

## DEVELOPMENT OF SUCCESSFUL LONG-TERM RELATIONS WITH PARTICIPANTS IN THE SUPPLY CHAIN AS THE FUNCTION OF INCREASE IN CUSTOMER SATISFACTION

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**Abstract:** *Consumer behavior in today's environment is subject to more frequent changes in the expression of sympathy for the products and services they consume. Because of these changes, participants in the value supply chain are forced to rethink their strategies and usually focus more efforts on creating quality long-term relationships with customers, but also with those who find themselves on this path of value delivery. The purpose of this paper is to highlight the importance of creating good long-term relationships with customers, and with other participants in the supply chain value to the end user. The aim of this paper is to highlight these relations as potential means of improving the overall operations of the participants in today's market. At the same time, it is assumed that precisely this ability is a necessity for those who want to expand their business, but also to maintain a successful position in the global environment. In addition to customer relationships, this paper will discuss the relations with partners and the public, with a special focus on the importance of relationships with employees. The above concerns will be placed in the context of relationship marketing and the importance of customer satisfaction will be discussed in more detail in terms of internal marketing.*

**Keywords:** *consumers, marketing relations, CRM, satisfaction, internal marketing*

### 1. INTRODUCTION

Some of the main characteristics of today's global marketplace are the presence of numerous competitors, the impact of information and communication technologies and the increasing expectations of consumers. Competition at the global level may pose a threat to some participants, but for some may be the possibility of establishing a mutually beneficial partnership. It seems that this type of claim is too general, but its logic is the fact that current information and communication technologies allow for the impact of competition in the global environment, either as a threat or potential cooperation. The development of information technology has changed familiar patterns of business behavior.[1] At the

same time, the expectations of consumers globally are becoming greater as the selection of available products and services is now expanding, thus creating their satisfaction and loyalty becomes the primary focus of the participants in today's business market.

In the current environment of information and communication technologies and the impact of competition on a global level, it is increasingly difficult to create loyal customers. At the same time, policy makers, scholars and practitioners agree that e-business is an essential ingredient of socioeconomic advance of developing countries. [2] On the other hand, there are fewer opportunities to create differential advantages over competing products and services, which implies that today's marketers need to use the effects of establishing good relations with those who are in the supply chain value to the end user. Recent practice shows that marketing is not enough to meet expectations of the Bayers but also to offer additional value, which is a direct result of increased competition. [3] In this context, in addition to establishing a good long-term customer relationships, special attention should be directed toward building and maintaining good relationships with partners, then with the employees and with the public.

The subject of this paper refers to the participants in the supply chain value to the end user. Thus, in the content that follows we shall discuss the importance of building good relationships with all participants in the supply chain value. In the same way, the goal of this paper is to present these relations in the light of the possibilities of improving the overall business, and their construction as inevitable as a consequence of the lack of opportunities to achieve competitive advantages in other aspects of business operations in today's environment. The starting point of this analysis is the assumption that the establishment of good relations with the participants in the supply chain value affects the satisfaction of the consumer. Accordingly, the basic premise of the paper is that employee satisfaction affects customer satisfaction. The reason for separating these hypotheses as essential is the fact that the analysis of all the above relationships in the supply chain values and their influence on consumer satisfaction, was too broad for a paper of this kind. Many authors, including Velari Zeithaml and Mary Jo Bitner claim that there is clear evidence that satisfied employees make consumers satisfied, and vice versa, the satisfied customer can strengthen the feeling of satisfaction of employees related to their work.[4] Therefore, there is special emphasis in this paper on the analysis of the impact of employee satisfaction on customer satisfaction, but also with emphasis on the importance of establishing good relations with the other participants.

## **2. MANAGING RELATIONSHIPS WITH CONSUMERS IN ORDER TO INCREASE THEIR SATISFACTION**

To understand customer satisfaction, it is necessary to know how to form their expectations. Consumers will be highly satisfied if their expectations are exceeded, and disappointed in the opposite situation. Expectations depend on the performance of the product / service, then from past experience, but also from the influence of people from the region who have already 'tried' the product. Also, expectations depend on both explicit and implicit promises of marketers through the mass media, but also in direct contact with customers in the shop in which they are exposed to a variety of stimulating effect. In addition to these impacts / factors in the formation of expectations, and thus satisfaction,

the relationship that is established by the seller to the consumer in the performance of the purchase process is also important.

The objective of the analysis of the factors of satisfaction is to create loyal customers. From satisfied and highly satisfied customers the company may have, in addition to the basic benefit related to their repurchase, also benefits from the affirmative presentation of the products they buy, as from the seller / manufacturer as such. As the influence of the environment stands out as one of the most important factors in shaping consumer behavior, so do loyal consumers become more and more important for the company. In order for the customer to gain confidence in the company, there must be a high degree of credibility, reliability, intimacy and low self-determination, as shown through the so-called trust model formula, as follows: [5]

$$Trust = ( C + R + I ) / S \text{ gde je:}$$

C = credibility,

R = reliability,

I = intimacy,

S = self-orientation.

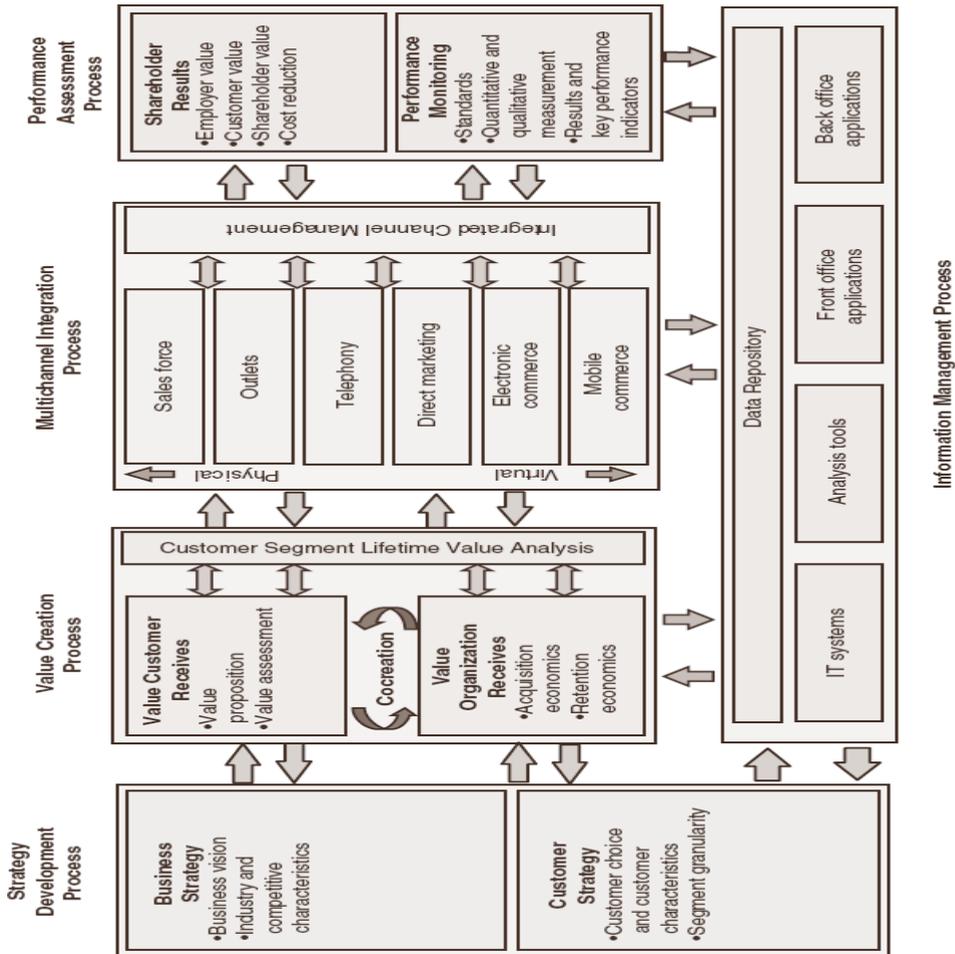
It can be said that the company's profit depends on loyalty, while the precondition that increase their satisfaction on the basis of creating interactive and mutually beneficial relationship. In order to achieve long-term good relations between consumers and sellers it is necessary to create strategic loyalty programs that are based on market analysis and segmentation according to the characteristics of the consumer and their requirements. Such programs must include the following: [6]

- The process of focusing on permanent customers;
- Interfunctional involvement of management / employees;
- Continuous recruitment and training of managers / employees
- The process of comparing, measuring and control;
- Continuous improvement of products / services, etc.

In this way it is possible to establish a continuous process of improving the business, which is based on knowledge of the wants and desires of consumers. At the same time, the entire process of managing relationships with customers should be created according to the observed factors of consumer behavior, both potential and fixed ones.. The goal of this process is to establish excellent long-term relationships with existing customers and attract new ones, but also to expand the number and values of those loyal to us. Previous literature in this field highlights the three phases of consumer relationship management: [7] 1) winning, 2) retention, and 3) expansion of cooperation. At the same time, forms of behavior during the life cycle, i.e. consumer reactions can be shown through the following stages: [8] awareness, testing, expansion, compliance, withdrawal. Proces CRM podrazumeva pronalaženje odgovarajućeg odnosa između ulaganja napora u povećanje satisfakcije potrošača sa jedne strane i ostvarenje profita sa druge. Dakle, kompanije se u kreiranju i isporuci veće vrednosti i satisfakcije kupcima moraju ponašati profitabilno.[9] It is undeniable that this is a very complex task, especially when you take into account the changing environment, global features of today's market, increased competition and the

impact of information and communication technologies, which are changing consumer demands and their expectations higher.

CRM process that incorporates elements of current technology can be presented in a way that is shown in Figure 1. [10] This figure shows the interactive nature of the process of managing relationships with customers, which must be based on the company's business strategy. This process includes the consideration of value received by the consumer, then the possibility of contact with him in physical and virtual environments, as well as the assessment of performance of the process. Figure 1 shows the relevant process flows, but for the purposes of the topics explored in this paper its main analysis is sufficient.



**Figure 1:** The interactive nature of the process of customer relationship management [10]

the process is the key strategic resource for companies in today's environment. [11] This process integrates current information and communication solutions and technologies, but also independently used and well-known marketing tools and techniques that have

long been a way of approaching customers and creating good relationships. Nevertheless, in the context of current ICT solutions, well-known tools bring some new positive effects of the CRM process. That is why we can say that CRM has become a potentially important means of improving the business just when the ICT began its progressive growth and implementation of business activities. The main advantage of using the ICT is in the opportunities for interactivity with a larger number of consumers than has ever been possible before. Thus, approaches such as one-to-one marketing gaining in breadth, and segmentation of consumers according to various criteria becomes simpler than in the past. CRM based on current information and communication solution involves the use of various technologies, information resources, people, processes, and all this with the intention to improve the service that is directly related to the end user. [12] Therefore, the main purpose of the application of new ways of attracting customers and maintaining relationships with them is to improve services and thus increasing their satisfaction through the realization of interactive connections and relationships that involve the exchange of information and continuous communication. Some of the methods are shown in Figure 1, such as e-commerce, direct marketing, the use of mobile phones, but also the classic sales force and others. Tools and techniques that are within the above-mentioned ways of managing relationships with customers must be coordinated in a way that consumers perceive the offer as added value and thus better than competitive.

### 3. RELATIONSHIP MARKETING

Not uncommon for authors of articles in the field of relationship marketing to identify this concept with CRM. The reason for this lies in the fact that relations with the customers are main topic being discussed in the framework of relationship marketing. However, for a more detailed consideration of the possible positive outcomes of the implementation of relationship marketing, it is necessary to analyze this concept and relationships between employees, then the relationship with partners, and public relations. Latter are the subject of frequent analysis of the literature of marketing character, but in the context of the implementation of current ICT these relations can be improved Public relations as an important aspect of marketing occupy an increasingly important role in the overall strategy in today's business environment. [13] Thus, public relations can be said to represent a well-known marketing tool that is now upgraded by current ICT, gaining, therefore, increasing importance. As such, public relations, can be viewed in the context of relationship marketing as a tool that has its direct positive benefits, but that also can be used to attract new customers and maintain good long-term relationships with existing ones.

Developing and maintaining relationships with partners in the channel of value delivery to the end operator-oriented in terms of potential competitive advantages of the current practice had already been earmarked as an important way to improve the process of CRM. Further, the establishment of partnership has direct positive economic outcomes for the overall operation of all those who are in the relationship, such as, for example, economies of scale and the like. Thus, the positive outcomes of these relationships are known, and as such can be considered within the potential possibilities of the concept of relationship marketing. What is new for the development of partnerships, as well as others that are discussed in the framework of relationship marketing, is the application of tools and resources in the field of ICT.

Finally, relationships with employees, which should be the core topic of human resource management become a priority area of interest marketing professionals. Human resource management in the direction of training and motivating employees to more effectively meet the wants and needs of customers is one of the basic requirements for survival in today's market. [14] It is exactly the underused capacities of long-term good relationships with employees that can become a major driving force and motivator for consumers, especially when there is direct contact between the two sides. The logic of this thinking is that the very act of purchasing should not be seen as the final result and success, but as a place and time that should be used to extend the value of customers, whether in the context of the purchase of higher value, or impact on his return, which increases the his loyalty. These four groups of relations can be viewed separately, but one should not ignore their synergistic effect. Therefore, the analysis of the above relationship can be explained by the model 4O, which aims to highlight their importance in the context of potential opportunities in today's competitive business environment. [15] This model includes the aforementioned types of relationships between all participants in the channel of value delivery to the end user, through pointing out the importance of their construction continuously, both individually and jointly, precisely in order to create a synergy effect, upon which we actually build and the potential competitive advantage.

#### **4. INTERNAL MARKETING**

Internal marketing involves investing continuous efforts to increase the satisfaction of employees in order to increase the positive effects of their work in the company. This definition is broad and vague as such, but the activities that fall within this area can be categorized as those related to attracting staff and activities used in the maintenance of good long-term relationships with them. Basically, attracting staff involves creating an attractive working environment and working conditions, while maintaining a relationship with them, in addition to the above, includes programs of continuous training of employees, proper motivation, care management for employees and others. According to Frank Bradley, if employees believe in what the organization does and means, they are motivated to work harder and their loyalty to the organization is more pronounced. [16] More than 20 years ago, Leonard Berry first coined the term internal marketing, defining it as 'means of bringing closer the theory and practice of marketing to people who serve external customers so that (1) the best possible people can be recruited and retained, and (2) employees will do their best in doing their jobs.' [17] According to Frank Bradley, internal marketing is very closely related to human resources management and the way the organization develops its distinctive culture. [16] In addition to these, many other authors define internal marketing in their own ways, but the essence of this concept remains a concern for employees in order to increase their satisfaction and thus impact on increasing customer satisfaction. Employees must be motivated to work on implementing customer satisfaction programs. [18] This is particularly important when it comes to services, but also in direct contact with the seller of the actual product with the consumer. Naturally, this does not diminish the impact of the employees upon the so-called back office, because they are potential consumers of the product with which they work, and certainly the promoters in their environment, which directly affect the company's image.

Edward Little and Ebi Marandi argue that employee satisfaction affects customer satisfaction, as illustrated in Figure 2. [17]

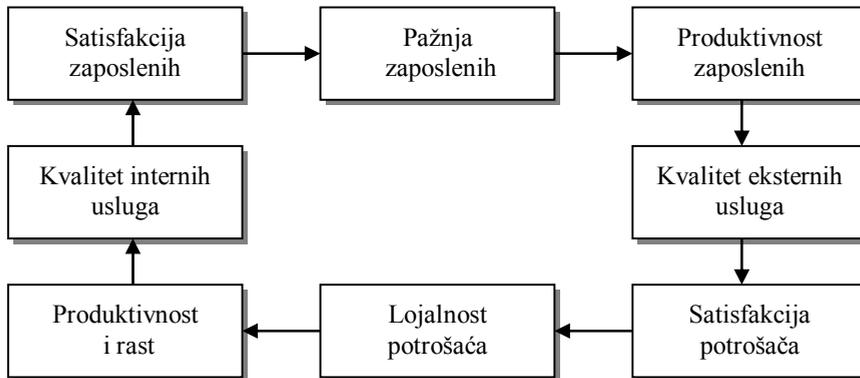


Figure 2: Positive feedback [17]

In order to increase the satisfaction of employees and the quality of internal services, Doyle (Doyle) proposes to develop internal strategies, which include the three stages approach: [19]

- The organization needs to demonstrate commitment towards creation of security and development of its employees in the same way as it does with its stakeholders.
- The organization should create a structure in which the functional barriers are deleted. This will primarily empower the employees on the front line, those who are in direct contact with customers.
- Top management must provide leadership to strengthen the basis of these values and offer a vision of what the organization will become.

## 5. CONCLUSION

The process of managing relationships with customers integrates various tools and techniques from the milieu of current information and communication technologies. However, most often it is not enough simply to integrate them in order for the effect of the process based on it to be proven positive. The CRM must include changing the organizational structure and culture, as well as to integrate all previous knowledge about the history of relationships with existing and potential customers. The mere use of ICT is not enough if the organization and its people continue to work the same way.

Changes in relationships with customers in establishing a good relationship at any place and time where possible, should become an imperative for all participants in today market. This fact stems from the current state of the global environment where there are fewer opportunities for achieving differential advantage and CRM process thus becomes even more important.

CRM processes alone can not give effects as when it is a part of an overall strategy of establishing adequate relations with all parties in the supply chain value to the end user. Within the concept of relationship marketing, 4O model has been defined that integrates relationships with customers, partners, the public and employees. The latter were the focus of this

paper, because their impact on consumer satisfaction is both direct and undeniable, as is their significance. Internal relations can be viewed within the concept of internal marketing which involves the application of the basic postulates of human resources, as well as within the well-known marketing principles of building relationships with consumers on relationships with employees. Both the complexity of these activities and their overlap are obvious; this is not the case just with the last two mentioned areas, but also with relations with partners and the public who were not subject to special consideration in this study because of their scope. However, the benefits of all the above types of relationships, and their respective mutual alignment are important means of creating a differential advantage in today's business environment. Achieving synergy through the establishment of good relations with all parties in the supply chain value to the end user should be the main focus of those who want to maintain a successful position in the global market.

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