



**Relationship Marketing as a Tool for Enhancing Customers' Loyalty after Fuel Subsidy  
Removal in Nigeria**

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***Abstract***

*The Nigeria educational sectors have wanted to apply relationship marketing strategies in an effort to strengthen their marketing efficiency. Nevertheless, students in Nigeria often complain about the low quality of educational services together with high service charge especially after*

*the removal of fuel subsidy. This study therefore examined the effect of relationship marketing as a tool for enhancing customers' loyalty after fuel subsidy removal in Nigeria. Judgmental sampling techniques was adopted to select a total number of one hundred (100) students from Adecos college of business and Management, Ibadan where copies of self-administered questionnaire were distributed to the respondents and simple linear regression analysis was adopted to analyzed the hypotheses formulated for the study. The study revealed that promise fulfilment has a significant effect on customer loyalty, and also, that complaint handling has an impact on customer loyalty. The study therefore conclude that relationship marketing are much more considered in determining the ability of an organization to maintain customers' loyalty and as well been found in this study that, empathy shown to customers has significant effect on loyalty of customers. Finally, the study recommends that there should be systematic procedures which will facilitate complaint handling and communication pattern effectively during and after fuel subsidy removal.*

**Keywords:** *Relationship Marketing, Subsidy, Fuel Subsidy, Subsidy Removal, Customer Loyalty, Complaint Handling*

## **Introduction**

As the marketing environment becomes more unstable, the most important factor the sellers face is no longer provision of quality and outstanding products, but how to keep customers who will add to the growth of the firm in term increment in sale, market share and profit (Tseng, 2007). To compete in such environment, marketers and organisations are encouraged to look away from the traditional marketing mix (4P's of marketing: product, price, promotion and place) for achieving their marketing objectives and competitive edge. Therefore, relationship marketing among has become suitable alternative in building strong and everlasting relationship and associations with their customers (Andaleeb, 2016).

Recently, the market place is over saturated and that has lead to strong competition among firms. Organisations operating in such over saturated market place enhanced their competitive advantage in a more sustainable way and then constantly maintain, enhance, improve and promote mutual relationships and understanding with customers (Yulisetiari, 2016). The ability to recognise this fact among firms has resulted to the development and adoption of the relationship marketing strategies that focuses fully on the quality of customer relationships (Zhang, Watson, Palmatier & Dant, 2016).

Relationship marketing is an approach intended to enhance customer loyalty, communicate and building of lasting engagement with customers by giving them information which are in line their needs and wants. This most times led to direct or personal selling activity, repeat transaction and a willingness on the aspect of customers to serve as source of credible and viable information to the organization (Peng & Wang, 2006).

Presently, majority of the firms and marketers in Nigeria are finding it difficult to convince their customers in increasing their patronage especially in Nigeria where the government has removed the fuel subsidy. Immediately after the fuel subsidy removal, price of commodities started increasing which led to decrease in patronage because customers could not afford to buy many and therefore many are looking for alternatives. However, the Nigerian economy has been subsidized in various ways for many years and this includes fuel, education, electricity, forex and so on. Fuel subsidies began in the 1970s and became institutionalised in 1977, following the circulation of the Price Control Act which made it illegal for some products (including petrol) to be sold above the regulated price (Yunusa, et. al., 2023). While the concept of subsidy itself is splendid, its administration in Nigeria has been criticized with serious allegations of corruption and mismanagement.

### **Statement of the Problems**

The main aim of relationship marketing is to increase customers' commitment and to boost customers loyalty. Firms are confronted with severe competition in market place, as a result of this, there are many marketing strategies available for organisations especially educational institutions to develop and implement. However, consumers are worried by most of these marketing activities such as aggressive sales techniques, telemarketing, home service activities, radio and television advertisement, and internet marketing and other programs channeled towards customer loyalty (Peng & Wang, 2006).

Nigeria educational sectors have wanted to apply relationship marketing strategies in an effort to strengthen their marketing efficiency. Nevertheless, students in Nigeria often complain about the low quality of educational services together with high service charge especially after the removal of fuel subsidy.

Similarly, Fuel subsidy has been a major source of government expenditure in Nigeria, with huge amounts being spent yearly to keep petrol prices relatively low. This has led to the government borrowing deeply to finance the subsidy, which in turn increases the country's deficit. By

removing the subsidy, the government can reduce its borrowing and the associated huge deficit, making resources available for other sectors that are in need. This fuel subsidy removal has led to many economic challenges which are affecting people's consumption and lifestyle. Higher institutions are not left out of these challenges and one way in which they can adopt in keeping their services relevant is by increasing their service charges (tuition fee, acceptance fee, accommodation fee and so on). Therefore, relationship marketing strategies such as; (trust building, complaint handling, communication, promise fulfillment, empathy and so on) are needed by these institutions in managing these challenges.

**The objectives of the study are to:**

- i. examine the effect of promise fulfillment on customers' loyal amidst subsidy removal in Nigeria
- ii. determine the impact of complaint handling on customer loyalty amidst subsidy removal in Nigeria

The following hypotheses were tested:

H0<sub>1</sub>: Promise fulfillment does not have significant effect on customers' loyal amidst subsidy removal in Nigeria

H0<sub>2</sub>: There is no significant impact of complaint handling on customer loyalty amidst subsidy removal in Nigeria

**Literature Review**

**Relationship Marketing**

Different scholars from various fields defined relationship marketing according to their perspectives. Therefore, Glory, Idorenyin, Edim and Sarah (2021) defined relationship marketing as a way of doing business and a strategic orientation which focuses on retaining existing customers rather than on acquiring new customers. In the view of Chakiso (2015), relationship marketing is viewed as the activities carried out by business organizations for the purpose of attracting, interacting and retaining more profitable or high net-worth customers. Walsh, Gilmores and Carson (2004) define relationship marketing as the activities carried out by firms in order to attract, interact with, and retain more profitable or high net-worth customers. From the above definitions, relationship marketing can be seen as an act which seeks to increase customers' patronage and loyalty and also to rendered better and quality services to the customers.

## **Variables of Relationship Marketing**

The followings are relationship marketing variables:

**Trust:** Trust refers to the ability to rely on somebody's word. It is based upon status, traits and processes. Some consider trust as an important consideration because many aspects of relations between customers and suppliers cannot be formalized on legal criteria. Instead, relationships have to be based on mutual trust. Trust is defined as the idea or certainty about the other party's intentions within the relationship. In the context of relationship marketing, trust is defined as the aspect of a business relationship that establish the level to which an individual feels they can stand on the uprightness and integrity of the promise offered by another party (Chattananon & Trimetsoontorn, 2009).

A customer is said to trust a firm when he is guaranteed that the company has all what it takes to effectively serve his needs and wants (Bradley, 2018). Olayinka and Odunlami (2018) said that trust entails peoples' expression of assurance or confidence in the efforts of firms to provide products that are capable of meeting their expectations.

**Promise Fulfillment:** Promise fulfillment is one of the scopes which determine if a relationship is to continue or be stopped. For instance, if a firm made a promise to satisfy customers and such promise is not fulfilled to the fullest, then the customers may decide to terminate the relationship between them and the firm. Also, if a particular customer fails to deliver his/her payment promise to the firm, then the firm can as well terminate an existing relationship. Therefore, making promises is not enough, but fulfilling them is equally important. Claycomb and Martin (2001) also highlight the relationship between trust and promise. In the service sector, trust is important because individuals do not only pay for service rendered, but they are most times after satisfaction and promise fulfillment of the service. A firm may attract customers by giving promises and persuading them to behave in some particular ways that will benefit the firm. Profitability of firms requires that the relationship be developed and sustained in order to expand customer base. The fulfillment of the organisational promises is important in attaining customer satisfaction and loyalty.

**Complaint/Conflict Handling:** Firms who are after customer satisfaction and loyalty should create a viable means of receiving, attending and managing customers complaints and critics if

arises. Because this will help firms to improve their relations with the customers, avoid negative perception, negative publicity, to know the area which requires improvement upon satisfying the customers better and to generally improves the quality of their services. The ability of the service provider to manage complaints effectively will also influence customer loyalty directly.

**Communications:** In respect to the concept of relationship marketing, communication is the flow of information between an organisation and its customers in order to achieve specific business objectives (Rajah & Al-Islami, 2014). Communication is essential in relationship marketing because it perform a crucial role in creating a formidable partner's intentions and abilities. Communication, in relationship marketing entails keeping in contact with esteemed customers; providing up-to-date information on service and the changes in services; and responding to problem occurs effectively (Ndubisi & Madu, 2009).

### **Subsidy, Fuel Subsidy and Fuel Subsidy Removal**

Subsidy is the financial relief given by the government to the citizens on the price of commodities they consumed or purchased. Subsidy can be seen as a grant of financial support from the government to keep the prices of commodities at a certain level. To subsidise means to sell a particular product below the cost of production or expected price.

On the other hands, Fuel subsidy can be defined as government effort in paying for the difference between the pump price of fuel and the actual cost of importation. So by paying the difference, the government enables fuel to be sold at a lower price so as to ease the burden on people (Yunusa, et. al., 2023). It can also be seen as of financial aid from the government used to maintain the price of petroleum products (Civic Keypoint, 2023).

Removal of fuel subsidy is a way in which the government not paying for the difference between petrol price and the actual cost of importing or producing fuel anymore (Odi & Obiora, 2023). It also means deregulation of the downstream sector to give way for others who are interested in investing in the sector. However, Fuel subsidy removal simply means the government decision of not paying for the difference between pump price of fuel and the actual cost of importation. It technically means full deregulation of the downstream sector to pave way for vibrant competition by other interested investors (Yunusa, et. al., 2023). With the removal of fuel subsidy, fuel will have to be sold in accordance with the prevailing market price based on the actual cost of importation.

### **Implications of Fuel Subsidy Removal on Customers' Loyalty in Nigeria**

President Asiwaju Bola Ahmed Tinubu on 29<sup>th</sup> of May, 2023 announced the removal of fuel subsidy in Nigeria and since then, pump price of petroleum product has automatically increased and however, the cost of living has become so expensive and difficult for most Nigerians because of the rise in pump price of petroleum product. Cost of food items, transportation fares, service charge, school fees and price of other commodities have been skyrocketed immediately after the removal of fuel subsidy which has become major challenge to businesses and marketers in selling their commodities.

Since people cannot longer purchase items with little amount of money they have anymore, therefore, they are now looking for alternatives on how to satisfy themselves to some bearable state. Some of the ways in which people are adopting in managing the little amount of money they have is by cutting their expenses, buying lower quality and quantity of items needed, reducing the number of time they go to work, moving from patronizing an expensive brand to a lesser one (reducing their level of loyalty) and so on.

However, organisations and marketers need to start adopting relationship marketing strategies such as: trust building, communication, empathy, promise fulfillment, complaints handling and the likes more than before. This is because certain things must be done before a customer will be loyal and ready to buy at all times.

### **Customer Loyalty**

Mellroy and Barnette (2000) defined customer loyalty as a customer's intention to perform transaction with a particular firm by purchasing their goods and services repeatedly, and recommending their services to others. Customer loyalty occurs when a customer is faithful to a particular brand and always ready for a repeat purchase. This makes the customer to come back for further transaction even when the firm is not really satisfied as before. Mei-lien and Green (2010) examined the above definition and they stated that customer loyalty is a long-term commitment to re-purchase a preferred goods or services despite both internal and external factors influence and marketing efforts having the potential to determine switching behavior and recommending the product to others.

Customer loyalty is the manner or the approach that would make a customer to consider the repurchase of a particular good produced by a particular company or firm. Anyionu (2021) cited that Lovelock (1996) defined customer loyalty as the readiness of a customer to keep on patronizing a firm's product over and over repeated and voluntary recommendation the company's products to others.

## **Theoretical Review**

### **Social Exchange Theory (Homans, 1958)**

The social exchange theory by Homans (1958) posits that every human relationship is formed with the use of cost-benefit analysis and comparisons of alternatives. He suggested that when an individual perceives the cost of a relationship overwhelmed the perceived benefits, then the person will choose to leave the relationship. The theory further explained that individuals that give much to others by trying to get much from them and those persons that get much from others are under pressure to give much to them. The social exchange theory established the relationships between two parties through series of mutual exchanges that yield a pattern of mutual obligations to each party. Social exchange theory indicates that individuals will be willing to maintain relationships because of the expectation that it will be rewarding.

This theory is appropriate for this study because service rendered will be perceived as social exchange of benefits between the two parties (buyer and seller) which will also determine the effectiveness of relationship marketing strategies used by the firm being a crucial element of loyalty and satisfaction and then providing a strong reason for continuous relationship.

### **Methodology**

Judgmental sampling techniques was adopted to select a total number of one hundred (100) students from Adecom college of business and Management, Ibadan where copies of self-administered questionnaire were distributed to the respondents and simple linear regression analysis was adopted to analyzed the hypotheses formulated for the study and out of one hundred (100) copies of questionnaires distributed, only ninety-nine (99) copies were valid and used for the analysis.

## **Hypotheses testing and finding**

### **Hypothesis One**

H0<sub>1</sub>: Promise fulfillment does not have significant effect on customers' loyal amidst subsidy removal in Nigeria

### **Table 1 Coefficients<sup>a</sup>**



| Model |  | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|-------|--|-----------------------------|------------|---------------------------|--------|------|
|       |  | B                           | Std. Error | Beta                      |        |      |
| 1     | (Constant)   | -.160                       | .052       |                           | -3.086 | .002 |
|       | The nature of promises made and fulfilled between exchange partners has relationship with customers loyalty after fuel subsidy removal | .932                        | .020       | .931                      | 47.641 | .031 |

a. Dependent Variable: customers' loyalty

**Source:** Author's computation, 2023

Table 2 above show the result of hypothesis one, From table 2 above, the p-value of  $0.031 < 0.05$  however we reject null and conclude that, customer promise fulfillment is also a key factor in relationship marketing which affects customers loyalty. This implies that promise fulfillment has significant effect on Customer patronage fuel subsidy removal in Nigeria.

**Hypothesis Two**

H0<sub>2</sub>: There is no significant impact of complaint handling on customer loyalty amidst fuel subsidy removal in Nigeria

**Table 2** **Coefficients**

| Model |            | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
|       |            | B                           | Std. Error | Beta                      |        |      |
| 1     | (Constant) | -1.006                      | .108       |                           | -9.298 | .000 |

|   |       |      |      |        |      |
|---|-------|------|------|--------|------|
| Effective and timely complaints management is key in building and maintaining customers' loyalty after fuel subsidy removal | 1.015 | .029 | .881 | 34.774 | .001 |
|---|-------|------|------|--------|------|

a. Dependent Variable: customers' loyalty

**Source:** Author's computation, 2023

Table 2 above show the result of hypothesis two, from table 2 above, the p-value of  $0.01 < 0.05$  however we reject null and conclude that, Complaint Handling has significant relationship on customers loyalty amidst fuel subsidy removal in Nigeria.

### Discussion of the Research Findings

From the outcome of the research study conducted on using Adecom students as case study. It was realized that majority of the students support that promise fulfillment has some significant effect on customers loyalty after fuel subsidy removal and that effective complaints handling has positive impact on of customer loyalty after fuel subsidy removal in Nigeria. This implies that relationship marketing plays a significant role in improving customers' patronage and loyalty during and after fuel subsidy removal in Nigeria because of certain level of inflation experienced by individual that disturbed and affect their level of patronage and loyalty.

### Conclusion and Recommendation

Making reference to the outcome of the findings, it is clear that relationship marketing provides an effective customer satisfaction and as well brings about customers loyalty in Adecom College of Business and Management, Ibadan. Also, relationship marketing also helped to facilitate interaction and long-term relationship with customers by providing them special treatment which show them how committed an organisation is.

Recently, the practice of relationship marketing in Nigeria market since fuel subsidy removal pronouncement requires service organisations to realize the importance their customers and adhere to customer relationship marketing if they must survive and grow customer loyalty. Customer loyalty is very much important in educational sectors as these relationship activities are implemented to develop long term relationship with the customers.

Adecom College of Business and Management, Ibadan can be said to be doing quite well with their marketing system especially amidst fuel subsidy removal. This can be distributed to the existence of the relationship marketing strategy designed by the management to integrate internal process and functions, and external networks. Hence, the strategies put in place such as giving of tuition free scholarship to student, having parents and management forum, timely response to customers complaints and fulfilment of the promises made to customers have helped to improve the effectiveness of management and performance of the staff involved with the marketing system.

Finally, this study revealed that relationship marketing are much more considered in determining the ability of an organization to maintain customers' loyalty and as well been found in this study that, empathy shown to customers and communication has significant effect on loyalty of customers in recent times.

### **Recommendations**

In line with the findings and conclusion, the following recommendations were suggested:

- I. Management of institutions should continue with scholarship for students to cushion the effect of subsidy removal on the students and parents because without this strategy, level of patronage will reduce and loyalty will not be attained.
- II. The school management should integrate complaint handling techniques as one of the most important variables to use in achieving customers loyalty and patronage, this is because customers want a reliable and responsive service providers if at all they will pay for any service.
- III. A way of improving relationship marketing should be embarked on by training and educating staff on the evaluation of marketing strategies and designs to adopt on customers' loyalty. This can be done by organizing seminars and workshop for members of staff, especially those in charge of the marketing strategy formulation.
- IV. Communication and prompt information should at all time be provided to parents and students about any change or new decision taken by the management.

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