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The Opportunities of Relationship Marketing: Aspect of the Eu Digital Market

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The Opportunities of Relationship Marketing: Aspect of the Eu Digital Market

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Abstract

The purpose of research is to analyse and evaluate opportunities of using relationship marketing in online trading in Latvia as a part of EU countries.

The objectives of research are to analyse scientific literature on the topic in order to find out the main ideas and understandings of research definitions and problems, to conduct a relationship marketing research, to make the internet trade industry analysis, to evaluate opportunities of using relationship marketing in online trading.

The methods of research are: theoretical analysis of scientific literature, experts' survey and its analysis.

In the course of time it becomes necessary to have long-term relationships between businesses and consumers. Many companies want not only to sell their products to the consumer just once, but also to make up a new relationship with them, to increase the level of loyalty to the company and its products in future. Therefore, it is necessary not only to "create" consumer's base, but also to work to encourage consumers to re-purchase products. This means that there is a necessity in two-sided communication or relationship marketing.

The suitable environment for relationship marketing is online trading market, where communication is much faster and easier than in real life, and which influences the effectiveness of communication. In the EU digital market consumers also search for solutions to purchase as effective as it is possible. The author's research shows that online trading companies use relationship marketing in their activities. The research results can be used in practice, which will help online trading industry, in the EU digital market and especially in Latvian online stores, to communicate more efficiently with their customers, and use the existing databases more efficiently.

KEYWORDS: relationship marketing, online trading, marketing communications.

Introduction



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The number of consumers who use online stores every year grows faster and faster, and in 2014 71% of Latvian internet users are involved in online shopping, which is by 4 percentage points more than in 2013. As it is shown in Gemius data, people aged between 25 and 34 are more active in online trading; women do that more often and act as professionals or office workers (KursorsLV, 2014). Analysis of Citadele Bank data shows that the number of transactions into foreign online shops increased by 42%, and into Latvian shops – by 9 percentage more in 2013 than in 2014 (Haka, 2015). In spite of the fact that in Latvia the popularity of online stores is growing, consumers shop more in foreign online stores. Comparing the Baltic States countries between each other, Latvia takes the second place in terms of the percentage of people who are aged between 16 and 74 and who get the goods or services on the Internet (Latvian Internet Association, 2014).

Analysing the same data from 2014 year for the EU countries it is possible to see that a big number of people now prefer use online platform as a place for ordering goods or services. In addition, it can be pointed out that electronic sales takes in average 25% from total turnover. The map shows the comparison of different EU countries.

Country	Residents, %
Latvia	33.5
Estonia	48.6
Lithuania	26.0

Source: Latvian Internet Association E- Commerce Statistics, 2014

Table 1

People purchasing goods or services online (aged 16–74) %

After evaluation different sources and data it is possible to underline that online trading is becoming popular and convenient way for consumers. However, the problem is in the huge number of online sellers and shops. It is necessary not only to promote products or services but also to build a long – term relationship with consumer and to strengthen level of the customer loyalty.

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The following hypothesis were set:

- _ H1: Mostly companies in the EU use CRM systems but do not make an analysis from the data.
- _ H2: Reaction time for different feedback is too long and sometimes feedbacks are not taking into account at all.

The methods of research are: theoretical analysis of scientific literature, experts' survey and its analysis.

After analysing and evaluating both theoretical and statistical results the authors came to key results that to have a long – term relationship with a customer online companies should not only have CRM (customer relationship management) systems, but also work with it appropriately in order to satisfy their customer needs in the best way to increase loyalty level in the future. Online vendors react very slow or sometimes do not have a reaction at all at different (positive, negative) feedbacks from customer. Reaction time is one of the components of loyalty model and it is important to provide the best solution in the quickest time for consumer.

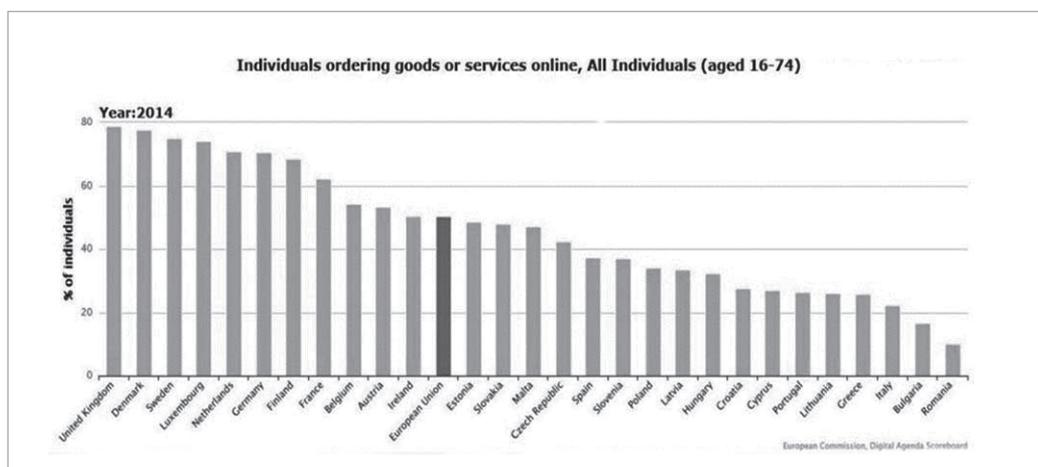


Figure 1

Individuals ordering goods or services online, All individuals (aged 16–74) (Latvian Internet Association E- Commerce Statistics, 2014)

Figure 2

Total electronic sales by enterprises, as a % of their total turnover. (Digital Single Market, 2016)



Relationship marketing in the online dimension

It is possible to define relationship marketing as a multi-dimensional construct consisting of six behavioral components such as trust, bonding, communication, shared values, empathy and reciprocity (Yoganathana, Jebarajakirthyb, Thaichon, 2015). It can be pointed out that there is connection such as communication between customers and sellers increases the understanding of each other and enhances closeness and trust (Huang, 2015). Talking about relationship marketing, the authors of the paper think first about long-term relationship with customers. It is necessary focus not only to customers but also on the creation of long-term relationships with other stakeholders (such as suppliers, institutions, intermediate customers) to implement the company's value proposition and therefore its competitiveness in the market (Bressan, Signori, 2014).

Long-term relationship with customers is not only one relationship marketing dimension it is also one of the preconditions for the loyalty. The aim of relationship marketing is to create customer loyalty based on customer satisfaction. Relationship marketing can improve the level of customer satisfaction and loyalty, and simplifies purchasing procedures (Miquel-Romeroa, Caplliure-Ginera, Adame-Sánchez, 2014). Customer loyalty is one of the most important elements of relationship marketing. Strictly related to customer loyalty is customer satisfaction (Dumitrescu, Țichindeleanb, Vinerean, 2013).

Marketing channel in the Internet is different from the traditional one. Customers have to choose and evaluate product only from the provided information even pictures on the website (Bilgihana, Bujisic, 2015). It is impossible to touch the product or to try it before buying process. That is why for the online seller it is necessary to provide full and trustful information about the all products, prices, delivery and payment terms.

In the online market consumer has two ways of purpose to use Internet – hedonic and utilitarian shopping (Bilgihana, Bujisic, 2015). Hedonic shopping consumer uses when he wants to entertain himself like surfing the Internet, watching different pictures or reading funny quotes and after that just do shopping with no specific reason. Utilitarian shopping has a particular goal to buy something such as buying products with the lower price. Customers' behaviour and attitude about the product offered by the company is differs how website fulfils the utilitarian or hedonic

requirements of the customer. Understanding and evaluation of the customer behaviour helps to find out the effectiveness of the relationship marketing and allows increasing a company's return of relationship marketing investment by offering demand-actuated strategies and services (Schäfera, Kummer, 2013).

For finding those requirements there is a necessity to come with a special approach and communication that could be integrated into online environment (Kotler, 2014). Three approaches are mentioned in different sources to increase consumer satisfaction and loyalty in the Internet world (Yi, 2103):

- professional approach – in terms of traditional marketing it means professional services associated with direct service and staff skills. The quality of provided information and service is important to consumer (Chang, Chen, 2008). It is honesty, while selling products on the Internet only best pictures should be displayed and a good description should be provided; the prices should be up to date. If there are any problems and getting the product the consumer sees that the product and the picture are two different things in real life, then there is no doubt that consumer returns it immediately. The same is connected to prices – some online shops do not count the full price with delivery and other options and when consumer start to pay the price increase. In this case, the consumer often refuses from the purchase and is looking for other alternatives. All provided information should be trustable and easy to use (Labrecque, Esche, Mathwick, Novak, Hofacker, 2013);
- interaction with consumers – it is possible to leave feedbacks in the virtual environment – both positive and negative. Without a doubt, even the best online shop cannot get only positive feedbacks. It should not be forgotten that that reviews are written by people and psychological factors also should be taken into account. It is necessary to deal with any review very quickly. It is interaction with the consumer and requires a two-way communication in order to build a sustainable relationship with the consumer, which increase trust and satisfaction as well (McCole, Ramsey, Williams, 2010). Therefore, it is necessary to interact with the consumer kindly and with understanding and respect (Ivanov, 2012); in case of any problems that may be arisen there need to be find a solution to satisfy consumer. There should be a possibility to return the product, refund etc. In any situation it is essential to demonstrate that the consumer is important and that you care about him. Besides there is the necessity to ensure a convenient buying process (Andrews, Bianchi, 2013), delivery and billing processes. In short, the process of purchasing the product should provide the consumer with satisfaction and comfort (Martínez-López, Pla-García, Gázquez-Abad, Rodríguez-Ardura, 2014);
- stimulation – it is impossible to forget that any internet store wants to make a profit, which means that the consumer is more likely to be motivated to visit the website and make as many purchases as he can. A variety of promotions and discounts motivate consumers to buy products very well (Sewell, Brown, 2002). Sometimes such actions are coordinated with traditional stores if the company has both stores in traditional and internet environments. Loyalty programs become topical and stimulate to buy in a particular online store in order to accrue bonus points, to get free delivery, discounts or various gifts etc. (Ткачев, 2015). A personal approach to each customer is important too, such as a thank-you letter, holiday greetings, faster delivery etc. After such service the consumer wants to share his positive experience with either his friends or acquaintances, or in social networks and blogs, or elsewhere, thus, creating a positive impression about the company.

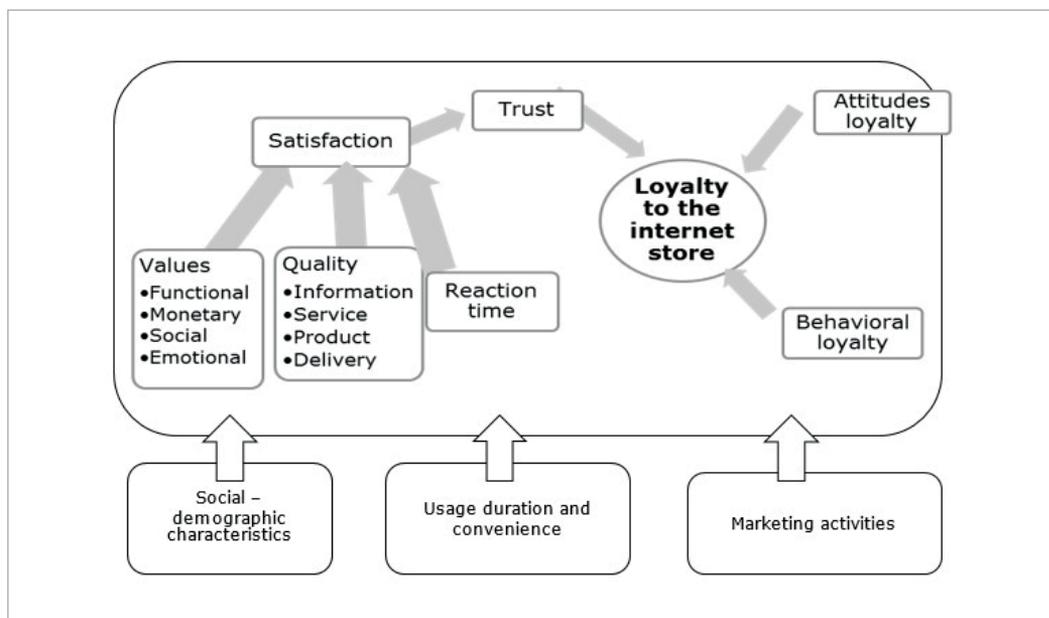
Using all three approaches company establishes a long – term relationship with the customer the main idea of relationship marketing. In that case, it will mean an e-loyalty to the online ven-

dor. It is important to understand that relationship marketing and e-loyalty are close and relate with each other. Loyalty is the unity of interaction and behavioural and attitudinal components, as shown in Figure 3, the model designed and moderated by the author from research made in early 2015 which was conducted within the master's thesis (Radionova, 2015). In turn, loyalty influences directly customer satisfaction (Audrain-Pontevia, N'Goala, Poncin, 2013), which may be affected by different values such as functional, social and emotional values and the value of money. The developed model points out that there are also factors that can influence consumer loyalty from outside, such as socio-demographic, usage duration, a variety of marketing activities. The analysis of loyalty models showed that satisfaction is the general impact factor to loyalty (Christodoulides, Michaelidou, 2011). The model can be used in general but each sector has its own characteristics and, of course, the Internet trade market has its own specific features that allow modifying the specific model and applying it to online stores.

The model developed by authors point out that the e-loyalty building process on the internet and in particular online stores is more complicated process than it is considered to be, because it is affected by several factors. In this case, it is necessary to mention repeated purchases (re-purchases), which will appear in case of the high level of trust, which affects satisfaction. Authors would like to single out that the chosen opportunities are what make the difference in loyalty to the traditional market and to the online market. While on the internet it is much faster to find required products, also to find a product that is not available in a traditional store, so foreign stores are more popular than local ones in Latvia. Because of these factors, online sellers need to react fast on different changes and interact with the consumer in order to prevent wrong and negative cases that could be in the online trading. In the traditional market, it is possible to talk face – to – face to the customer to explain some things or to show the product and provide all necessary information. Talking about online trading it should be pointed out that the online communication should be in a high level in order to build a long – term relationship with consumers. As it was mentioned before, it is essential to satisfy consumers directly in the online dimension. Having studied several theories in the article (Udo, Bagchi, Kirs, 2010), it can be stated that quality variability can be found in three main dimensions – information quality, system quality

Figure 3

Loyalty model to the internet store (Based on Radionova, 2015)



and product quality. They have determined that these dimensions affect directly customer satisfaction in online trading. Each dimension can create their own factors, for example, service quality can consist of five dimensions: intangible value, trust, responsibility, guaranty and empathy.

The authors agree with such division but considers that such dimension as work speed could be added to service quality, because it is important for a consumer not only to use a good-looking website that has been used for a long time where there are certain guarantees and a good attitude towards him but also where all the issues are dealt promptly and efficiently. Moreover, discussing the quality, the authors point out the idea of adding delivery quality as nowadays there is a wide choice of different shipping methods which may differ by speed, price and locations, that is why delivery quality is an essential quality dimension.

In 2014 there was a significant increase in complaints to the Latvian Post due to the rapid growth of Internet trading and the main reasons for complaints were cross-border correspondence delivery (mainly in small packages)– delivery with lack or damaged contents, delivery delays and indication of incorrect (incomplete) address (Haka, 2015). These factors indicate that the quality of delivery to the consumer is important and it is necessary to be improved.

To find out the situation with the relationship marketing in online trading authors analysed experts surveys in order to make the evaluation of the results. In the survey took part 27 experts – representatives from the companies that providing services or goods online. The experts were chosen accidentally from 7 different EU countries like Latvia, Lithuania, Estonia, Poland, UK, Germany and Greece. The experts are marketing and strategic directors of the online trading companies in different fields. They asked to stay incognito.

The results of the survey showed that mostly companies use CRM systems in their everyday work, 33.33% of companies do not use it. It can be explicable with the idea that many online companies are small or a start-up company and do not see the reason of having that kind of system. The next problem is that companies in online trading do not work with the information they have. To the question how they work with the CRM if we not taking into account the answer do not use CRM the most popular answer was – special deals – 25.93%. That means that company use their CRM database to send their customers different specials deals when they are sales periods, the authors want to underline that it is not personalized offers. 14.81% of experts use their CRM database to send everyday news to the customers, which can be valuated as a negative experience because many customers sign out this news and lose the connection with the vendor. Only 3.70% of experts use their CRM with a personalized approach – they send to the customer's special offers for special dates like birthday or anniversary. Here is first hypothesis confirmation – mostly companies use CRM systems but do not make an analysis of the data.

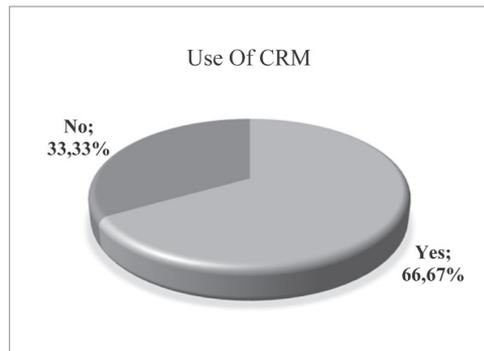


Figure 4

Use of CRM

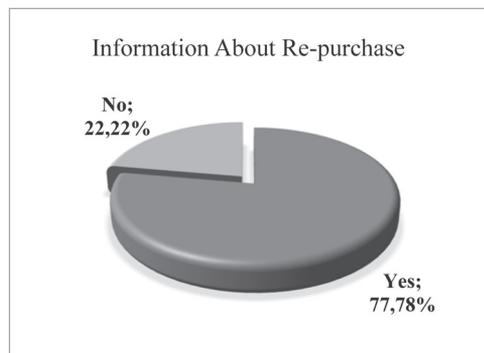


Figure 5

Information about re-purchase

Figure 6
Working with CRM information)

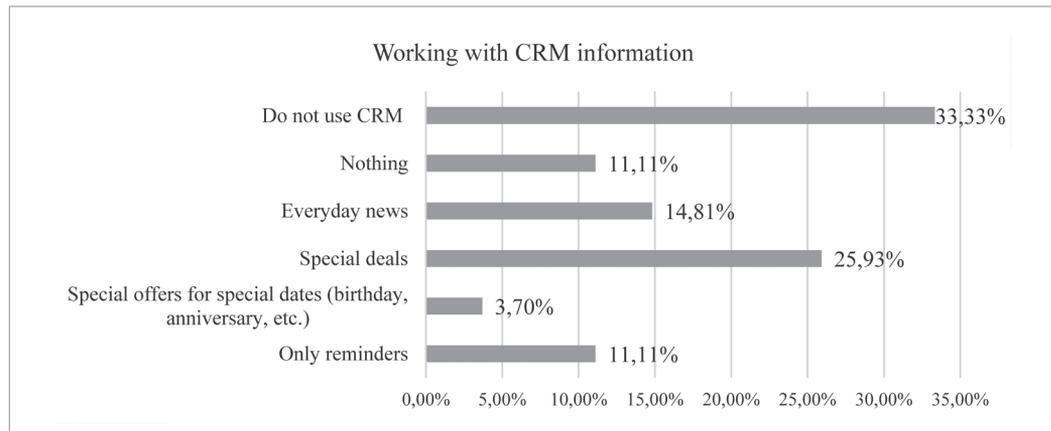
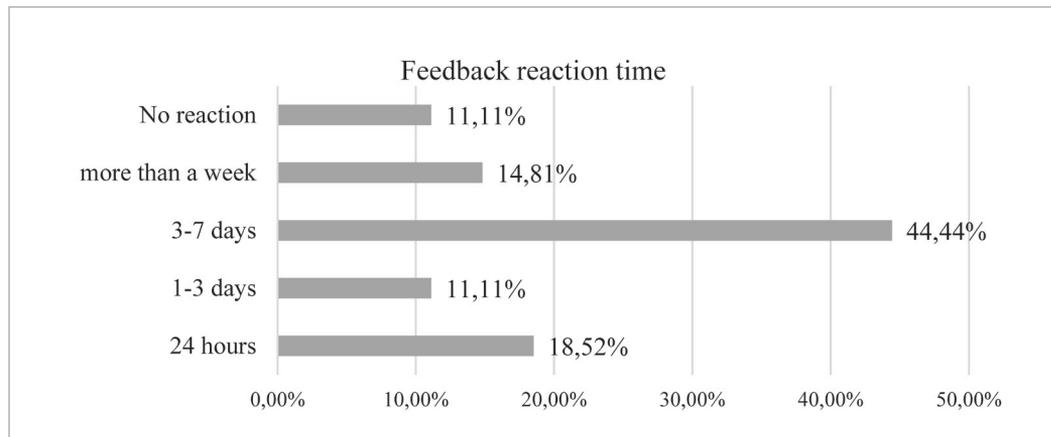


Figure 7
Feedback reaction time



Mostly experts collect information about their customers re-purchase – 77.78%. It means that companies are interested in increasing the level of e-loyalty. It should be pointed out that re-purchase statistics helps better understand and measure e-loyalty to the online store. Results show that online vendor reaction is slow. Mostly it takes 3–7 days for 44.44% of experts to react to the feedback, which in some cases is long period for customer to wait and in this time he could find another online store and make purchase there. Moreover, there are companies that do not react at all – 11.11%. For 14.81% it takes more than a week to respond, for 11.11% – 1–3 days and for 18.52% it takes about 24 hours to answer. That is the best way to react. As authors found out reaction time is one of the factors influencing e-loyalty.

Conclusions

- Relationship marketing can be expressed as a multi-dimensional construction consisting of six behavioral components such as trust, bonding, communication, shared values, empathy and reciprocity. The aim of relationship marketing is to create customer loyalty based on customer satisfaction. It means that such components as satisfaction and trust cooperating together not making only loyalty, but also long-term relationship, which will transform into relationship marketing. Companies have to think first about satisfying their customers and increase the level of trust to them and their products.
- Relationship marketing is closely connected with loyalty, trust and satisfaction. These elements relate with each other. If the company thinks about having strong position in the market

and having close relationship with customers, company should improve all that components by using and analysing customers actions and behaviour.

- Consumer satisfaction of the Internet trade market affects the quality, which can be divided into four dimensions, such as quality of information, service quality, product quality, delivery quality. Satisfaction causes customer loyalty and transform to the long – term relationship, so the traders in both markets should focus on the quality in all dimensions, for that purpose different customer research can be made to evaluate not only the satisfaction and loyalty, but also to find reason of results.
- By using relationship marketing companies in the EU especially in the Baltic States and Latvia will improve the long–term relationship with customers in order to create and increase loyalty level and improve situations in local online stores.
- H1 – accepted. To have a long – term relationship with a customer online companies should not only have CRM systems, but also work with it appropriately in order to satisfy their customer needs in the best way to increase loyalty level in the future and improve relationship marketing.
- H2 – accepted. Online vendors react very slow or sometimes do not have a reaction at all at different (positive, negative) feedbacks from customer. Reaction time is one of the components of loyalty model and it is important to provide the best solution in the quickest time for consumer.

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Fields of research interests

Marketing, Loyalty, Customer Behaviour, Relationship marketing

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