the market. Also, it is an indicator of marketingperformance. A company, thanks to her work,commitment to attracting consumer attention andquality products that produces and trades, has manychances to achieve this indicator (customer loyalty) to its products and to benefit from this consumer trend, asa new product, being promoted in the market, tested for the first time, has little possibility to be tried again bythe same customers. Marketing experts give anestimate, where about 25% of consumers who try forthe first time a product, continue to retry it. This is aprocess that goes on with the achievement ofsatisfaction of the clients and if it fulfills all thestandards required by customers, with a little luck, can make them loyal to the product. The difficulty lies inthe attracting of attention, when dealing with the introduction of a new product in the market. Thisdifficulty comes because only a small portion, called"innovation" rushing to taste new products that comeon the market, while the rest is more conservative andexpects the consent or approval of the product by thepeople who surround them. So, consumer loyalty is adifficult process and has to do with communication of the product by the company, its clients and theirapproach with the aim of achieving the pleasure of tasting a product. This tasting will lead to constantreexamination, as well as gaining a loyal customer for the company, who will always depend on the offeringsof competitors. Very few companies care about theircustomers' loyalty. Most businesses think only aboutthe amount of customers and not the quality of theirinclinations. So, they worry about the increasing number of customers and not whether their customersare loyal or not.

A loyalty program allows creating a close relationshipclient - company, creating an interactive environment.This enabled by the process of changing the customer behavior, behavior which is difficult to predict, ascustomers are skeptical of any firm in the market that makes such offers. Normally, the "best customers" areeasily identified in these programs. They should be given special attention. In fact, the rule of this loyaltyprogram is 80/20, which means 80% of the turnover ofthe business comes from 20% of clients. Frequency programs (FP) are designed to give prizes to customerswho buy often and on considerable amounts. Frequency Marketing is recognition of the fact that20% of customers of the company

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can be equal to 80% of its business. Frequency programs are seen as a wayto build long-term loyalty with these customers, seeingthe possibility of reciprocal sales potential in thisprocess.

So, the best customers are those who pay. Loyalty clubmembers evaluate their membership. They believe inthe hospitality of the company, its products and services and to the people who serve them. They feel aspecial sense, which means that belong to someone. Communicating with them should be friendly andsaved, then, in a database, through which their progressis followed.

The cost of securing new customers is big, usually,greater than providing more turnovers from existingcustomers. This is because, existing customers requireless attention. They recognize the signature; know theproducts, managers and firm services. Thanks to this understanding, they always come back with pleasure tobuy at this firm, with fewer incentives and motivation than necessary to acquire new clients. For thesereasons, the loyalty program works. Seeing that there isan admirable attendance of a business activity, and then the business should build a loyalty program. There areseveral companies that use this method spontaneously, without any program, through discounts that makeregular customers. Also, there are several clubs in Tirana, which have made use of the membership card,thus implementing relationship marketing to attend their premises. This card is given to the best customerson a regular basis, who spend more during their stay inthese areas. This method can use the hotels, airlines,rental cars, banks, etc.

By literature we know that the cost of providing newcustomers is bigger than the cost of keeping existingcustomers. This is because existing customers requireless attention. They recognize the signature; know theproducts, managers and firm services.

One reason that loyalty is growing rapidly, is becausebusinesses are realizing the benefits of customer loyalty at the time of technological development.Marketers, due to customer loyalty hope that they can keep customers at a high level, while competitors canfind a way to close the gap in attitudes between brands,moreover by: 1- attempting to mitigate or reduce thedifferentiated benefits from a major brand, 2-increasing differentiation on its trademark or, 3-encouraging false loyalty from customers. In fact, it isclaimed that the basic work of any business today is the preservation of the clientele at a high level. Based on a study,

an increase of 5% of customers wouldincrease benefits by 25% -95% (Reicheld & Schefter, 2000). A statement said: "One of the most exciting andsuccessful use of the internet is its role in buildingcustomer loyalty and maximizing sales". The presenceof a numerous number-s websites is a tool that has ledto reduce the impact of retailers in the market(Strinivasan, Anderson, &Ponnavalu 2002). Otherresearchers suggest that price sensitivity may reduce loyalty, more online than offline. This is probablybecause customers now can easily compare between their products and services in a minimum time.Changing the role of the Internet in the context of satisfaction and infrastructure can increase theimportance of online loyalty. For this reason, thereshouldn't be a surprise that companies are using avariety of ways to achieve customer loyalty. Manyresearchers have focused their research more in terms of interpersonal trust and interorganizationalconfidence and less in terms of trust between people and organizations. We will treat these types of

beliefsclosed, in particular in the context of internet marketing. Our discussion in this sub-issue containstwo elements: corporate image and clientele values, which has a poor study in online environments, despitethe indisputable importance in the offline context.In recent studies, Morgan and Hunt have definedloyalty as "an ongoing relationship with a veryimportant customer and the company must ensure maximum effort in keeping it", which implies strongemotional commitment and behavior for the company. This view is not universally held. For example, Assael(1987) argues that they are synonymous and representeach other.

## FINDINGS

**Hypothesis: H1**: Consumer loyalty is important forrelationship marketingconfirmed by the results of the below testing.

**Hypothesis: H**2: Consumer loyalty is important foronline marketing. By the logistic regression analysis, we see the value$P_{value}$ H1 and compare it with the coefficient α (0:05). Inour case,

### Table 1 Coefficients for hypothesis H1.

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Gab. Stand | Beta | | |
| 1 | (Constant) | 2.205 | .278 | | 7.933 | .000 |
| | Loyalty | .588 | .096 | .434 | 6.148 | .000 |

From the statistical results that multiple regressionanalysis gives us, we see the value Pvalue H1 and compareit with the coefficient α (0:05). In our case, Pvalue H1 =(0.00) < (α) 0:05. This shows that H1 is supported bytest results. So, consumer loyalty is important in relationship marketing. This result comes naturally asbuilding a loyalty program allows firms to keepexisting customers and to search for new clients. Beingclosely related to the client, in a personal way of caringconveyed a sense of partnership to them.

From the coefficient table we see that the variable ofconsumer loyalty is important and affects therelationship marketing, as well as for our model ofvariable Pvalue = 00:00 <0:05, so their interaction iswithin the range of 95% reliability. Even theprocessing of questionnaire data collected throughinterviews and surveys of employees of commercial banks, we see that the

variable of consumer loyalty isimportant for relationship marketing, as for this variable, even from this survey show that the testing ofthe hypothesis, Pvalue = 00:00 <0:05, then thehypothesis H1 is statistically supported.

Meanwhile, from the statistical indicator of R2 recallthat only loyalty variable alone, explains to 18.8%relationship marketing. While, from the processing of data from surveys of employees see that R2 = 22.6,which means that under the latter survey of consumer loyalty explains 22.6% of relationship marketing. Inconclusion, we can say that the loyalty program is an expression of the culture of a company. Being closelyrelated to the client, in a personal caring way, conveyed a sense of partnership to them. Offering aloyalty program for customers tells them that they arespecial and that the firm cares for them in particular. Aloyalty program allows creating a close relationshipclient-firm, creating an

interactive environment. This isPvalue H2 = (0.00) < (α) 0:05. This shows that H1 issupported by test results. So loyalty is important in online marketing. Companies

know that they cancreate loyal customers when offerings of products and services are intended to satisfy their personalizedneeds.

**Table 2 Coefficients of Likhert scale test for the hypothesis H2.**

| Effect | Model Fitting Criteria | Likelihood Ratio Tests | | |
|---|---|---|---|---|
| | -2 Log Likelihood of Reduced Model | Chi-Square | df | Sig. |
| (Constant) | 171.883 | 70.225 | 8 | .000 |
| Loyalty | 193.129 | 91.471 | 8 | .000 |

This has conditioned many online marketers to define amassive adaptation strategy, offering online customersconfigure the product or service. The interactive nature of the internet makes "build your product" methodpossible, which is a partial easily to determine a purchasing option. From table 2 we see that loyaltyvariable affects marketing on the internet, which means that their interaction is within the range of 95%reliability. From the table of coefficients we see thatloyalty is important for online marketing.This is basedon consumer perception data through surveysdeveloped. However, the processing of data collectedthrough interviews, questionnaires and surveys toemployees of

commercial banks, do not get the same statistical indicators, as according to the analysis ofthese data, Pvalue = 0292> 0:05, which means that H1 is not supported statistically according to data from thesurvey of employees. As discussed above, the variablesexamined are the main instruments of internet marketing, but are variables of relationship marketing.

**Hypothesis:** H3: Consumer loyalty is achieved bymarketing on the Internet is important for relationshipmarketing.By logistic regression analysis, the following tables (Table 3) we see the value Pvalue H3 and compare it withthe coefficient α (0:05). In our case, Pvalue H3 = (0.00)<(α) 0:05. This shows that H1 is supported by

testresults. So, consumer loyalty which is achieved bymarketing on the internet is important in relationship marketing. Online sales are unlike traditional salessites built in the physical market, because we have a lack of direct contact with the buyer and the possibilitythat buyers see the product physically. In terms of information asymmetry are more risks in online trade.All these factors make crucial the trust in

electroniccommerce because it is a high-risk transaction. Eventhe processing of questionnaire data collected throughinterviews and questionnaires to employees of commercial banks, we see that the variable consumerloyalty through internet marketing is important for relations, as this variable, even from this survey it isshown that Pvalue = 0.000 <0:05.

**Table 3 Coefficients of Likhert scale test for the hypothesis H3**

| Effect | Model Fitting Criteria | Likelihood Ratio Tests | | |
|---|---|---|---|---|
| | -2 Log Likelihood of Reduced Model | Chi-Square | df | Sig. |
| (Constant) | 294.733 | 62.640 | 18 | .000 |
| E14 | 292.200 | 60.107 | 18 | .000 |

From table 3 we see the coefficients which show thatvariable loyalty through internet marketing affects relationship marketing, which means that theirinteraction is within the range of 95% reliability. Fromthe table we see that loyalty which is achieved by marketing on the internet is important in relationship marketing. This is based on consumer perception,given by survey developed.

# CONCLUSIONS AND RECOMMENDATIONS

A loyalty program allows creating a close relationshipclient -companies, creating an interactive environment.This enables the process of changing customer behavior, behavior which is difficult to predict, ascustomers are skeptical of any firm in the market thatmakes such offers.Online sales are unlike traditional sales sites built inthe physical market, because we have a lack of

directcontact with the buyer and the possibility that buyers see the product physically. In terms of informationasymmetry are more risks in online trade. All these factors make the trust crucial in electronic commercebecause it is a high-risk transaction. Kindness, honesty and legal power, are fundamental elements on which isbased the belief (Ganesan 1994). However, trust is likean economic network with a complicated structure andmultidimensional (Houston 2001).One reason that loyalty is growing rapidly, is becausebusinesses are realizing the benefits of customerloyalty at the time of technological development.Even from the processing of questionnaire datacollected through interviews and surveys of employees of commercial banks, we see that the variable ofconsumer loyalty is important for relationshipmarketing. From the processing of the data, we see that loyalty isimportant for online marketing. This is based onconsumer perception data through surveys developed.

So, consumer loyalty which is achieved by marketingon the internet is important in relationship marketing.

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