

A THEORETICAL ANALYSIS OF THE MEDIATING ROLE OF CUSTOMER RELATIONSHIP MANAGEMENT PERFORMANCE ON CUSTOMER RETENTION IN SOUTH AFRICAN MOTOR DEALERSHIPS

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In the modern era which is highly customer-centric, prioritising customer metrics such as service quality, customer satisfaction, customer loyalty and customer value is a strategic weapon in attracting and particularly retaining existing customers. Viable marketing strategies for any organisation predominantly in the motor dealership services sector must endeavour to ensure that these metrics prevail, in order to build and sustain competitive advantage. To accomplish this, motor dealership managers need to reinforce the performance of Customer Relationship Management (CRM) activities. Although there is a significant body of literature about the concepts of customer value, service quality, customer satisfaction and customer loyalty, there is limited empirical research on how these improve CRM performance and the ultimate influence on customer retention. Hence, this article presents a normative framework that seeks to understand the effects of customer evaluation metrics on CRM performance, and the mediating role of CRM performance on customer retention.

Key phrases: Customer relationship management, service quality, customer retention, customer satisfaction, customer loyalty, customer value and motor dealerships

INTRODUCTION

Previous studies have outlined a number of benefits that customer retention delivers to an organisation. For example, according to Ramakrishnan (2006), a 2 percent increase in customer retention has the same effect on profits as cutting costs by 10%, and the average organisation loses 10 percent of its customers each year. Apart from the benefits that the longevity of customers brings, research findings also suggested that on average it costs 5 to 10 times more to attract a new customer compared to keeping a current customer satisfied (Kotler & Armstrong 2005). Despite the importance of customer retention, most companies in the motor industry continue to lose their customers. Excellent service delivery, increased customer satisfaction, value and loyalty have been found to positively influence long-term financial performance of organisations because customer attrition is low (Anderson, Fornell & Lehmann 1994; Reichheld & Sasser 1990). Additionally, it is important to note that motor dealerships' profitability depends particularly on their ability to get existing customers to increase their service usage and buy additional products or services (Kamakura, Wedel, De Rosa & Mazzon 2003). To achieve this, relationship managers must strive to convert transactional interactions into long term collaborative partnerships through effective Customer Relationship Management (CRM). According to Day (2002), CRM seeks to understand and influence customer behaviours through meaningful and mutual communication with customers to improve customer acquisition, retention, loyalty, value and profitability over time.

Therefore, it can be concluded that the objectives of customer satisfaction, customer loyalty, customer value and CRM performance can be drivers of customer retention in sectors such as motor dealerships.

The motor industry is crucial to South Africa in terms of Gross Domestic Product (GDP) and employment. Overall, the automotive industry, including manufacturing, distributing and servicing of vehicles and components is the third largest sector in the economy, after mining and financial services, contributing about seven percent to GDP (South Africa Info 2010). However, in such a competitive environment consumers today are now more selective and have a larger variety of choices for their financial needs than ever before. This is due to technology, globalisation, increased competition and increased consumer mobility factors which have dramatically changed the manner in which people seek information and purchase services and products (Harwood 2002). In 2007, South African vehicle consumers could choose from about 1 390 variants from 50 different brand names (Van der Merwe & Visser 2008). Hence, the focus of many organisations is now increasingly on appropriate, well-researched and even aggressive marketing to ensure the organisation's survival in the face of such fierce competition. Consequently, motor dealerships in South Africa must be able to follow suit and emphasise the significance of customer-centred philosophies and quality management approaches to enhance their competitive advantage. Furthermore, in today's era of intense competition for acquiring and retaining customers, customer retention can become a major issue and a key objective in the motor industry. This is mainly due to the large growing number of motor dealerships, which are targeting almost the same cohort of customers (equipped with similar levels of technological competencies). Therefore, in the modern marketing era which is highly customer-centric, prioritising customer metrics such as service quality, customer satisfaction, customer loyalty and customer value is a strategic weapon in attracting and particularly retaining existing customers (Wang, Lo, Chi & Yang 2004; Weinstein 2002).

In theory, service quality, customer satisfaction, customer loyalty and customer value are necessary in promoting high customer retention for many organisations. Thus, motor dealerships can retain their greater clientele base if the latter are satisfied, loyal and perceive high value of services and products offered. The theoretical framework presented in the current study acknowledges and advocates the interrelationships that exist between service quality, customer satisfaction, customer loyalty and customer value as referred to in the compelling literature (Petrick & Backman 2002; Mittal & Kamakura 2001). Customers who are satisfied with the products or services, are highly likely to be loyal (Anderson & Sullivan 1993) and this also promotes high patronage and repeat purchases (Mittal & Kamakura 2001). Prior

studies agreed that service quality is directly and significantly related to customer satisfaction (Caruana, Money & Berthon 2000) and perceived value (Petrick & Backman 2002). The existing literature also supported the relationship of customer perceived value on customer satisfaction and behavioural intentions (Chen 2007; Cronin, Brady & Hult 2000; Grönroos 2007). In addition, customer satisfaction, customer value, service quality and customer loyalty appear to be direct antecedents of behavioural intentions such as customer retention (Chen 2007; Petrick & Backman 2002; Cronin et al 2000). Primarily, the current study conceptualises that CRM performance plays a crucial mediating role on the link between customer retention and its antecedents (service quality, customer satisfaction, customer value, and customer loyalty). In support, Wahab and Ali (2009) stated that CRM performance is the success of creating value for customers through organisations with the goal of increasing customer retention.

PURPOSE

The primary objective of this article is to provide a conceptualisation of the influence of the independent variables namely service quality, customer satisfaction, customer loyalty and customer value on customer retention as the dependent variable via Customer Relationship Management (CRM) performance as the mediating variable focusing on motor vehicle dealerships in the South African motor industry.

METHODOLOGY

Conclusions of this conceptual study are solely based on a literature search of secondary sources such as textbooks, journal articles, conference papers, newspapers, internet websites, master's dissertations and doctoral theses which are related to the South African motor industry and the major constructs of this study. A follow-up empirical investigation will later be conducted to validate the normative framework of the mediating role of CRM performance on customer retention, focusing on motor dealerships in the South African motor industry.

LITERATURE REVIEW

The literature review presented in this study aims at providing a broader understanding of the major constructs examined in the study. Specifically, a brief discussion of the South African motor industry is provided with a particular reference to its importance to the South African economy. The literature review will also focus

on service quality, customer satisfaction, customer loyalty, customer value, Customer Relationship Management performance and customer retention.

The South African Motor Industry

The South Africa's automotive industry has been labelled a global, turbo-charged engine that manufactures and exports vehicles and components to all corners of the globe (South Africa Info 2010). The sector accounts for about 10 percent of South Africa's manufacturing exports, making it the leading manufacturing sector in the South African economy (South Africa Info 2010). South Africa has been regarded as a minor contributor to global vehicle production, which reached 73-million units in 2007. Locally, the sector contributes around 7.5 percent to the country's GDP, employing approximately 30 325 people (South Africa Info 2010). However, of late, the severe impact of the global financial and economic crisis and the resultant sharply lower demand in South Africa's major export markets, is reflected in the substantial decline in the industry's new vehicle export sales which, during the first nine months of 2009, fell by 45 percent in aggregate volume terms compared to the corresponding period in 2008 (Vermeulen 2010). Nevertheless, the South African government greatly considers the industry as a key growth sector. Research in such an environment is therefore indispensable; hence, the conceptual framework of this study might serve as a fountain of best practice insights. This will provide managers in motor dealerships with viable and sound suggestions for enhancing their service delivery, customer value, customer satisfaction, customer loyalty and ultimately through customer retention by means of an efficient system of managing customer relationships.

The automotive industry was found to be an appropriate test market because product parity and dwindling levels of preoccupation with prestige (and the associated increase in price elasticity) can be identified, rendering traditional strategies inadequate (Cornette & Pontier 2002). Alternatively, there are also extremely expensive sales structures due to motor dealerships that hold key positions and determine the upstream functions of the industry (Landmann, Wolters, Bernhardt & Harsten 2001). Therefore, in the automotive sector effective Customer Relationship Management can significantly lead to immeasurable competitive advantage (Starkey, Williams & Stone 2002), especially for motor dealership service providers, since they are close contact points with end-customers. More emphasis should therefore be placed on dealer evaluation by using qualitative measurement standards (service delivery, customer value, customer satisfaction, customer loyalty, customer retention, among other things), and they should be rewarded accordingly (Jackson 1997). Motor dealerships should be aware that by reinforcing the continuity of relationships

through enhancing CRM performance, the service quality, customer satisfaction, customer satisfaction and customer loyalty significantly impact repurchase intentions and profits in the long run. The following section therefore provides a brief discussion on Customer Relationship Management and how its performance was assessed.

Service quality

Service quality is a multidimensional concept that has aroused considerable interest and debate in the research literature (Wisniewski 2001). According to Zeithaml, Bitner & Gremler (2006), service quality refers to the degree and direction between customer expectations and perceptions. On the one hand, service quality has also been described as a global judgment or attitude relating to the overall superiority of the service (Kaul 2007). In addition, in their seminal definition of service quality, Parasuraman, Zeithaml & Berry (1985) described it as the difference between the expectations that the customers have in relation to the performance of the service and the perceptions of the received service. The delivery of a quality service is considered an essential strategy for success and survival in today's competitive environment (Parasuraman et al 1985; Chowdhary & Prakash 2007). Service quality is being increasingly perceived as a tool to increase the value for the customer, and as a means of positioning in a competitive environment to ensure customer satisfaction, retention and patronage (Kaul 2007).

According to Jordaan and Prinsloo (2004), competition in the service sector in South Africa, as well as globally, is intensifying. Hence, it is becoming more important for service organisations, such as motor dealerships, to differentiate their service products in a meaningful way. More specifically, the South African motor industry is currently under a new wave of intense competition among the manufacturers themselves and the retail outlets (Bradley 2008). There are two main competitive forces which have been deemed significant in the industry (Van der Wal, Pampallis & Bond 2002). The first is the threat of substitute goods or services. This threat is significant in the motor industry, given the large number of motor manufacturers in South Africa, and global competition coupled with the ever-increasing number of motor dealers, most of which are franchise and some stand-alone organisations. Hence, in such an environment protecting existing customers through quality service provision, whilst finding creative ways to meet new demands, will be key to ensure success in this industry (Zeithaml & Bitner 2000). The second significant competitive market force is the threat of potential entrants (Jain 1997). However, this form of competition is not intense in the manufacturing sector, because of governmental regulations and due to the high costs involved with start-up costs, but very intense in the motor dealership services sector. Hence, provision of good service quality can be

used as differentiating weapon in such a background. To assess service quality, the SERVQUAL instrument has been adopted in this study. The SERVQUAL instrument has been the leading method used to measure consumers' perceptions of service quality. The five generic dimensions of service quality are discussed as follows (Zeithaml et al 2006; Parasuraman et al 1985).

- *Tangibles*

This describes the physical facilities, equipment and appearance of personnel. They are used to communicate to the customer a message about the service that can be expected (Berndt 2006). For motor dealership organisations, these include the physical facilities, equipment used, the dress code of the employees, the interior and exterior decor of the showrooms, and the communications material (such as the organisation's website).

- *Reliability*

This entails the ability to perform the service dependably and efficiently as promised. It refers to the extent to which the service provider (the motor dealership) delivers on the promises made to the customer. It also means that the organisation performs the service right the first time, and honours its promises. If a motor vehicle customer brings a car to a dealer for a repair service, and if the dealer promises the customer that the motor vehicle will be ready in 24 hours, the customer expects the repair service done and the car ready and error-free upon his return.

- *Responsiveness*

Refers to the willingness of the staff to help customers and provide the requested service promptly. Berndt (2006) stipulated that in the case of a motor dealership, responsiveness refers to the changes that have been observed in service hours from just being weekdays to include weekend and night services, due to the changes in the needs of customers. In addition, responsiveness might involve a case when a customer calls in to lodge a complaint and the dealer providing prompt feedback or fast solutions. This dimension of service quality is now enhanced by the presence of internet technology. For example, services such as purchasing a motor vehicle, or purchasing a motor vehicle insurance policy are now done at the convenience of the customer on the motor dealership's website.

- *Assurance*

This refers to the knowledge and courtesy of employees and their ability to inspire trust and confidence. In essence, it comprises the degree of confidence and trust that the dealership is able to engender in the customer, based on the interactions between the parties (Zeithaml et al 2006). It is this information about the motor dealership's services that is necessary to produce faith, trust and reassurance. Such information includes communicating associated risks, contacting the customer when extra repairs are needed or when the repair becomes more expensive or supplying the customer with the name of the mechanic who repaired his/her car.

- *Empathy*

This explains the caring and individualised attention that the motor dealership provides to its customers, including access, communication, and understanding the customer. According to Zeithaml et al (2006), empathy encompasses the manner in which the customer is treated, making the latter feel important to the organisation, and ensuring that his needs are important to the organisation. The frontline employees need to pay full attention to each customer individually so that they will be able to understand the specific needs of each customer. Failure to do this can result in a motor dealership ending up delivering a 'candy-white' colour vehicle, rather than a 'reflex silver metallic' colour.

Based on these dimensions of service quality, motor dealerships must provide services that yield highly satisfied and loyal customers in order to survive in extremely competitive markets. When customers are satisfied, they are likely to return to the motor dealership that helped them with quality services, while dissatisfied customers are likely to switch dealers or spread negative word-of-mouth. The retention of loyal customers is fundamental to organisational survival, because it increases customer profitability (Gilbert 2000). However, to attain sustained high levels of customer support requires internal systems that are aligned to serve the external customer with value added and high quality services (Gilbert 2000). Parasuraman et al (1985) found that a positive and significant relationship exists between customers' perceptions of service quality and their willingness to recommend the company. In support, Shamdasani, Mukherjee and Malhotra (2008) further substantiated that there is a positive correlation between service quality and behavioural intentions, such as repurchase intentions and willingness to recommend. This summarises the importance of service quality in enhancing customer retention for motor dealerships.

Hence, it is against this background that this study proposed the following proposition (refer to figure 1):

P₁: The higher the perceptions of service quality, the greater the level of repeat sales for motor vehicle dealerships in the South African motor industry.

Customer Satisfaction

Customer satisfaction has been described as a cognitive or affective reaction that results in response to a once-off or multiple set of service experiences (Hu, Kandampully & Juwaheer 2009). In addition, McDougall and Levesque (2000) viewed customer satisfaction as the overall assessment of the service provider, while future intentions are the stated likelihood that the customer will return to the same service provider. Firstly, it is important to differentiate between customer satisfaction and service quality, and a number of studies seem to agree on the distinction of the two constructs. Anderson et al. (1994) suggested that customer satisfaction implies a post-consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of an organisation's system of service delivery. Also, Hurley and Estelami (1998) argued that satisfaction and service quality are two distinct constructs that possess a causal relationship in which perceptions of service quality affect the feelings of satisfaction, which eventually influences purchase behaviour.

The extant literature also supported the positive correlation between customer satisfaction and customer retention (Bolton, Kannan & Bramlett 2000). The underlying argument is that customers tend to maximise the subjective value they receive from a particular supplier (Oliver & Winer 1987), and this depends on the customer's satisfaction level, among other things (Verhoef 2003). As a result, customers who are more satisfied, are highly likely to remain customers for the same motor dealership. Berne, Mugica & Yague (2001) found that it is an important task for managers to understand and measure the effect of satisfaction on customer retention. One approach suggested by Reichheld and Sasser (1990) is to invest in customer satisfaction until the costs of avoiding customer defections exceed customer value. Satisfied customers are more likely to come back to make additional purchases and to say good things to their friends and family members about the organisation and its products. Eggert and Ulaga (2002) also consented that customer satisfaction is a strong predictor for behavioural variables such as customer retention. In particular, the existing literature emphasised the importance, of customer satisfaction and loyalty to the organisation's long-term survival and growth, and most importantly, the impact on customer retention and the firm's performance

(Eshghi, Haughton & Topi 2007). Based on these premises, this study proposed the following proposition (refer to figure 1):

P₂: Customer satisfaction positively influences customer retention for motor vehicle dealerships in the South African motor industry.

Customer Loyalty

Customer loyalty describes behaviour or a disposition to behave positively toward a service provider (Lam, Shankar, Erramilli & Murphy 2004). The marketing literature suggested that customer loyalty can be explained as a bi-dimensional construct, thus both behavioural and attitudinal (Lin & Wang 2006). The attitudinal dimension describes various feelings that an individual customer creates on the overall attachment to a product, service, or organisation (Bandyopadhyay & Martell 2007). The behavioural definition of loyalty however includes the continual purchase of services or products from the same supplier (Bandyopadhyay & Martell 2007). In this light, it is important to note that this current study adopted only the attitudinal dimension of loyalty, and adapted customer retention as a behavioural construct which measures the repurchase intention of customers. In other words, the present study supported the body of literature that argued that the attitudinal dimension determines the behavioural outcomes of loyalty, that is, repurchase behaviour (Bandyopadhyay & Martell 2007; Anderson & Srinivasan 2003). Therefore, customer retention and customer loyalty have been evaluated using two different concepts, that is, behavioural loyalty and attitudinal loyalty respectively (Berne et al 2001; Cronin et al 2000). From an attitudinal perspective, customer loyalty is viewed as a specific desire to continue a relationship with a service provider, while behavioral loyalty defines loyalty as repeat patronage (Sirdeshmukh, Singh & Barry 2002). Customer loyalty has been identified as a key ingredient of a company's profitability due to the high cost of acquiring new customers (Anderson & Srinivasan 2003). Thus, if customers are satisfied by the services and products offered by motor dealerships, they are delighted and become loyal, if they are loyal it implies low churn rates and high customer retention rates which will help boost the dealerships' profits. In line with this background, this study proposed the following proposition (refer to figure 1):

P₃: Customer loyalty positively influences customer retention for motor vehicle dealerships in the South African motor industry.

Customer Value

Customer value has been regarded as a strategic weapon in attracting and retaining customers, and it has contributed significantly to the success of service providers (Wang et al 2004; Zeithaml et al 2006). By offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices, motor dealerships gain competitive advantage over their competitors (Kotler & Armstrong 2005:209). In addition, superior customer value has been associated with customer satisfaction and satisfied customers are more likely to repurchase the products/services (Eggert & Ulaga 2002). Vantrappen (1992) stated that "... value creation for the customer means that the firm meets the customer's quality, delivery and cost expectations." Therefore, motor dealerships that provide superior customer value are able to build customer retention. Customer value is created when the customer perceives that the benefit of consuming products/services exceeds sacrifices (Slater & Narver 1994). Therefore, it can be argued that if the customer perceives that the product/service benefits exceed sacrifices, value is created and the probability that the customer will repurchase the product/service is high. Hence, this research study proposed the following proposition (refer to figure 1):

P₄: Customer value positively influences customer retention for motor vehicle dealerships in the South African motor industry.

The Mediating Role of Customer Relationship Management

According to Egan (2008), CRM is a continuous performance initiative designed to increase the organisation's knowledge of its customers to support access across all communication channels and to cut costs. Furthermore, Drummond and Ensor (2005) stated that CRM is a process that offers a single coherent point of customer contact, often technology-based, aiming to develop a continuous relationship with individual customers. Zikmund, McLeod & Gilbert (2003) argued that the main purposes of a CRM system are to enhance customer service, improve customer satisfaction, and ensure customer retention by aligning business processes with technological integration. Reinartz and Kumar (2006) added that a good CRM strategy will allow a business to acquire customers, service the customer, increase the value of the customer to the organisation, retain good customers and determine which customers can be retained or given a higher level of service. In summary, Chen and Chen (2004) provided a list of both tangible and intangible benefits of CRM as shown in Table 1.

Table 1: Tangible and intangible Customer Relationship Management benefits

Tangible benefits	Intangible benefits
Increased revenues and profitability	Increased customer satisfaction
Quicker turnaround time	Positive word-of-mouth
Reduced internal costs	Improved customer service
Higher employee productivity	Streamlined business processes
Reduced marketing costs	Closer contact management
Higher customer retention rates	Increased depth and effectiveness of customer segmentation
Protected marketing investment with maximised returns	Acute targeting and profiling of customers
	Better understanding/addressing of customer requirements

Source: Adapted from Chen & Chen (2004:338)

Primarily, the study at hand conceptualises the mediating role of Customer Relationship Management (CRM) performance on the link between customer retention and its antecedents (service quality, customer satisfaction, value, and loyalty). In support, Wahab and Ali (2009) stated that CRM performance is the success of creating value for customers through organisations with the goal of increasing customer retention, repurchase and word-of-mouth. The consequences of CRM performance have been viewed from two perspectives, being the customer behaviour and the organisation's perspective. From the customer behaviour's perspective, CRM performance can increase customer loyalty, customer satisfaction, customer value and customer retention (Hu et al 2009; Mithas, Krishnan & Fornell 2005). From a corporate view, the objectives of customer satisfaction, customer loyalty and commitment or retention as well as cross-selling are also pursued in order to increase long-term yields and relationships (Anderson et al 1994). CRM initiatives in many organisations have resulted in increased competitiveness through high revenues and low operational costs, and such applications also help organisations to assess customer loyalty and customer profitability on measures such as repeat purchases, dollar spent and longevity (Chen & Popovich 2003). Moreover, the management of customer relationships can effectively and efficiently boost customer satisfaction, customer value and customer retention (Reichheld 1996). However in all these interesting findings, the extant literature does not address the mediating role of CRM performance on behavioural intention outcomes such as customer retention. This study therefore investigated whether the effect of service quality, customer satisfaction, customer loyalty and customer value on customer retention can be indirectly influenced through CRM performance.

Relationship marketing theory and customer equity theory argued that customers' perceptions of the strength of the relationship and customers' evaluations of a supplier's offerings determine customers' behaviour in the relationship (Rust, Zeithaml & Lemon 2000; Garbarino & Johnson 1999). The fundamental principles upon which relationship marketing is based are mutual value creation, trust, and commitment (Morgan & Hunt 1994). That is, the greater the level of customer satisfaction with the relationship, the greater the likelihood that customers will be loyal to the company providing the service or the product (Caceres & Paparoidamis 2005). The research at hand proposed that the stronger the presence of relationship building or maintenance initiatives, the higher the impact levels of service quality, customer satisfaction, value and loyalty on retention of customers. Furthermore, customers will be willing to stay where better quality services are offered, and are also prepared to pay a premium price for the organisation's services. This in turn will eventually increase the motor dealership's customer retention levels.

The evaluation of CRM performance has been discussed from different angles. One stream of research examined the performance of CRM on the basis of models of customer behaviours such as repurchase, retention, cross buying and word-of-mouth (Wang et al 2004), customer equity and relationship quality (Blattberg, Getz & Thomas 2001; Rust et al 2000). From existing literature, it is apparent that many empirical studies examined the direct effects on customer retention of either commitment, relationship satisfaction (Gustafsson, Johnson & Roos 2005; Verhoef 2003), or trust (Gounaris 2005; Sirdeshmukh et al 2002). It is against this background that this study follows the evaluation of CRM performance as a composite construct that constitutes trust, commitment and relationship satisfaction. Existing literature also commended that relational constructs such as trust, commitment and relationship satisfaction are potential mediators of the effects of service evaluations on customer patronage behaviours (Garbarino & Johnson 1999; Morgan & Hunt 1994). A discussion of each relational variable based on the compelling literature is as follows:

- *Trust*

Trust is an essential ingredient for successful long-term relationships (Morgan & Hunt 1994). It allows partners in a relationship to help preserve the relationship, avoid alternative relationship with other partners, and reduce perceptions of risk. Trust has been viewed as a key driver of successful and long-term relationships in consumer markets, and a critical success factor in viable relationships in services marketing (Morgan & Hunt 1994; Dwyer, Schurr & Sejo 1987). According to Morgan and Hunt (1994), trust exists when one party has confidence in the exchange partner's

reliability and integrity. One major source of trust is the satisfaction of customer expectations, and it is reinforced by positive service evaluations and satisfactory consumption experiences which make future exchanges more predictable. Additionally, trust has been found to be directly related to behavioural intentions (Sirdeshmukh et al 2002; Chaudhuri & Holbrook 2001), however limited empirical studies have examined the influence of trust on actual patronage behaviours (Aurier & N'Goala 2009). In line with this literature, trust in this study was operationalised based on trustworthiness, honesty, and credibility dimensions of trust.

- *Commitment*

Similar to trust, commitment is another essential ingredient of viable customer-supplier relationships (Morgan & Hunt 1994, Dwyer et al 1987). According to Garbarino and Johnson (1999) commitment refers to the relative intensity of identification and affiliation with the service provider, and the involvement in the relationship. In other words, commitment is the implicit or explicit pledge of continuity between relationship partners (Egan 2008). Commitment has also been found to be positively related to behavioural intentions, particularly customer retention. For example, Gounaris (2005) found that the greater the customer's (affective) commitment in the relationship, the more the customer is inclined to remain in the relationship. Alternatively, the commitment to building long-term relationships is also demonstrated by the willingness of the parties to invest resources (e.g. assets, time and effort) to strengthen the relationship. Thus, after establishing commitment in the relationship, this should not only lead to a greater propensity to maintain the relationship, but also to invest in the relationship to increase its quality (Gounaris 2005). While trust has been based on an evaluation of the partner's qualities (perceived reliability and integrity), commitment involves a psychological attachment, a concern for the welfare of the organisation. In addition to these two most important factors of successful relationships (Garbarino & Johnson 1999; Morgan & Hunt 1994), the current study also proposed that the evaluation of the relationship based on satisfaction levels is essential in assessing the performance of Customer Relationship Management. Hence, the relationship satisfaction construct was also proposed.

- *Relationship Satisfaction*

Palmatier, Rajiv, Dant & Evans (2006) described relationship satisfaction as the customer's affective or emotional attitude towards a relationship, typically evaluated cumulatively over the history of the exchange. Relationship satisfaction summarises the customer's previous interactions with the motor dealership, which in turn

influence expectations of future relationship development (Roberts & Berger 2003). Positive interactions lead to long-term continuation of the relationship, thus emphasising that relationship satisfaction is essential to the improvement of relationship performance. Other researchers have found that coordination and effective communication between exchange partners produce partners' perception that both individual and mutual objectives may be reached and problems can be solved more easily. Parties are therefore more satisfied (Anderson & Narus 1990). As solidarity is developed and the relationship is maintained over time, exchange partners do not look for alternative partners and achieve satisfaction with the relationship (Dwyer et al 1987). Additionally, relationship satisfaction has been identified as outcome variable of trust and commitment. For instance, Jap and Ganesan (2000) stated that the greater the commitment and trust between partners, the more easily both parties of the relationship will be able to reach their mutual objectives, and thereby, achieve satisfaction with the relationship. Relationship satisfaction reflects exclusively the customer's satisfaction with the relationship and differs from the customer's satisfaction with the overall exchange (Palmatier et al 2006). Following this background, relationship satisfaction in the current study has been differentiated from overall satisfaction; hence the construct was operationalised, based solely on satisfaction with the relationship, and not overall satisfaction.

It is against this background that this study strongly commended that a holistic approach of the above-proposed relational mediator constructs is necessary to accurately examine CRM performance. In addition, another school of thought suggested that the global construct of relationship quality (herein, CRM performance), as reflected by a combination of commitment, trust, and relationship satisfaction, offers the best assessment of relationship strengths and provides the most insight into exchange performance (Kristof, Odekerken-Schröder & Iacobucci 2001). Hence, this study argues that the role of CRM performance mediates the relationship between the independent variables (service quality, customer satisfaction, customer loyalty and customer value) and customer retention. The following proposition was advanced (refer to figure 1):

P₅: CRM performance strongly mediates the effect of independent variables (service quality, customer satisfaction, customer loyalty and customer value) on customer retention (dependent variable) for motor dealerships in the South African motor industry.

Customer Retention

Customer retention is generally concerned with maintaining the business relationship established between a service provider and a customer (Gerpott, Rams & Schindler 2001). Such a relationship can be identified and performed firstly by the customer making subsequent purchases, or by extending the customer's contract with the service provider over a specified period of time. Secondly, it is done by the intention of the customer to make future purchases from the same provider, or to refrain from quitting the contract (Gerpott et al 2001). Customer retention has also been expressed in terms of post-purchase intention (Wang et al 2004), which is the tendency that customers will purchase the goods and services at the same shop, and deliver their use experiences to relatives and friends through word-of-mouth. In addition, Hellier, Geursen, Carr & Rickard (2003) stated that repurchase intention is the process of an individual purchasing goods and services from the same firm and the reason for continuing purchases, is based on positive past purchase experiences. Therefore, this means good service quality, increased customer satisfaction, high customer value and increased levels of customer loyalty are necessary to induce post-purchase behaviour (Lee & Lin 2005; Alexandris, Dimitriadis & Markata 2002; Cronin & Taylor 1992).

In comparison to attracting new customers, organisations can spend less on marketing by retaining old customers (Kotler & Armstrong 2005). Hence, organisations usually invest large amounts of money only to understand and influence customers in order to retain them and encourage them to spend more and make repeat purchases (Coyles & Gokey 2005). However, to influence what customers spend their money on, motor dealerships must explore deeper than merely finding out whether they like the product or service on offer. The management of customer migration by focusing not only on defections, but also on smaller changes in customer spending and customer services, can have as much as ten times more value than preventing defections *per se* (Coyles & Gokey 2005). In other words, there is a need for examining the underlying factors that shape customers' attitudes and consuming behaviour, and these include their levels of satisfaction, perceived value, their assessment of service quality, and their attitudinal dimension of loyalty. In summary, the advantages of customer retention have been overemphasised in the literature. For example, Ramakrishnan (2006) stated that the statistical evidence of benefits of customer retention shows that acquiring new customers can cost five times more than satisfying and retaining current customers. In addition, a 2 percent increase in customer retention has the same effect on profits as cutting costs by 10 percent. Finally, the average organisation loses 10 percent of

its customers each year and a 5 percent reduction in customer defection rate can increase profits by 25 to 125 percent, depending on the industry.

Customer Relationship Management performance and customer retention

Motor dealerships must be capable of maintaining a good relationship with its customers to ensure their long-term competitive advantages, and dealerships need to be customer-oriented which is crucial for maintenance of such relationships (Lin 2007). Frequent and prolonged service experiences do not only upgrade the relationship level between both parties, but will also establish a strong foundation for long-term competitiveness (Day 2002). Literature on relationship marketing and customer equity suggested that customers' perceptions of the intrinsic quality of the relationship (i.e. the strength of the relationship) and customers' evaluations of a supplier's offerings, determine customers' behaviour in the relationship (Rust et al 2000; Garbarino & Johnson 1999). Managing customer retention alone has been considered insufficient to develop revenues, margins and profits (Reinartz & Kumar 2006). In essence, service organisations' profitability depends particularly on their ability to get current customers to increase their service usage and buy additional products (cross-buying) (Kamakura et al 2003). One way to convert transactional interactions into long-term collaborative partnerships, can be engineered through CRM. Many CRM activities aim to deepen and broaden current customer relationships, in order to improve financial performance and augment their customer equity (Jain, Jain, & Dhar 2003). Successful implementation of CRM renders immense benefits to the organisation through increased sales, market share profitability, customer satisfaction and reduced customer turnover (customer retention), costs of services and time (Jain et al 2003). In addition, Osarenkhoe and Bennani (2007:146) stated that CRM aims at lowering costs by keeping existing customers rather than acquiring new ones, thereby, the use of terms such as retention, loyalty and defection. Similarly, Gruen, Thomas, Summers & Acito (2001) reported that interpersonal relationships between buyers and suppliers serve as switching barriers and prevent customer defection. Hence, this study proposed the following proposition (refer to figure 1):

P₆: CRM performance is positively related to customer retention for motor dealerships in the South African motor industry.

The literature review discussed above and the associated propositions were necessary to provide direction towards the research implications, research limitations and areas for future research discussed below.

RESEARCH IMPLICATIONS

For motor dealerships in the South African motor industry, customer relationship managers benefit from a thorough understanding of the various factors that drive retention. The customer satisfaction and relationship marketing literature only suggests three predictors of retention, namely overall customer satisfaction, affective commitment, and calculative commitment (Egan 2008). From the analysis in this study, it is evident that service quality, customer loyalty, customer value, and customer satisfaction, are important drivers of customer retention. It is also important for motor dealership managers to know that the usage of relationship marketing strategies, particularly CRM, is fundamental in obtaining the desired results of retaining more customers, let alone getting more profitable customers and using the existing customers as advocates for acquiring new customers and spreading the positive word of the organisation. This research also seeks to advise motor dealerships managers, especially brand managers, with insights on how consumer beliefs and brand attitudes or services influence customers' subsequent purchasing behaviour. Thus, an in-depth investigation into the attitude of customers will also help motor dealership managers to identify why and for what reasons customers buy their products/services, as well as those of competitors', and also help them determine the strengths and weakness of their products or services. By doing so, managers will be equipped with best practices that yield more positive attitude from customers, which ultimately enhances repeat purchase behaviour.

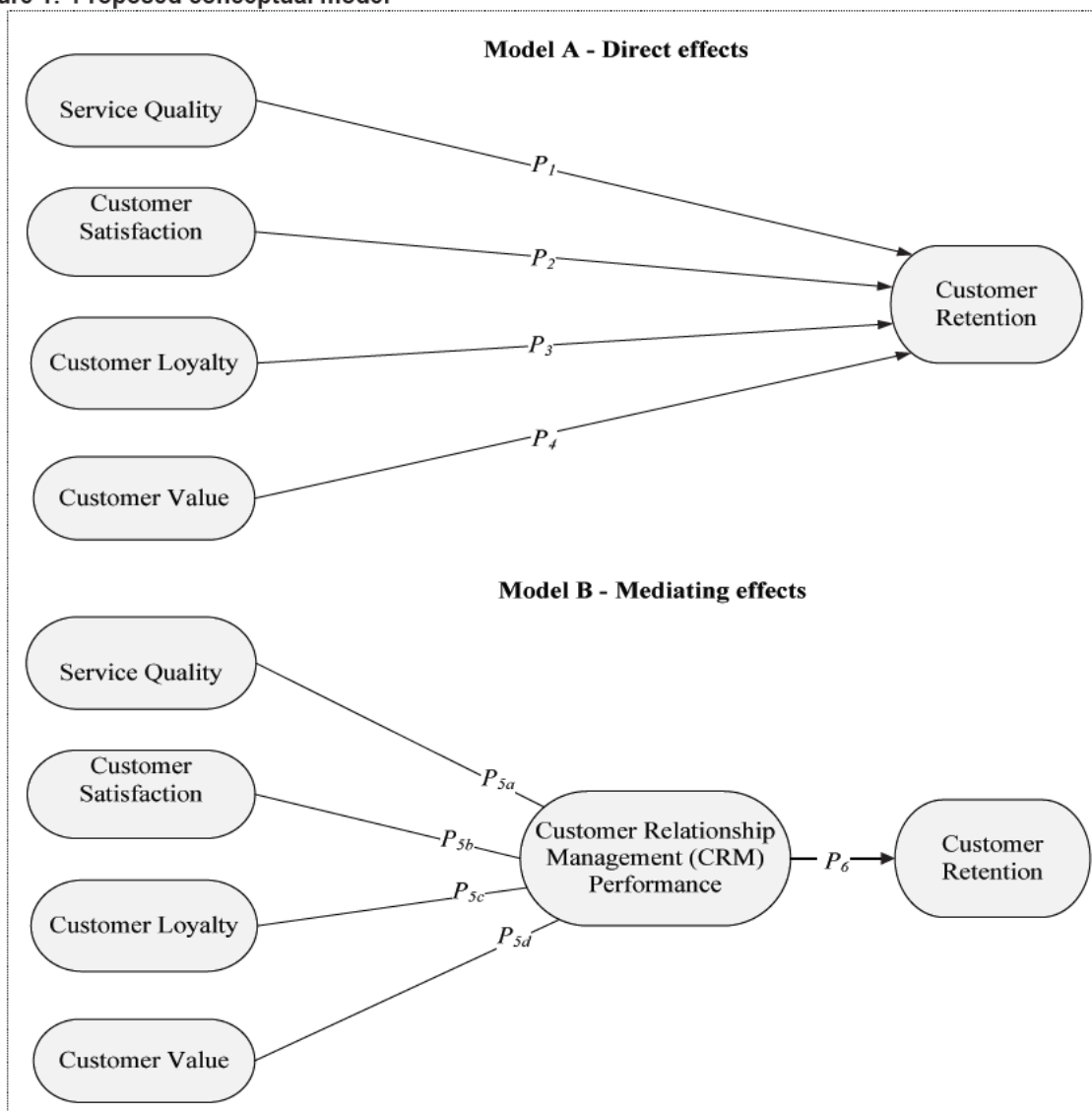
Another strategy available for motor dealership managers is the provision of tailor-made products with individual modifications, such as highly individualised auxiliary services, which is also important to reduce customer defection. Thus, relationship quality also implies motor dealership management take time to recognise the individuality of its customers. Managers' efforts might be rewarded through a careful identification of which customers are prone to stay with a provider and likely to respond to satisfaction improvement efforts. In addition, the service management in motor dealerships should be aware that competition increases customers' propensity to seek variety service or product offerings. In their customer retention efforts they should pay more attention to the ways of lessening the variety-seeking syndrome, and this can be achieved by increasing their one-on-one interactions with customers.

Finally, managers of motor dealerships must understand that managing customer retention in isolation will not generate maximum revenues, margins and profits. In other words, motor service dealerships' profitability depends particularly on their ability to get existing customers to increase their service usage and buy additional products and/or services (cross-buying). In order to accomplish this, relationship

managers must strive towards converting transactional interactions into long-term collaborative partnerships through CRM activities. Thus, trust, commitment and relationship satisfaction are important value drivers for customer retention for motor dealerships in the South African motor industry. In summary, motor dealerships should be aware that by reinforcing the continuity of relationships as revealed by trust, commitment and relationship satisfaction (performance measures of CRM), service quality, customer satisfaction, customer value and customer loyalty, it can have a significant impact on repurchase intentions and profit maximisation in the long term.

Therefore, the following conceptual model is proposed:

Figure 1: Proposed conceptual model



Source: Developed for this study

RESEARCH LIMITATIONS AND AREAS FOR FUTURE RESEARCH

It is important to note that the major limitation of this article is that the proposed constructs and propositions have been reviewed from literature, and are yet to be tested empirically. Secondly, the economy, geographical location and cultural make-up of the South African region must be taken into consideration when interpreting these results. Replication studies of this research into other regions beyond South Africa are recommended. Relationship management is almost certainly exercised within a culture-specific framework (Gounaris 2005). The influence of trust, commitment and relationship satisfaction, which refer to social aspects of the exchange, may have greater or minor influence on customer patronage behaviours, depending on the country or organisation. Finally, the lack of empirical studies of customer evaluation metrics in the South African motor industry, with the exception of studies by Adele Berndt (2006), ensured that the majority of conclusions for this article were based on compelling studies from other industries, contexts and studies conducted outside the borders of South Africa. However, this limitation served as a stepping stone for this article to promote empirical investigations of the above-mentioned propositions.

CONCLUSION

The major aim of this study was to provide a conceptualisation of the influence of the independent variables, namely service quality, customer satisfaction, customer loyalty and customer value on customer retention as the dependent variable via Customer Relationship Management (CRM) performance as the mediating variable focusing on motor vehicle dealerships in the South African motor industry. Based on the literature review undertaken above, it can be concluded that the major drivers of customer retention for motor dealerships in the South African motor industry are service quality, customer satisfaction, customer loyalty and customer value. In addition, it was also suggested that CRM performance plays a crucial role in mediating the relationship between retention drivers and customer retention. Therefore, this analysis concluded and proposed a theoretical framework that service quality, customer satisfaction, customer loyalty and customer value have the greatest influence on customer retention (indirectly through CRM performance) for motor dealerships.

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