Review Article

Relationship Marketing and Customer Loyalty in Vietnam Cosmetics Market

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Abstract*:* For the purpose of examining the impact of relationship marketing on customer loyalty in HCM City Cosmetic market, the author carried out this study using quantitative approach via survey. A questionaire derived from previous study and was modified through group discussion among 20 customers then officially conducted with the sample of 318 people. The result shows that among relationship marketing underpinnings, 5 variables: trust, commitment, communication, conflict handling, shared value have positive influence on customer loyalty, shared value is more important than others. There are some research limitations as the data analysed were collected from one sector of the industry in one country, the relationships investigated here deserve further researchs on other sectors or study development by modifying relationship marketing variables. However, research provides insights on the importance of relationship marketing integral elements. With the information supplied, cosmetic brands can enhance their effectiveness of marketing strategy, attain marketing success by focusing on 5 key characteristics affecting customer loyalty.

Keywords: Cosmetic, Customer Loyalty, Customer relationship management, Marketing Strategy, Relationship Marketing.

1. Research content

1.1. Problem statement

It is essential for corporations to retain close relationship with customers in today's highly competitive business environment. Many tactics of gaining customer share, which are in the form of cost-cutting, drawing new customers, etc., are inefficient and costly. Meanwhile, there are plenty of choices for clients on product types leading to tough decisions. Companies need to retain their customers, who in turn need reliable corporations. Therefore, long-term relationships on the basis of customer loyalty are an effective solution for both sides. In light of the fact, relationship marketing is regarded as a strategy for companies, and is more extensively applied in many different sectors, including banking, retail, and B2B, B2C companies. Impacts from relationship marketing, however, are not the same in each area (Palmer, 1997). External beauty is more important these days, along with higher income, leading to the fact that demands on cosmetics are essential. Cosmetics have been one of the most discussed topics on social media in Vietnam. According to a survey of Asia Plus Inc. in Vietnam on September 2016, results from 360 female respondents in the age group from 20 to 44 show that 75% people spends on cosmetics for makeup, in which 28% wears makeup daily. As reported by Nielsen, Vietnamese average annual spending on cosmetics was only $4 per capita, which is four to five times lower compared with in other countries in the area. Still, cosmetic market in Vietnam has a huge potential with the population of 90 million.

This study aims to assess the impact of relationship marketing on customer loyalty to cosmetic brands in HCM City.

1.2. Literature review

Prior studies: The concept of relationship marketing is first introduced in studies by Berry (1983). Since then, scholars have been paying much attention on it, especially on the facet of its impacts on customers through a key question: How does relationship marketing impact on customer loyalty? Studies on this issue were established in three different approaches. The first one approaches from the perspective of fundamental factors of relationship marketing, analysing its impact on customer loyalty. First, Morgan & Hunt (1994), do the research "Commitment-Trust theory of relationship marketing" by quantitative method interviewing 204 tires retailers, with a view to explore the nature of relationship marketing and two essential variables to relationship marketing success. This article was published on Journal of Marketing and has been cited many times in later studies, for instance Ndubisi (2007)'s study in banking sector in Malaysia. To examine the implication of relationship marketing strategy on customer loyalty, he used quantitative method, from which he collected 222 responses and findings of four fundamental factors of relationship marketing. Those 'underpinnings', namely trust, commitment, communication, and conflict handling, have a considerable influence and are able to predict the extent of customer loyalty.

The second view approaches from relationship marketing plans with the assumption that these tactics have effect on customer loyalty. According to Akrofi (2012)'s study on Asian Journal of Business Management, those tactics above are service quality, price perception, value offers, and brand image. Through the quantitative survey sample in two cities of Ghana, Accra and Kumasi, Akrofi proved that the proposed model is accurate. Nevertheless, the study can be more developed with further research on other tactics frameworks

such as influence on customer behaviour and commitment, etc. Kazemifar (2015) also uses this approach with a similar model, resulting in all of four tactics have impacts on customer loyalty.

The last group of studies approaches from methods of relationship marketing. This approach emphasises activities included in relationship marketing that affect customer loyalty. For instance, a study published on European Journal of Business and Management focuses on club card system, reward card, loyalty scheme, etc., which have indirect effect on customer loyalty (Mollah, 2014). The author employs questionnaire survey and in-depth interview method. As a result, the proposed model is accurate; however, due to some limitations such as the small-sized sample, the findings can be personally biased.

In Vietnam, studies on the research topic above have been approached from the first perspective – on the impact of underpinnings of relationship marketing on customer loyalty. Nonetheless, these studies have modified the quantity of influencing factors to be appropriate with research contexts and fields. Scholars also expand to study on effects of demographic variables by quantitative method with questionnaire survey (Nguyen, M. D., 2013).

Theoretical background: The term relationship marketing was established long time ago. It was initially approached from firm's perspective, and defined as close, long-term relationships with customers – its key goal. Firstly, relationship marketing is strategy establishing, maintaining and strengthening customer relations (Berry, 1983). Morgan and Hunt (1994) also have a similar definition that relationship marketing is all marketing activities concerning building, developing and retaining successful relationships. Gronross (1994) extends research scope and object, defining that relationship marketing is attracting, establishing, maintaining, enhancing profitable ties with customers and other partners, and terminating when necessary. Henceforth, underpinnings of implementing success relationship marketing are introduced, thus, definitions of relationship marketing are clearer and more sufficient. Collaghan (1995) states that relationship marketing concentrates on creating and maintaining relationships between manufacturers and consumers through expectations, empathy, reciprocity, trust, and bonds. In another area, Gummesson (1996) proposes a three-factor model namely relationships, interaction and networks. Further, Parvatiyah & Sheth (2000) refer to relationship marketing as a process of relationship engaging in and partnering, relational activities, schemes towards direct customers and end-consumers, with a view to create and enhance economic value on a continuous basis at a cut cost. This is the most distinct explanation which lists ways of relationship marketing. This study, from consumer's perspective, views relationship marketing as firm's efforts in forming, maintaining and strengthening lasting relationships with customers by offering values and improving their satisfaction.

The concept of loyalty is built on three facets – attitudinal, behavioural and composite (including both attitudinal and behavioural perspectives): In terms of attitude, loyalty is defined as preference and trust of customers for a particular brand, can be measured by their trust for that brand in comparison with competitive rivals. Oliver (1997) defines loyalty as a deep commitment of repurchasing or re-patronising a preferred product in the future, regardless of situational impacts such as advertising and promotion strategy of competitors. Ahluwalia (1999) proposes that loyal customers are less susceptible to negative information about the brand. Regarding behaviour, loyalty is a result of developing customers' positive experiences in the past, driving them to repetitively patronise and buy, although those brands may not supply the best products, price or delivery service (Ghavami & Olyaei, 2006). Some scholars argue that loyalty comprises of loyal behaviour and loyal attitude. According to Eagly & Chaiken (1993), loyalty is attitude and behaviour towards one or several brands for a product by a customer in a particular period. Peiguss (2012) states that loyalty, depending on the extent of product satisfaction, is much more preferred attitude and behaviour of customers to a brand than to other rivals. Also, loyalty encourages customers to purchase more regularly. Further, the author utilises this combined dimension to analyse customer loyalty.

Cosmetics are beautifying products, enhance or alter external appearance of customers, and promote their attractiveness. According to Agreement on the ASEAN harmonised cosmetic regulatory scheme of ASEAN Cosmetics Association, a cosmetic product is referred to 'any substance or preparation intended to be placed in contact with the various external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance and/or correcting body odours and/or protecting them or keeping them in good condition'. Hence, cosmetics can be seen as substances directly applied to the skin and body.

Many studies have been done on the impact of relationship marketing on customer loyalty. Ndubisi (2007) studies the impact of relationship marketing on customer loyalty in banking sector in Malaysia. His model focuses on customer loyalty, from which companies can develop relationship marketing including four underpinnings – trust, commitment, communication and conflict handling. Later on, relationship marketing models are applied to manufacturing sector with the latest research by Gaurav (2016) in automotive industry in India. The author modifies underpinnings 'conflict handling' to focus on customers. In Vietnamese market, in many industries such as banking, electronic supermarkets, B2B, researchers adopts different relationship marketing frameworks to study. Typically, Liem & Le (2011)'s article employs six-factor model adopting from Sin (2005), namely trust, bonding, communication, shared value, empathy and reciprocity. Referring to domestic and international research models, the author realises that Ndubisi's model includes key factors of relationship marketing which have influence on loyalty. Also, this model has been used in many studies.

Therefore, the author decides to adopt this theoretical framework and two independent variables including shared value and reciprocity from the research by Liem & Le to propose a research model. In addition, the author expects to explore the effect of demographic variables on loyalty.
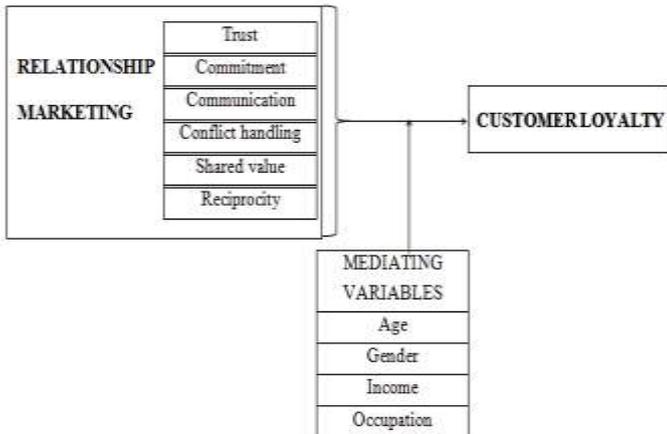
Figure 1. Proposed research model

Research hypotheses:

H1: Trust from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H2: Commitment from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H3: Communication from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H4: Conflict handling from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H5: Shared value from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H6: Reciprocity from relationship marketing has a positive effect customer loyalty towards cosmetic brands

H7: There is a statistical discrepancy about the impact of relationship marketing on customer loyalty towards cosmetic brands among customers different from age, gender, income and occupation.

Trust is the main component of relationship marketing, which makes good and strong impressions, and in turn fosters the development of trust in a long term (Berry, 1995). Commitment is an underpinning of relationship marketing (Morgan & Hunt, 1994). Communication refers to quantity, frequency and quality of shared information (Palmatier, 2008). Conflict handling is defined as the ability of firms to reduce negative results from occurred conflicts as well as to avoid potential conflicts (Dwyer et al., 1987). Shared value depicts the extent to which partners share common beliefs about the importance, appropriateness and propriety of cultural values (Morgan & Hunt, 1994). Reciprocity occurs when a partner's actions are responded respectively by the other (De Wulf et al., 2001). Further, Ndubisi (2006) finds that female tends to be more loyal than male, and the old are more so than the young. In addition, higher-income customers are assessed to be more loyal than other groups of customers.

1.3. Research methodology

To construct a scale for the model, the author refers to original measures adopted from studies by Ndubisi (2007) and Sin (2005) for measuring two variables shared value and reciprocity. In addition, to standardise variables measuring research items, the author employs qualitative method by group interviews towards 50 respondents over 15 years of age who are customers of cosmetic brands in HCM city. There is diversification in gender, working environment and age among respondents, along with differences in their psychology, behaviour and attitude. That was used to suggest and modified variables most effectively.

Then, the author completes the pre-test scale and constructs a questionnaire survey with 31 questions divided into three parts: components of relationship marketing influencing customer loyalty (22 questions), customer loyalty (4 questions) and personal information (5 questions). The author uses quantitative method by survey to assess and modify original scales with a view to test construct validity.

From the pre-test on 50 customers over 15 years of age using cosmetics in HCM city, the author modifies observable variables, and then conducts the final practical study with 400 surveys distributed and receives 318 usable responses, producing a validity rate at 79.5%. According to formula of Tabachnick & Fidell (1996), to apply regression most effectively, minimum sample size should be n> (8m+50), in which n is sample size, and m is number of independent variables of the model. The model includes 6 independent variables, thus m=6 and the effect size is 98. To employ exploratory factor analysis (EFA), Hair and ctg (1998) suggests to collect at least 5 observations on an observable variable and n>100. In this paper, the author uses 26 observable variables; hence, the smallest sample size is 26x5=130. Therefore, appropriate sample size is 318. Received data are analysed by software SPSS, in which reliability test is assessed by Cronbach's Alpha coefficient, extracted factors and variance-extracted are administrated by exploratory factor analysis EFA. Lastly, to assess the impact of demographic variables, the author employs analysis of variance ANOVA.

1.4. Results and discussions

Descriptive statistics analysis: The age group above 30 applied cosmetics most with 163/318 valid responses, accounting for 51.25%. Respondents in age category from 23 to 30 were 91 out of 318, accounting for 28.62%, and the young between 15 to 22 years old were 64 out of 318, making up for 24.13%. In terms of gender, 225 female customers participated in, giving 70.76%, while male respondents were 83/318, accounting for 29.24%. Regarding occupation, most respondents were in two groups office staff and students at 106/318 (33.33%) and 105/318 (33.02%), respectively. Groups of managers and housewives made up for smaller proportions at 10.69% (34 respondents) and 8.18% (26 respondents), respectively. The group of other occupations accounted for 14.47% of all respondents with 46/318

respondents. In terms of income, the majority of respondents are who have income above 10 million dong, accounting for 40.57% (129/318 respondents). The income group less than 5 million dong has 112 respondents, giving 35.22%. The group of middle income from 5 to 10 million dong has 77 respondents (24.21%).

Hypotheses testing:

Table 4.8: Regression analysis results

	Unstandardised coefficients		Standardised coefficients	t	Sig.	Multicollinearity	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-0,583	0,247		-2,359	0,019		
TR	0,251	0,039	0,266	6,374	0,000	0,873	1,146
CT	0,119	0,038	0,123	3,130	0,002	0,980	1,020
CN	0,300	0,043	0,284	6,948	0,000	0,909	1,100
CH	0,212	0,033	0,255	6,464	0,000	0,974	1,027
SV	0,286	0,033	0,353	8,601	0,000	0,904	1,107

All five components trust (TR), commitment (CT), communication (CN), conflict handling (CH) and shared value (SV) have positive effects on and explain 51.8% of the variance in customer loyalty to cosmetic brands in HCM city. As indicated, shared value has the strongest impact on customer loyalty with beta 0.353, followed by communication with coefficient at 0.284. Trust ranks at the third place at beta = 0.266, followed by conflict handling at 0.255. Commitment, with beta = 0.123, has the least influence on customer loyalty. Therefore, it is fare to conclude that to gain customer loyalty, cosmetic brands should:

- Be trustworthy: building reputation and improving product quality to get good feedback from customers, investing much in natural-ingredient cosmetics.
- Build commitment: updating regularly and meeting customer demands in each period, supplying multi-function products, and keeping in touch with customers
- Be efficient in communication with customers: providing with clear and reliable information, implementing following provided information, and training enthusiastic and knowledgeable marketing staff.
- Be effective in conflict handling: be proactive and timely in handle and address conflicts with customers quickly and efficiently, and pre-empt potential conflicts and contingency in the future
- Build shared value with customers: sharing a common view and belief with customers in beauty, inspiriting beautifying, and gaining empathy from customers through brand image.

Regarding demographic variables, there is a variance in loyalty towards cosmetic brands among customers in different groups of age. The older less explore on the Internet, have less information and fewer choices, leading to the fact that they are often more loyal to familiar brands. In terms of income, customers who have higher income receive better attention and promotion from brands, thus, their satisfaction and loyalty are higher. Related to gender, female consumers often select cosmetics more carefully. They are also more serious about relationships, hence, they are more loyal to brands.

1.5. Conclusion

The paper assesses the influence of relationship marketing components on customer loyalty towards cosmetic brands in HCM city. Based on findings above, companies have their orientation, change their marketing strategies, and focus on essential components contributing to building customer loyalty.

Nevertheless, the sample was limited with 318 respondents. Regarding research scope, the study narrows in HCM city, but not expand to other cities and nationwide. Thus, it can not be highly generalised. In terms of research content, the paper have not specialised in analysis. Therefore, the study could expand research scope, research area or supplement other components of relationship marketing such as customer-focused, etc.

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